
ANNUAL COMPREHENSIVE FINANCIAL REPORT

**For the Fiscal Years Ended June 30,
2024 and June 30, 2023**

**CALIFORNIA
HEALTH BENEFIT
EXCHANGE -
COVERED
CALIFORNIA –
SACRAMENTO CA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Fiscal Years Ended
June 30, 2024 and June 30, 2023



CALIFORNIA HEALTH BENEFIT EXCHANGE - COVERED CALIFORNIA

An Independent Entity of the State of California
1601 Exposition Blvd, Sacramento, CA 95815

<https://hbex.coveredca.com/>

Prepared by:
Financial Management Division
Jim Watkins, CPA, MPPA
Chief Financial Officer

Table of Contents

	PAGE
I. INTRODUCTORY SECTION	
Letter of Transmittal	4
Organizational Chart.....	14
Governing Board Members	15
II. FINANCIAL SECTION	
Independent Auditor's Report	17
Management's Discussion and Analysis	20
Basic Financial Statements	
Statements of Net Position	42
Statements of Revenues, Expenses, and Changes in Net Position	44
Statement of Cash Flows	45
Notes to the Basic Financial Statements.....	47
Required Supplementary Information	
Schedule of Covered California's Proportionate Share of the Net Pension Liability	95
Schedule of Plan Contributions - Pension	96
Schedule of Covered California's Proportionate Share of the Net OPEB Liability	96
Schedule of Plan Contributions – OPEB	97
III. STATISTICAL SECTION	
Stat. Table 1: Governmental Fund Balance and Change in Fund Balance of Governmental Funds: California Health Trust Fund 3175 Balance (using the Modified Accrual and Current Resource Method of Accounting).....	99
Stat. Table 2: Net Position by Component.....	100
Stat. Table 3: Changes in Net Position	100
Stat. Table 4: Covered California Authorized Positions by Fiscal Year	101
Stat. Table 5: Operating Income (Loss).....	101
Stat. Table 6: 10-Year Historical Operating and Capital Expenses	102
Stat. Table 7: Operating Revenue, by Type, by Fiscal Year	103
Stat. Table 8: 12-Year Covered California Historical Participation Fee Rate	103
Stat. Table 9: Individual Market Effectuated Enrollment by Month, Total FY Member Months and Average Monthly Enrollment	105

Table of Contents (Continued)

III. STATISTICAL SECTION (Continued)

Stat. Table 10: California's Uninsured ¹ Rates	106
Stat. Table 11: Individual Medical Plan Effectuated Enrollment, Distribution by Income as Percent of the Federal Poverty Level (FPL) During FY 2023-24.....	107
Stat. Table 12: Effectuated Enrollment by Race	107
Stat. Table 13: Individual Medical Plan Effectuated Enrollment, Distribution by Metal Tier During FY 2023-24	108
Stat. Table 14: Individual Medical Plan Effectuated Enrollment, Distribution by Metal Tier During FY 2023-24	109
Stat. Table 15: Individual Medical Plan Enrollment, Distribution by Carrier During FY 2023-24	110
Stat. Table 16: California's Unemployment Rate Statistics by Year	111
Stat. Table 17: Civilian Labor Force	112
Stat. Table 18: Civilian Labor Force Employed	113

INTRODUCTORY SECTION - UNAUDITED



May 21, 2025

LETTER OF TRANSMITTAL

To the Members of the Covered California Board and Citizens of the State of California:

Covered California is pleased to provide this Annual Comprehensive Financial Report (ACFR) for the Fiscal Years ending June 30, 2024, and June 30, 2023. Covered California's Financial Management Division prepared this ACFR to present an overview of Covered California and its financial position.

The ACFR presents Covered California's financial activities as a single enterprise fund. This report complies with the standards set by the Government Finance Officers Association of the United States and Canada (GFOA). By following similar information and standards, government organizations that publish these reports can effectively compare their financial activities.

Covered California's financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and audited by a firm of independent certified public accountants retained by Covered California. These financial statements are prepared using the economic resource focus and accrual basis of accounting.

Macias Gini & O'Connell LLP, Certified Public Accountants, were retained by Covered California to serve as its independent auditor and has issued an unmodified (clean) opinion on Covered California's financial statements for the years ended June 30, 2024,

and 2023. The independent auditor's report is located at the front of the Financial Section of this report.

Management Responsibility

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control established for this purpose. To the best of our knowledge, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position, the results of operations, and the cash flows of Covered California.

Covered California's management is responsible for establishing and maintaining an internal control structure designed to ensure that the organization's assets are adequately safeguarded against loss, theft, or misuse and to maintain accurate and reliable financial records for the preparation of financial statements and the representations made by management. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

GAAP requires management to include a narrative introduction, overview, and analysis alongside the basic financial statements. This narrative is presented in the form of Management's Discussion and Analysis (MD&A). The following letter of transmittal is intended to supplement the MD&A and should be read together with it. The MD&A can be found immediately after the independent auditor's report.

Profile of Covered California

Under the Federal Patient Protection and Affordable Care Act (ACA) signed into law in March 2010, states were required to either create a state-based health insurance exchange or participate in the federal multistate health insurance exchange. The State of California elected to establish a state-based health insurance exchange. Covered California was established on September 30, 2010, with the passage of Assembly Bill 1602, as an independent public entity not affiliated with an agency or department.

Covered California is the state's health insurance marketplace, enabling individuals and small businesses to access affordable health insurance plans. As a self-sustaining entity, Covered California's operations are funded through participation fees assessed on health insurance plans offered through the marketplace. Covered California receives no State General Fund appropriation to finance operations.

Covered California's mission is to increase the number of insured Californians, improve health care quality, lower costs, and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value.

Covered California is governed by a five-member Board of Directors appointed by the Governor and the Legislature. The Governor appoints two members of the board: one by the Senate Rules Committee and one by the Speaker of the Assembly. The Secretary of the Health and Human Services Agency or another designee serves as an ex-officio voting member of the Board. Appointed members serve four-year terms.

Board members have the responsibility and duty to comply with all applicable state and federal laws and regulations, serve the public interest of individuals and small businesses seeking health care coverage through Covered California, and ensure Covered California's operational well-being and fiscal solvency.

Budget Process and Control

The California Government Code requires Covered California to create an annual budget. Covered California's budget must contain itemized statements for recommended expenditures and estimated revenues. The itemized expenditures, or budget line-items, are arrayed by division and cost center. There are presently 19 divisions and one cost center for capital investments. Revenues are categorized by operating and non-operating. Operating revenue includes individual market participation fee revenue and Covered California for Small Business (CCSB) participation fee revenue. Non-Operating revenue consists primarily of interest income from state surplus money investments of excess working capital. The annual budget is prepared using the current resources focus and modified accrual basis of accounting. The budget is based on forecasted enrollment, premiums, program proposals, and approved budgetary action plans.

The Chief Financial Officer, as the executive director's chief financial advisor, issues instructions and directs the preparation of the Executive Director's Budget. This includes issuing Covered California Budget Letters (CCBL). The primary method utilized to prepare the budget is incremental budgeting for support budgets and zero-based budgeting for capital outlay appropriations. Incremental budgeting uses current department/program levels of funding as a base amount to be adjusted by budget change proposals (BCPs).

Operating revenues are a function of enrollment, on-exchange average carrier premiums charged to consumers, and the participation fee rate. Covered California projects

enrollment and average carrier premiums for the current budget year and five additional fiscal years.

The Executive Director annually presents the Covered California proposed budget at a Board meeting in May. In June of each year preceding the start of the budget year, the Board votes to adopt Covered California's annual spending plan. The Five-member Board, through a Board resolution, appropriates division level budgets and establishes an overall aggregate budget appropriation for Covered California. An appropriation represents authorization from a specific fund to make expenditures/incur obligations for a specified purpose and period. The Covered California Board establishes:

- The budget year appropriation for Covered California,
- The participation fee rate for the individual market for the next coverage year,
- The participation fee rate for the CCSB program for the next coverage year, and
- That the Executive Director may adjust budget line items as priorities change through the budget cycle, assuming that such changes do not result in additional expenditures above the Board approved appropriation.

If additional expenditure authority is required during a budget year following the approval and adoption of the budget, the Executive Director must request a budget augmentation to secure additional budget appropriation from the Board.

The approved budget is monitored monthly throughout the fiscal year, including quarterly reporting comparing actual and budgeted expenditures. Encumbrance accounting is utilized to prevent overspending of Covered California's appropriation or spending authority. Encumbrances are obligations of all or part of an appropriation. Outstanding encumbrances are the recognition of commitments related to unfulfilled purchase orders or outstanding contracts, which will subsequently be recognized as expenditures when goods and services are received. A mid-year budget review is performed to evaluate current-year encumbrances and consider any modifications for the remainder of the fiscal year.

Internal Controls

An internal control structure has been designed to ensure that assets are protected from loss, theft, or misuse, and to ensure that the accounting system allows for the compilation of accurate and timely financial information. The internal controls are designed to provide reasonable assurance that these objectives are met. Because the cost of internal control

should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

No matter how well internal controls are designed and operated, they can only provide reasonable assurance that the entity will achieve its objective. Absolute assurance of the achievement of an objective cannot be obtained due to the limitations of any control system. The human equation introduces the possibility of mistakes, judgment errors, control overrides, and even collusion. Each of these factors individually or in conjunction can reduce the entity's ability to achieve its goal. Beyond the human equation, mechanical and technical breakdowns can have equal measure in displaying the limitations of internal controls. Finally, unforeseen circumstances and factors can also materialize that require changes to the internal control structure.

To enhance controls, Covered California's management has separated responsibilities and provides approval and oversight for the following functions: personnel and payroll; purchasing and accounts payable; cash receipts and cash disbursements; carrier accounts receivable; asset tracking and asset tagging, and system data processing and system programming. Reviews of operations are achieved by the following procedures:

- *Internal Audits:* Covered California's Internal Audit personnel provide a continuing review of the internal controls and operations.
- *Program Performance Audits:* Covered California is statutorily required to undergo a program performance review by an independent auditor. These program audits are designed to evaluate and identify program weaknesses and may result in corrective action plans.
- *Annual Financial Audit:* Covered California must obtain an independent audit of its financial statements annually. The financial audit considers Covered California's internal controls over financial reporting and notes reportable conditions when identified.

Some of the measures implemented to ensure the integrity of Covered California include:

- Secured facilities and access controls for computer assets,
- Password protection and third-party authentication,
- Having appropriate signature authority to ensure proper authorization of activity,
- Background checks on all Covered California employees,
- Preparing an annual budget,

- Comparing budgeted revenues, expenditures, and enrollment to actual results,
- Formalized training of all agents,
- Covered California requires staff to be trained in the following:
 - Ethics training
 - Annual Security Training
 - Information Security Awareness
 - Annual Privacy Training
 - Integrated Fraud Management Training
 - Workplace Safety Training
 - Basic Safety Training
 - Ethics Trainings for State Officials, and
 - Sexual Harassment Prevention Training for Managers.

Employees

The June 2023 Board approved budget authorized 1,475 permanent positions. In addition, Covered California utilizes contract labor, student assistants, and retired annuitants. Covered California maintains the following locations: Expo, Fresno, and Oakland. The Service Center has the largest number of permanent positions, totaling 804, or 55 percent of all permanent positions.

California's Economy

Covered California operates within the State of California, providing health care coverage options to California residents who meet ACA eligibility criteria. In 2023, California's health care uninsured rate was 6.4% during 2023. Roughly 93% of California residents had some type of health insurance coverage. Private health insurance coverage accounted for 60%, while public coverage, including Medicaid and Medicare accounted for 40%.

California's economy, the largest among the 50 states, accounted for 14.2% of the U.S. Gross Domestic Product (GDP) in 2022 and continued to rank fifth largest in the world (in terms of GDP) at the end of the year. The sectors of California's diverse economy include high technology, trade, entertainment, manufacturing, government, tourism, construction, and services. California's GDP totaled \$3.6 trillion at fiscal year-end, and, as the nation's leader in agriculture production, the State's farming operations generated over \$51.1 billion in cash receipts for the 2021 crop year. In 2022, California exported \$186.2 billion in products; its three largest export markets are Mexico (\$30.8 billion), Canada (\$20.6 billion), and China (\$18.2 billion). California's six largest exports are computer and

electronic products, machinery (except electrical), chemicals, transportation equipment, miscellaneous manufactured commodities, and agricultural products. California enjoys one of the finest and most diverse collections of natural, cultural, and recreational resources in the nation. In 2022, California's travel and tourism industry generated revenues of \$134.4 billion—a 31.7% increase over the previous year, and travel-generated state and local tax revenues of \$11.9 billion—a 21.6% increase over the previous year. The increase was primarily due to continued interest in travel following the restrictions during the COVID-19 pandemic and increased pricing of goods and services due to inflation. Compared to the peak of 2019 before the pandemic, travel spending in 2022 was still down 7.2%, and travel-generated tax revenue was down 3.0%.

Long-Term Financial Planning

Covered California consistently develops its budget to prioritize long-term fiscal sustainability. This is achieved through established financial policies, comprehensive long-term budget planning and forecasting, stress testing, continuous analysis of federal and state policy actions, and assessing the evolving macroeconomic environment.

Both national and state economic conditions can significantly influence enrollment, revenues, and expenditures in Covered California. Deteriorating economic conditions may lead to changes in the labor market, resulting in both inflows and outflows of enrollment into and out of Covered California. Conversely, improving economic conditions and decreasing unemployment rates may result in inflows and outflows as individuals transition between Medi-Cal, Covered California, and employer-sponsored insurance coverage.

Government responses through policy changes can significantly impact enrollment, revenues, and expenditures in the healthcare sector and within Covered California. A recent example occurred during the COVID-19 pandemic when federal policies introduced more generous subsidies that reduced the cost of health coverage on the Health Insurance Marketplace. In response to widespread job loss and economic slowdown, the federal government also expanded eligibility for unemployment insurance and provided funding to help cover employee healthcare costs for employers forced to close their operations. These initiatives changed behaviors, leading some individuals to transition to Covered California, while others chose to remain outside of it due to the generous unemployment benefits and employer subsidies for health premiums associated with pandemic-related closures.

Furthermore, inflationary pressures can lead consumers to forgo healthcare coverage as they prioritize other essential needs. During the recent pandemic and economic downturn,

federal policies that enhanced tax credits for the exchange helped alleviate some of these inflationary challenges by significantly lowering out-of-pocket costs for health care coverage.

Covered California conducts an annual rate study and fiscal sustainability report during each budget cycle. This report analyzes the participation fee rate that Covered California uses to generate operating revenue. The revenue from the participation fee comes from several factors, including enrollment numbers, premiums charged to consumers who purchase coverage through the Covered California exchange, and the participation fee rate itself. Expenditures primarily consist of personnel costs and other operational expenses for the eighteen divisions.

Covered California projects enrollment, revenues, and expenditures for the current budget year and forecasts for an additional three years. Each budget cycle, Covered California also examines various scenarios to stress-test fiscal sustainability. These tests provide decision-makers with crucial information about how decisions made in the current budget period will affect future periods.

Major Activities

During the fiscal year 2023-24, approximately 2.4 million Californians, or about six percent of the state's population, were enrolled for at least one month with a participating individual market carrier through Covered California. The average monthly enrollment in the individual market reached 1.7 million during this fiscal year, marking the highest average monthly enrollment since the program's inception. Additionally, Covered California for Small Business (CCSB) provided healthcare coverage to around 8,900 small business employer groups, benefitting 76,783 employees and their dependents.

Fiscal Year 2023-24 marked a significant transition period as pandemic-related support programs began to be phased out. Notably, the Medi-Cal unwind started in June 2023, leading to disenrollments from Medi-Cal in July 2023. This situation prompted many individuals who lost their Medi-Cal coverage to seek alternative healthcare options through Covered California. During FY 2023-24, approximately 156,000 individuals transitioned from Medi-Cal to Covered California after losing their eligibility.

In anticipation of the increased enrollment and the need for enhanced outreach efforts, Covered California augmented its budget for fiscal year 2023-24 by \$23.7 million. These additional funds were allocated to ensure that individuals leaving Medi-Cal could easily transition to Covered California and receive the necessary information and support to help them maintain their healthcare coverage.

During the fiscal year and throughout the Medi-Cal unwinding period, Covered California implemented several initiatives to assist individuals transitioning from Medi-Cal and other forms of healthcare coverage. Covered California provided tailored information for those transitioning from Medi-Cal at various events across the state. A total of 93 media placements were made, reaching an estimated 44.7 million people, including 28 placements in Spanish-language media. Consumers made 28.8 million visits to the Covered California website seeking information, with 566,564 visits specifically related to the Medi-Cal unwind.

In collaboration with the California Department of Health Care Services (DHCS), Covered California launched a dedicated advertising campaign aimed at consumers transitioning off Medi-Cal. Covered California utilized consumer lists from other state departments to contact individuals who had terminated their Medi-Cal or private health insurance coverage, those who had incurred a tax penalty, or individuals who had filed for an exemption. Additionally, several strategic research projects were conducted to gain insights into members, uninsured consumers, and specialized populations, allowing for the development of more focused and targeted communications and messaging.

During the fiscal year 2023-24, Covered California experienced a significant cybersecurity incident that impacted the technological infrastructure of its service center. Importantly, this incident did not affect enrollment partners or the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), which allowed consumer enrollment capabilities to continue without interruption. The issue was first reported by the service center's technology provider during the open enrollment period, resulting in a complete disconnection from their data centers on January 26, 2024. Fortunately, there was no evidence of data theft during this disruption.

In response to the incident, Covered California terminated its relationship with the compromised technology provider and directed consumers to the Help on Demand Queue through website banners. After reviewing interim solutions, Covered California decided to implement a new solution: AWS Connect. This solution was approved by the Centers for Medicare and Medicaid Services (CMS) and was hosted in the secure CalHEERS AWS environment. It became operational on January 28, 2024, with staff training taking place the following day. The service center resumed operations on January 29, 2024, effectively managing unprecedented call volumes for the remainder of the open enrollment period.


Covered California launched the California Enhanced Cost-Sharing Reduction Program for the fiscal year 2023-24. This program ran from January 2024 through December 2024 and provided roughly \$82.5 million in state general funding for financial assistance.

Additionally, Covered California created and managed a Strike Lockout Benefit Program, which allocated \$2 million to support healthcare coverage for workers on strike. These programs were funded by the State of California Health Care Affordability Reserve Fund, which is distinct from Covered California's operational fund (California Health Trust Fund) and is not included in these financial statements.

Acknowledgments

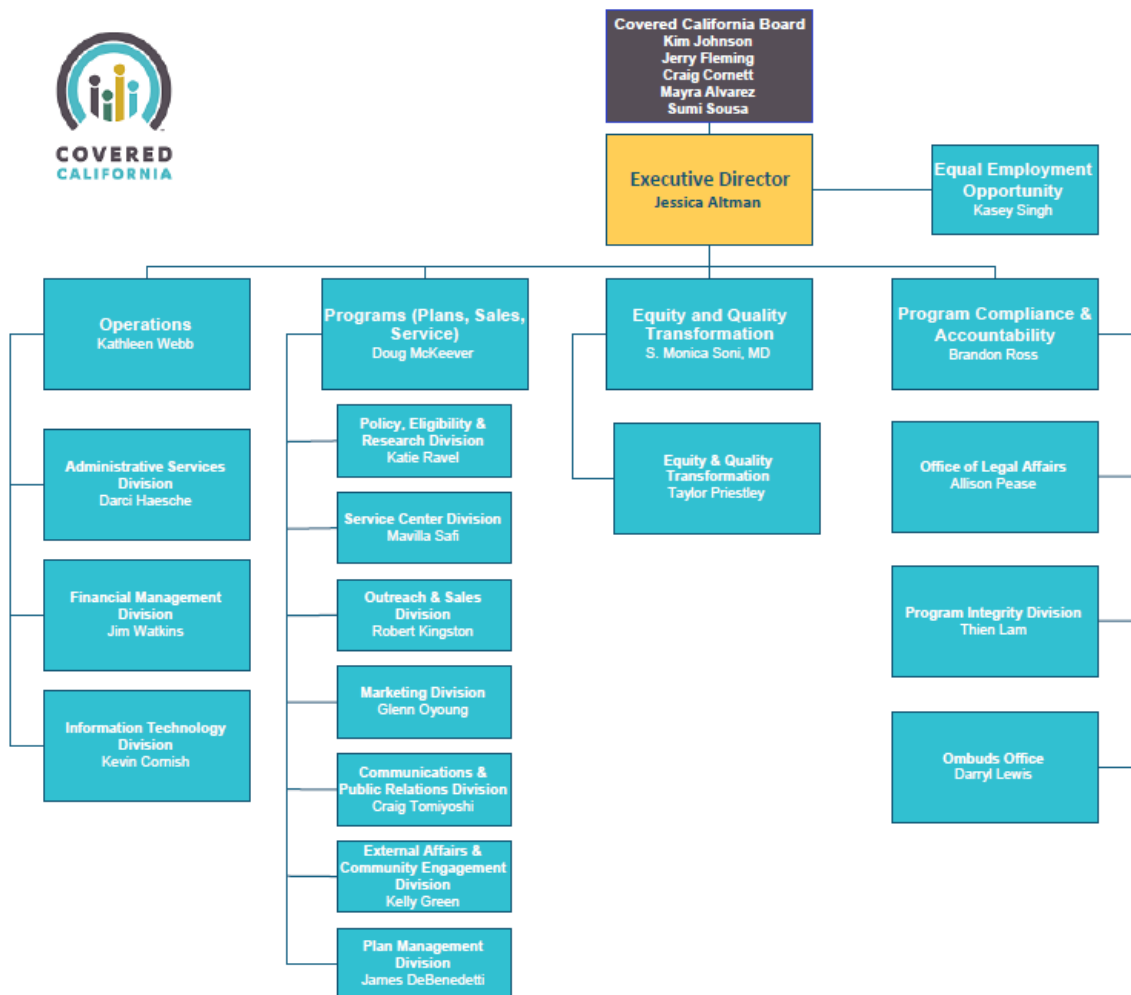
This report was made possible by the dedicated efforts of Covered California's Financial Management Division in collaboration with other divisions and our independent auditors. We extend our gratitude to all staff members who contributed to it. Finally, we thank the Covered California Board and Finance Committee for their support, interest, and integrity in directing the financial affairs of Covered California in a responsible, professional, and progressive manner.

Respectfully submitted,

DocuSigned by:

C13CA7A7E36A400...

Jim Watkins
Chief Financial Officer

ORGANIZATIONAL CHART



GOVERNING BOARD MEMBERS

The following are the current Covered California Board Members as of the date of this Annual Comprehensive Financial Report.

Kim Johnson, Chair

Jerry Fleming

Craig Cornett

Mayra Alvarez

Sumi Sousa

This page intentionally left blank

FINANCIAL SECTION



Independent Auditor's Report

To the Audit Committee, Executive Director
And Chief Financial Officer, of the
California Health Benefit Exchange
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the California Health Benefit Exchange (Covered California), as of and for the fiscal years ended June 30, 2024, and 2023, and the related notes to the financial statements, which collectively comprise Covered California's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Covered California, as of June 30, 2024, and 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Covered California, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Covered California's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Covered California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Covered California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of plan contributions related to pension, the schedule of proportionate share of the net OPEB liability, and schedule of contributions related to OPEB, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2025, on our consideration of Covered California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Covered California's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California
May 21, 2025

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion provides readers of Covered California's financial statements with a narrative overview and analysis of the financial activities of Covered California for the fiscal years ended June 30, 2024, and June 30, 2023. The MD&A presents an overview of the FY 2023-24 financial highlights and discusses each of the condensed financial statements. The MD&A presents three fiscal years, which include FY 2023-24, FY 2022-23, and FY 2021-22.

Readers are encouraged to consider the information presented in conjunction with Covered California's Basic Financial Statements and additional information furnished in Covered California's letter of transmittal, which can be found on pages 4 through 13 of this report.

Statement of Net Position

The Statement of Net Position presents information on Covered California's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is reported as net position. Over time, increases or decreases in net position indicate whether the financial position of Covered California is improving or deteriorating.

Summary of Net Position

Fiscal Year 2023-24

As of June 30, 2024, Covered California reported cash and cash equivalents totaling \$632.1 million. The organization's total assets and deferred outflows of resources amounted to \$957.5 million, while total liabilities and deferred inflows of resources were \$815.1 million. Covered California's net position increased year-over-year, reaching \$142.4 million. Additionally, the working capital, defined as the difference between total current assets and total current liabilities, stood at \$582.7 million on June 30, 2024, reflecting an increase of \$68.5 million compared to FY 2022-23.

Fiscal Year 2022-23

As of June 30, 2023, Covered California reported cash and cash equivalents totaling \$567.2 million. The organization's total assets and deferred outflows of resources amounted to \$863.0 million, while total liabilities and deferred inflows of resources were \$738.1 million. Covered California's net position increased year-over-year, reaching \$125.0 million. Additionally, the working capital, defined as the difference between total

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

current assets and total current liabilities, stood at \$514.2 million on June 30, 2023, reflecting an increase of \$49.7 million compared to \$464.5 million in the previous fiscal year.

Statement of Net Position Highlights

Fiscal Year 2023-24

- Cash increased in FY 2023-24 by \$64.9 million, rising from \$567.2 million to \$632.1 million, or 11.4% over the prior year. The increase in cash was driven by the rise in enrollment and operating revenue resulting from the Medi-Cal unwind and year-over-year increases in carrier premiums.
- Accounts Receivable and Other Current Assets amounting to \$52.2 million include receivables due as of June 30, 2024, as well as certain payments to vendors that represent costs applicable to future accounting periods recorded as prepaid assets. Accounts Receivables totaled \$46.4 Million, an increase of \$8.4 million compared to \$38.0 million in the prior FY. Prepaid Assets totaled \$5.8 million and primarily consisted of prepaid software and prepaid office supplies.
- Net capital assets increased by \$13.5 million to \$138.1 million from \$125.0 million in FY 2022-23. Capital assets include capitalized costs associated with the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), Covered California's exchange platform. Capital assets also include office furniture, equipment, leasehold improvements, right-to-use lease assets, and right-to-use Subscription-Based Information Technology Arrangements (SBITA) assets.
- Total current liabilities as of June 30, 2024, include \$78.7 million in accounts payable for unpaid goods and services. These payables reflect amounts due to carriers and agents for the CCSB market of \$42.4 million and amounts due to other third parties totaling \$36.3 million.
- As of June 30, 2024, lease liabilities totaled \$32.1 million (current liability of \$4.4 million, non-current liability of \$27.7 million), and the corresponding right-to-use lease asset was \$31.1 million net of the accumulated amortization of \$15.6 million.
- As of June 30, 2024, the right-to-use subscription liabilities totaled \$5.2 million (current liability of \$2.7 million, non-current liability of \$2.6 million). The corresponding total right-to-use subscription asset balance was \$5.4 million (\$9.6 million is the subscription assets less the accumulated amortization of \$4.3 million).

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

- Non-current liabilities increased by \$83.5 million from \$539.4 million on June 30, 2023, to \$622.9 million on June 30, 2024. OPEB increased by \$62.9 million in FY 2023-24 to \$342.5 million from \$279.6 million in FY 2022-23. Pension liability increased by \$1.5 million in FY 2023-24, which equaled \$236.7 million from \$235.1 million in FY 2022-23. See notes 4 and 5 for additional information on Pension and OPEB Liabilities.
- Covered California's net position increased by \$17.4 million in FY 2023-24, rising from \$125.0 million in FY 2022-23 to \$142.4 million in FY 2023-24. The increase in net position was the result of an operating loss of \$5.9 million combined with non-operating revenues totaling \$23.3 million, principally associated with interest income from investments. The Federal Reserve raised the federal funds rate to reduce inflation, which resulted in higher investment yield rates, driving higher interest income.

Fiscal Year 2022-23

- Cash and Cash equivalents increased by \$56.9 million, rising from \$510.3 million to \$567.2 million on June 30, 2023. The increased cash resulted from operating income, the difference between revenues and expenses, driven by health plan premium increases combined with enrollment gains.
- Accounts Receivable and Other Current Assets totaled \$43.4 million and consist of receivables due as of June 30, 2023, and certain payments to vendors that reflect costs applicable to future accounting periods recorded as prepaid assets. Accounts receivables totaled \$38.0 million, while Prepaid Assets, primarily prepaid software and prepaid office supplies, totaled \$5.4 million.
- Capital assets declined year-over-year due to the decrease in value over time and the corresponding recognition of accumulated depreciation and lease amortization. For FY 2022-2023, capital assets declined by \$16.2 million to \$124.6 million from \$140.8 million in FY 2021-22.
- Total assets and deferred outflows increased by \$87.2 million in FY 2022-23, rising from \$775.8 million in FY 2021-22 to \$863.0 million in FY 2022-23.
- Total current liabilities on June 30, 2023, equaled \$96.4 million, and non-current liabilities equaled \$539.4 million.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

- Non-current liabilities decreased by \$6.4 million from \$545.8 million on June 30, 2022, to \$539.4 million on June 30, 2023. OPEB decreased by \$100.0 million in FY 2022-23, and the pension liability increased by \$101.2 million in FY 2022-23. Other non-current liabilities decreased by \$8.0 million in FY 2022-23, from \$32.7 million in FY 2021-22 to \$24.6 million in FY 2022-23.
- As of June 30, 2023, the lease liability was \$19.7 million (current liability of \$5.4 million, non-current liability of \$14.3 million), and the corresponding right-to-use lease asset was \$18.8 million net of the accumulated amortization of \$10.5 million.
- The Governmental Accounting Standards Board (GASB) Statement 96 became effective on July 1, 2022, requiring the recognition of a right-to-use subscription asset and a corresponding subscription liability for contracts that convey control of the right-to-use Subscription Based Information Technology Agreements (SBITA) assets. As of June 30, 2023, the right-to-use subscription liabilities totaled \$3.7 million (current liability of \$2.3 million, non-current liability of \$1.4 million), while the corresponding right-to-use subscription asset base equaled \$4.8 million net of amortization of \$3.5 million.
- Covered California's net position increased by \$106.9 million in FY 2022-23, rising from \$18.1 million in FY 2021-22 to \$125.0 million in FY 2022-23. The increase in net position was the result of a combination of events. Carrier premium increases drove participation fee revenue slightly higher than the prior fiscal year. However, the single most significant factor was the decrease in Covered California's proportionate share of OPEB. Between FY 2021-22 and FY 2022-23, Covered California's proportionate share of the state's OPEB liability declined by \$100 million, falling from \$379.2 million in FY 2021-22 to \$279.6 million in FY 2022-23. The effect of the OPEB decrease in liability resulted in a credit to expenses, thereby reducing Salaries, Wages, and Benefits by \$73.8 million.
- Working capital, or the difference between total current assets and total current liabilities, equaled \$514.2 million on June 30, 2023.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA) Management's Discussion and Analysis

Table 1 Condensed Summary of Net Position

Management's Discussion and Analysis (Unaudited) Condensed Statements of Net Position June 30, 2024, 2023, and 2022					
	FY 2023 / 2024	FY 2022 / 2023	FY 2021 / 2022	FY 23/24 - FY 23/22 (Difference)	FY 22/23 - FY 22/21 (Difference)
Cash	\$ 632,106,613	\$ 567,171,006	\$ 510,254,920	\$ 64,935,607	\$ 56,916,086
Other Current Assets	52,210,573	43,432,644	42,241,342	8,777,929	1,191,302
Total Current Assets	684,317,186	610,603,650	552,496,262	73,713,536	58,107,388
Capital Assets, Net	138,079,112	124,594,297	140,779,858	13,484,815	(16,185,561)
Total Assets	822,396,298	735,197,947	693,276,120	87,198,351	41,921,827
Deferred Outflows of Resources	135,096,323	127,816,107	82,530,414	7,280,216	45,285,693
Total Assets and Deferred Outflows of Resources	957,492,621	863,014,054	775,806,534	94,478,567	87,207,520
Current Liabilities	101,610,447	96,417,696	87,978,916	5,192,751	8,438,780
Noncurrent Liabilities					
Other Noncurrent Liabilities	43,748,001	24,639,665	32,653,559	19,108,336	(8,013,894)
Net OPEB Liability	342,458,000	279,595,000	379,189,000	62,863,000	(99,594,000)
Net Pension Liability	236,658,283	235,140,336	133,973,158	1,517,947	101,167,178
Total Noncurrent Liabilities	622,864,284	539,375,001	545,815,717	83,489,283	(6,440,716)
Total Liabilities	724,474,731	635,792,697	633,794,633	88,682,034	1,998,064
Deferred Inflows of Resources	90,667,190	102,257,536	123,946,225	(11,590,346)	(21,688,689)
Total Liabilities and Deferred Inflows of Resources	815,141,921	738,050,233	757,740,858	77,091,688	(19,690,625)
Investment in Capital Assets	93,755,526	92,476,325	109,970,690	1,279,201	(17,494,365)
Unrestricted	48,595,174	32,487,496	(91,905,014)	16,107,678	124,392,510
Total Net Position	\$ 142,350,700	\$ 124,963,821	\$ 18,065,676	\$ 17,386,879	\$ 106,898,145

Summary of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Net Position provides a comprehensive overview of Covered California's financial performance and condition over the fiscal year. It highlights the operating revenues generated from primary activities, offset by operating expenses incurred to support daily operations. The resulting operating income or loss reflects the efficiency or sustainability of core operations. Additionally, the statement includes non-operating revenues and expenses, which impact overall financial performance. The change in net position represents the total impact of these activities, demonstrating whether Covered California is growing its financial resources or drawing them down. Finally, the statement presents the net position at the end of the period, categorized as net investment in capital assets, restricted net position, and unrestricted net position.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

Statement of Revenues, Expenses, and Changes in Net Position Highlight

Fiscal Year 2023-24

For FY 2023-24, Covered California reported operating revenue of \$452.3 million and operating expenses of \$458.2 million, resulting in an operating loss of \$5.9 million for the fiscal year. However, with non-operating revenue of \$23.3 million, Covered California's net position increased by \$17.4 million for the fiscal year.

Operating expenses rose by \$136.1 million from \$322.1 million in FY 2022-23 to \$458.2 million in FY 2023-24, largely due to one-time expenses related to the Medi-Cal unwind activities and Covered California's proportionate share of other post-employment benefit (OPEB) expenses. Covered California experienced a significant change in its proportionate share of OPEB expenses year-over-year. In FY 2022-23, Covered California benefited from a credit that reduced its proportionate share of OPEB expenses by \$73.8 million; however, in FY 2023-24, its proportionate share reflected a debit, increasing expenses by \$47.8 million. The anomalous reduction in OPEB expenses in FY 2022-23 resulted from an increase in the blended discount rate and a reduction of Covered California's proportionate share of the OPEB liability. In FY 2023-24, Covered California's blended discount rate decreased, and its proportionate share of the OPEB Liability increased.

Fiscal Year 2022-23

For FY 2022-23, Covered California reported operating revenue of \$417.3 million and operating expenses of \$322.1 million, resulting in an operating income of \$95.3 million for the fiscal year. Non-operating revenues totaled \$10.6 million, increasing Covered California's net position by \$105.8 million, from \$18.1 million in FY 2021-22 to \$124.9 million in FY 2022-23. This also included an accounting adjustment of \$1.0 million.

In FY 2022-23, Covered California benefited from a credit that reduced its proportionate share of OPEB expenses by \$73.8 million, driving down salaries, wages, and benefits expenses for the fiscal year.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

Table 2 Condensed Summary of Revenues, Expenses, and Changes in Net Position

<p style="text-align: center;">CALIFORNIA HEALTH BENEFIT EXCHANGE Management's Discussion and Analysis (Unaudited) Condensed Statements of Revenues, Expenses, and Changes in Net Position June 30, 2024, 2023, and 2022</p>					
	FY 2023 / 2024	FY 2022 / 2023	FY 2021 / 2022	FY 23/24 - FY 23/22 (Difference)	FY 22/23 - FY 21/22 (Difference)
Revenues					
Individual Market Revenue	\$ 419,814,224	\$ 387,632,996	\$ 379,760,436	\$ 32,181,228	\$ 7,872,560
CCSB Revenue	32,528,771	29,707,168	27,596,646	2,821,603	2,110,522
Total Operating Revenues	452,342,995	417,340,164	407,357,082	35,002,831	9,983,082
Expenses					
Salary and Wages Expense	213,024,498	93,429,373	151,564,990	119,595,125	(58,135,617)
Other Operating Expenses	245,192,535	228,647,554	228,022,750	16,544,981	624,804
Total Expenses	458,217,033	322,076,927	379,587,740	136,140,106	(57,510,813)
Operating Income (Loss)	(5,874,038)	95,263,237	27,769,342	(101,137,275)	67,493,895
Nonoperating Revenue	23,260,917	10,570,273	2,912,912	12,690,644	7,657,361
Changes in Net Position	17,386,879	105,833,510	30,682,254	(88,446,631)	75,151,256
Total Net Position - Beginning of Year	124,963,821	18,065,676	(12,616,578)	106,898,145	30,682,254
Cumulative Effect of Accounting Change	-	1,064,635	-	(1,064,635)	1,064,635
Total Net Position - End of Year	\$ 142,350,700	\$ 124,963,821	\$ 18,065,676	\$ 17,386,879	\$ 106,898,145

Revenues

Covered California generates its operating and non-operating revenue from three main sources:

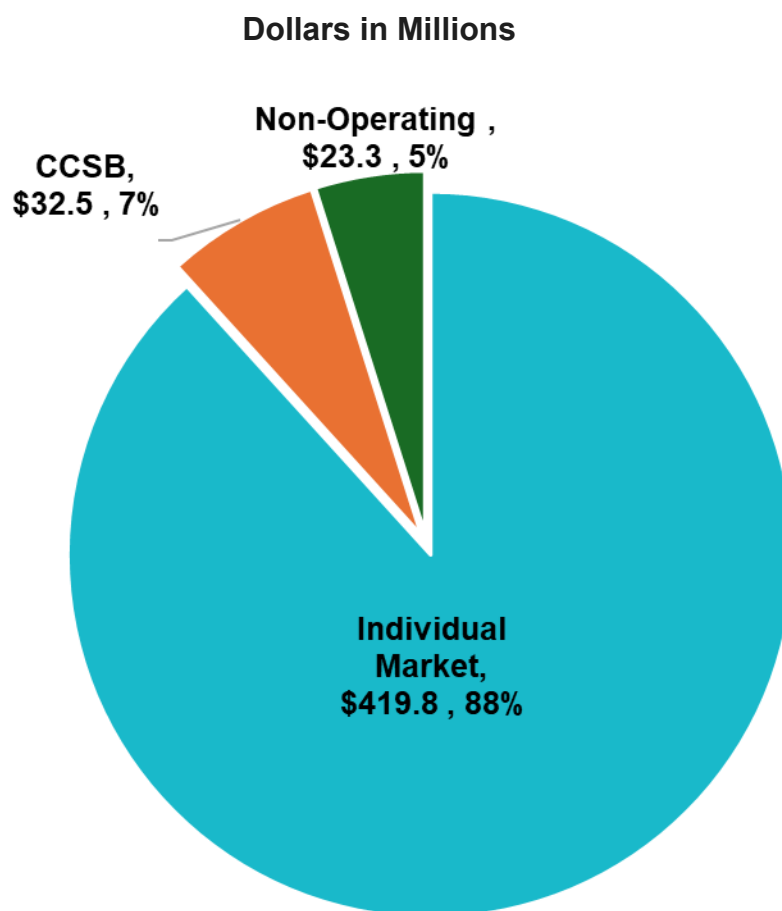
1. A participation fee charged to carriers that participate in the individual market.
2. A participation fee charged to carriers in the Covered California for Small Business (CCSB) program.
3. Interest income earned from cash investments in the California Surplus Money Investment Fund (SMIF) and other revenue sources.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

2023-24 Revenue Summary

During FY 2023-24, the individual market accounted for 88.0% of total revenue, while the small business market accounted for 7.0%. Individual market revenue totaled \$419.8 million, and CCSB operating revenues totaled \$32.5 million. Total non-operating revenue, earned primarily from interest in investments in the SMIF, accounted for \$23.3 million in FY 2023-24.

Figure 1: Operating and Non-Operating Revenue for Fiscal Year 2023-24 (Total = Revenue \$475.6 million)



**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

Revenue Highlights

Fiscal Year 2023-24

- FY 2023-24 operating revenues totaled \$452.3 million, while non-operating revenues totaled \$23.3 million. Operating and non-operating revenues combined totaled \$475.6 million.
- California recognized \$419.8 million in individual market revenue in FY 2023-24, which was \$32.2 million or 8.3% greater than FY 2022-23's total of \$387.6 million. Individual market operating revenues exceeded FY 2022-23 revenues primarily due to price increases in premiums charged by carriers and increased total member months resulting from the Medi-Cal unwind provision. Total member months rose year-over-year by 2.8%, while gross premiums rose by 8.4 percent year-over-year.
- FY 2023-24 CCSB operating revenue totaled \$32.5 million, which was \$2.8 million or 9.5% greater than FY 2022-23. The year-over-year increase resulted from employer group retention, increased premiums, and higher enrollment.
- Non-operating revenue totaled \$23.3 million for FY 2023-24, an increase of \$12.7 million over the prior fiscal year of \$10.6 million, reflecting an increase of 120.1%. Non-operating revenue consisted primarily of interest income. The interest income is associated with income on investments held in the State's SMIF. The overall Return on Investment (ROI) for the SMIF in FY 2022-23 was 2.2%, whereas FY 2023-24 was 3.9%.

Other non-operating revenue included \$2.6 million in performance penalties collected from carriers. These reflect penalties on carriers that fail to meet Covered California's Carrier Performance Metrics, which outline specific performance standards in the areas of health disparities, payment strategies, enrollee experience, data quality and completeness, and oral health. Other non-operating revenue also consisted of miscellaneous revenue, escheat warrants, miscellaneous services to the public, interest expense related to the SB84 pension loan, interest expense on leases and SBITAs, and loss on equipment disposal.

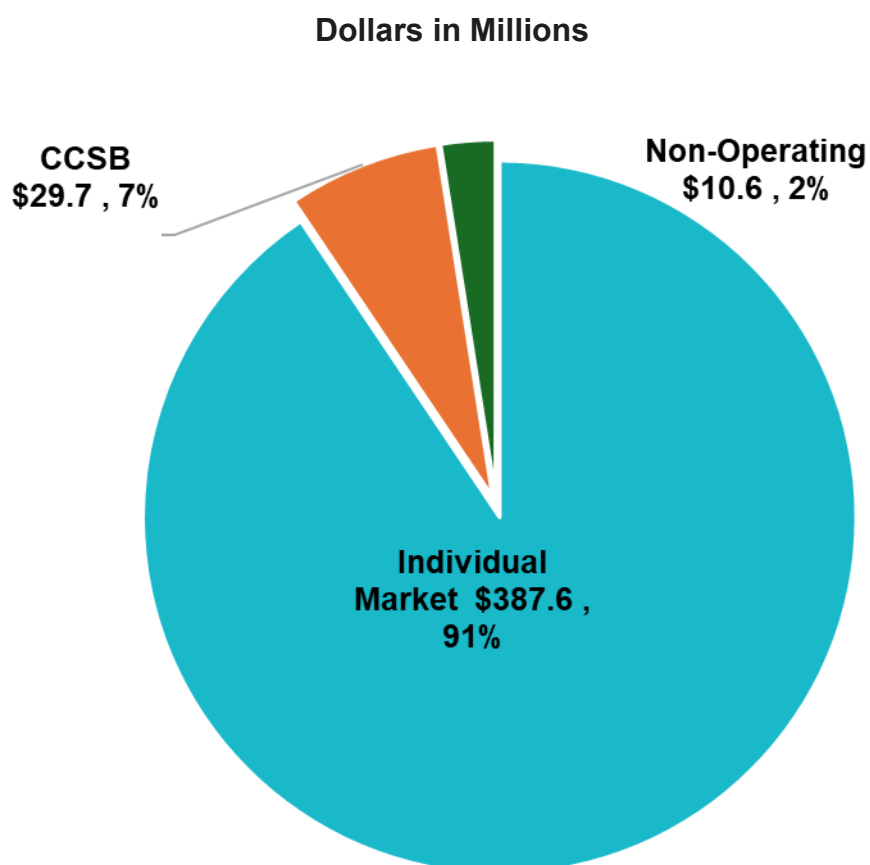
2022-23 Revenue Summary

During FY 2022-23, the individual market accounted for 91 percent of total revenue, while the small business market accounted for 7 percent. Individual market revenue totaled \$387.6 million, and CCSB operating revenues totaled \$29.7 million. Total non-operating

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

revenue, earned primarily from interest in investments in the SMIF, accounted for \$10.6 million in FY 2022-23.

**Figure 2 Operating and Non-Operating Revenue for Fiscal Year 2022-23
(Total = Revenue \$427.9 million)**



Revenue Highlights

Fiscal Year 2022-23

- FY 2022-23 operating revenues totaled \$417.3 million, while non-operating revenues totaled \$10.6 million. Operating and non-operating revenues totaled \$427.9 million.
- Covered California recognized \$387.6 million in individual market revenue in FY 2022-23, which was \$7.9 million greater than FY 2021-22's total of \$379.8 million.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

Individual operating revenues exceeded FY 2021-22 revenues due to price and volume increases. Total member months were slightly down year-over-year 1.1%, and gross premiums rose by 3.1% year-over-year.

- FY 2022-23 CCSB operating revenue totaled \$29.7 million, which was \$2.1 million or 7.6% greater than FY 2021-22's \$27.6 million. The year-over-year increase resulted from higher enrollment and premium growth. Premiums grew by 6.0% year over year, while member months grew from 882,406 member months to 935,445 member months.
- FY 2022-23 non-operating revenue totaled \$10.6 million. Non-operating revenue consisted primarily of interest income. The interest income was associated with income on investments held in the State's Surplus Money Investment Fund (SMIF). The year-over-year increase in interest revenue was the result of the Federal Reserve's monetary actions.
 - Other Non-Operating Income includes \$255 thousand for miscellaneous revenue, escheat warrants, miscellaneous services to the public, income from performance penalties assessed to carriers, interest expense related to the SB84 loan, interest expense on leases and SBITAs, and loss on disposal of equipment.
- Covered California implemented a new GASB standard, which changed the accounting treatment of IT contracts that span more than one fiscal year. The accounting change resulted in an approximately \$1.1 million change in fund balance, which resulted in a restatement of the June 30, 2023, beginning net position.

Operating Expenses

Operating expenses constitute the ongoing day-to-day costs incurred to maintain exchange services. Operating Expenses consist of 6 primary categories: Salaries, Wages, & Benefits, Operating Expenses & Equipment, Professional Services, Facilities Operations, Depreciation Expenses, and Amortization Expenses.

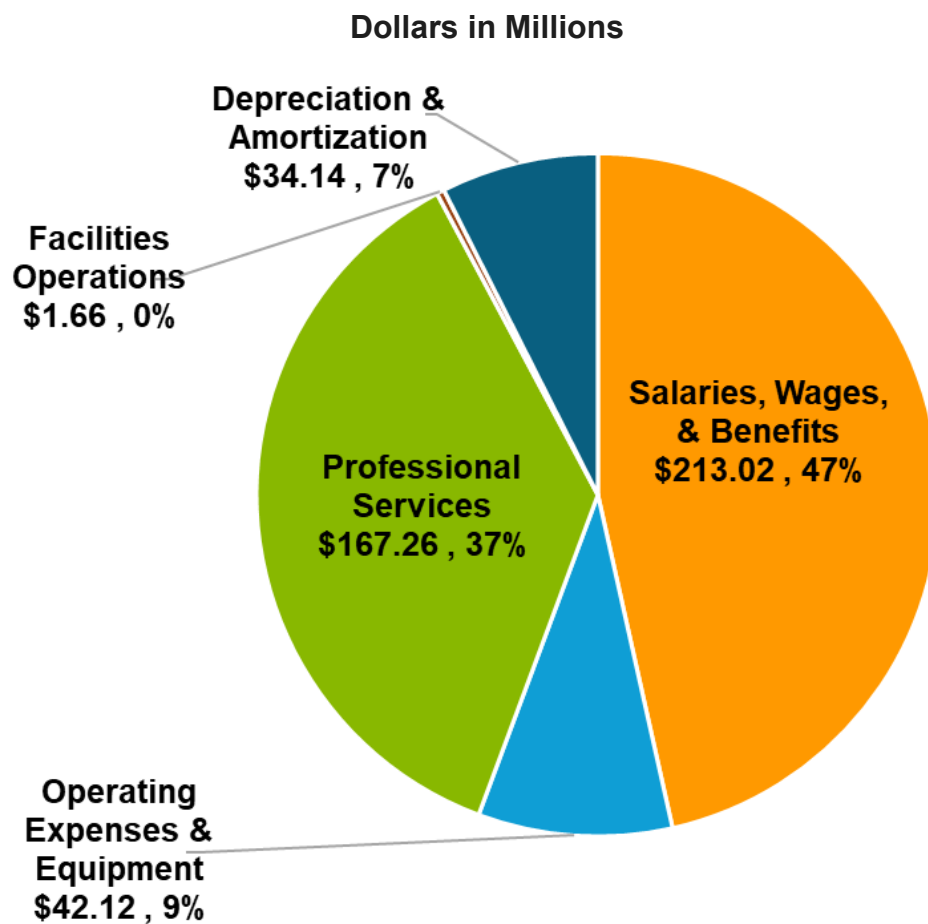
**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

2023-24 Operating Expenses Summary

Operating Expenses

Covered California's FY 2023-24 operating expenses totaled \$458.2 million. Two categories accounted for 84.0% of all operating expenses. Salaries, Wages, and Benefits comprised 47.0% of operating expenses, while Professional Services comprised 37.0%.

Figure 3 Operating Expenses by Category FY 2023-24 (Total = \$458.2 million)



Operating Expense Highlights

Fiscal Year 2023-24

- Total operating expenses for FY 2023-24 equaled \$458.2 million, or \$136.1 million more than the FY 2022-23 total of \$322.1 million.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

- The FY 2023-24 salaries, wages, and benefit expenses totaled \$213.0 million, rising \$120.0 million over the prior year's total of \$93.4 million. The increase in salaries, wages, and benefits expenses was primarily due to an increase in other post-employment benefits (OPEB). The increase in OPEB expenses resulted from an increase in Covered California's proportionate share of the state's net (OPEB) liability and a change in the blended discount rate. Refer to Note 5 in the financial statements for details.
- Other Operating Expenses totaled \$245.2 million in FY 2023-24, an increase of \$16.5 million over the prior fiscal year. Operating Expenses and Equipment combined with Facilities Operations equaled \$43.8 million, Professional Services of \$167.3 million, Depreciation of \$24.5 million, and \$9.6 million in amortization expenses.
- Depreciation expense totaled \$24.5 million in FY 2023-24, declining by \$13.2 million from the prior year's total of \$37.8 million. The reduction in depreciation expense for FY 2023-24 is attributed to a significant number of Covered California's fixed assets reaching the end of their useful life and being fully depreciated in FY 2022-23.
- Covered California recognized an Operating Loss of \$5.9 million for FY 2023-24.
- In FY 2023-24 Salaries, Wages and Benefit expenses totaled \$213.0 million, or \$119.6 million more than FY 2023-22's amount of \$93.4 million. This was primarily due to changes in Other Post-Employment Benefit (OPEB) liabilities and expenses from year-to-year. In FY 2022-23, Salaries, Wages, and Benefits were also significantly impacted by OPEB, declining by 58.1 million compared to FY 2021-22. The annual OPEB expenses recognized fluctuate yearly based on proportional allocation factor changes, actuarial estimates, and discount rate changes. These expense accruals represent non-cash expense items. Between FY 2022-23 and FY 2023-24, OPEB expense accruals increased by \$121.1 million. In FY 2022-23, Covered California's proportionate share of the state's OPEB expenses was a reduction of \$73.8 million. This resulted from modifications to the blended discount rate, resulting in a reduction in the OPEB liability and a corresponding reduction in the OPEB expenses. In FY 2023-24, Covered California's proportionate share of the state's OPEB expenses was an increase of \$47.8 million.
- During FY 2022-23, pension expenses increased by \$8.4 million, while in FY 2023-24, they decreased by \$2.3 million. Over the two fiscal years, pension expenses increased by \$10.7 million.

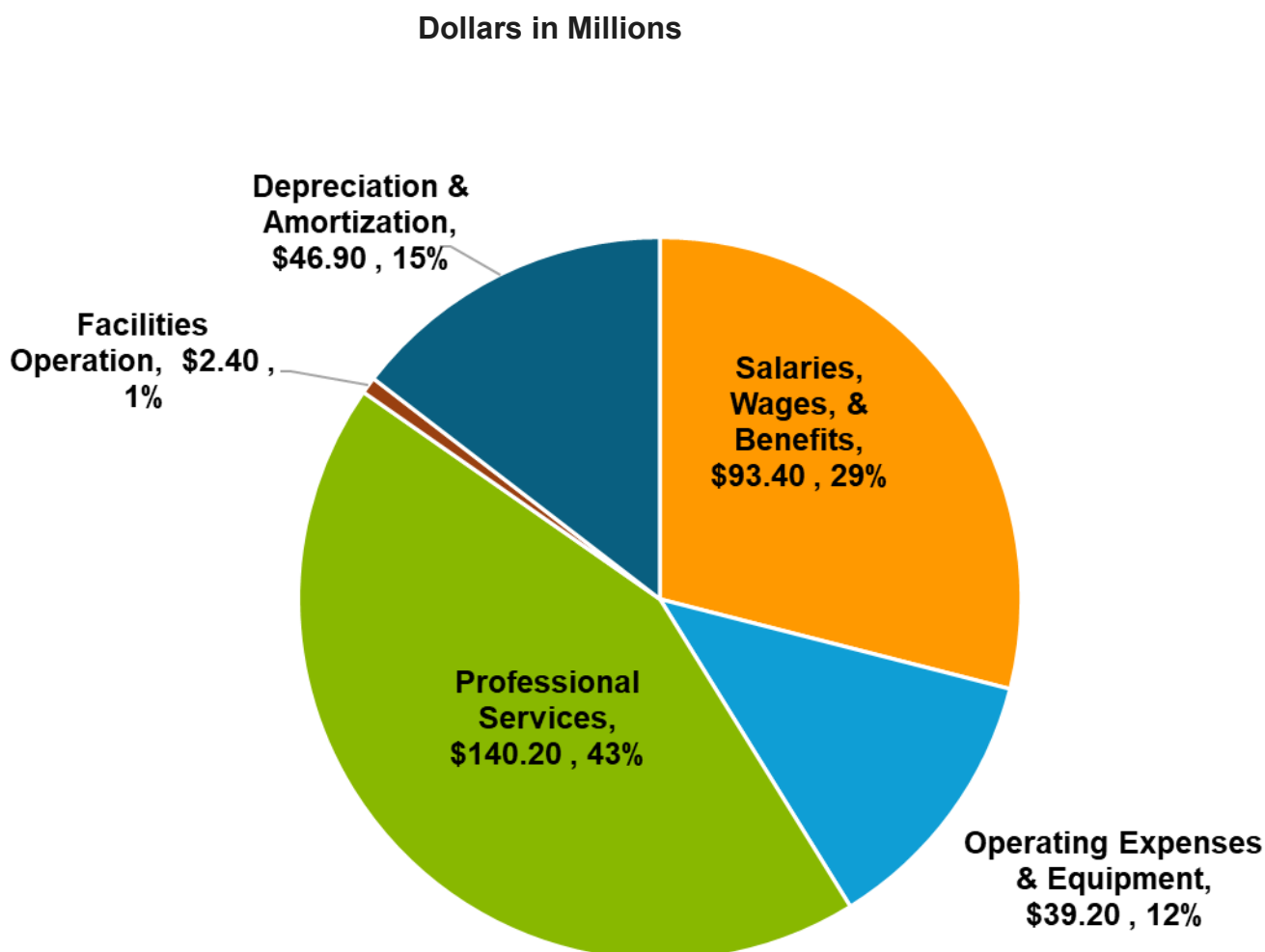
**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

FY 2022-23 Operating Expenses Summary

Operating Expenses

Covered California's FY 2022-23 operating expenses totaled \$322.1 million. Two categories accounted for 72.0% of all operating expenses. Salaries, Wages, and Benefits comprised 29.0% of operating expenses, while Professional Services comprised 43.0%.

Figure 4 Operating Expenses by Category FY 2022-2023 (Total = \$322.1 million)



**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

Operating Expense Highlights

Fiscal Year 2022-23

Total operating expenses for FY 2022-23 equaled \$322.1 million, or \$57.5 million less than the FY 2021-22 total of \$379.6 million. The decrease in Covered California's Net OPEB Liability, and resulting decrease in salaries, wages, and benefit expenses between FY 2021-22 and FY 2022-23 was primarily driven by a decrease in other post-employment benefits (OPEB) caused by an increase in the discount rate and a decrease in Covered California's proportionate share of the state's net OPEB liability (See note 5 for additional information on OPEB).

- FY 2022-23 salaries, wages, and benefit expenses totaled \$93.4 million, or \$58.1 million less than the FY 2021-22 total of \$152 million.
- Other Operating Expenses totaled \$228.6 million for FY 2022-23. This was a \$625 thousand increase over the FY 2021-22 total of \$228.0 million.

Summary of the Statement of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments made by Covered California during the fiscal year. The information helps financial report users assess (a) Covered California's ability to generate future net cash flows, (b) its ability to meet its obligations as they come due, (c) its needs for external financing, (d) the reasons for differences between operating income and associated cash receipts and payments, and (e) the effects on the entity's financial position of both its cash and its noncash investing, capital, and financing transactions during the period.

The Statement of Cash Flows contains four components that, when combined, show the total net inflow or outflow of cash to the organization. These components include a) cash flows from operating activities, b) cash flows from noncapital financing activities, c) cash flows from investments in capital assets, and d) cash flows from investing activities.

Fiscal Year 2023-24

- Cash flows from operating activities for FY 2023-24 totaled \$72.8 million, a decrease of \$2.3 million over FY 2022-23's total of \$75.1 million.
- Cash flows from noncapital financing activities include the net effect of interest expense and non-sufficient fund payments. Covered California incurs interest expense on an

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

interfund loan payable. For FY 2023-24, cash flows from noncapital financing activities represented a net outflow of \$301 thousand dollars.

- Cash flows from capital and related financing activities represented a net outflow of \$25.9 million, consisting of \$18.2 million in CalHEERS investments, \$4.3 million in leases, and \$3.4 million in software subscription payments.
- Cash flows from investing activities consist primarily of interest earned on Covered California's funds maintained in the State's SMIF. In FY 2023-24, interest income was \$18.3 million, an increase of 10.8 million year over year. The increase in interest income was the result of the Federal Reserve's monetary actions, which increased the yield rate on invested funds.

Fiscal Year 2022-23

- Cash flows from operating activities for FY 2022-23 totaled \$75.1 million, an increase of \$20.2 million over FY 2021-22's operating activities of \$54.9 million.
- Cash flows from noncapital financing activities include the net effect of interest expense and non-sufficient fund payments. Covered California incurs interest expense on the interfund loan. For FY 2022-23, cash flows from noncapital financing activities represented a net outflow of \$1.6 million.
- Cash flows from capital and related financing activities represented a net outflow of \$24.1 million, which consisted of \$15.0 million in CalHEERS investments and \$3.5 million in software subscription payments. Also included were \$5.5 million in lease payments related to Covered California facilities.
- Cash flows from investing activities consist primarily of interest earned on Covered California's funds maintained in the State's SMIF. In FY 2022-23, interest income was \$7.5 million.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

Table 3 Condensed Statement of Cash Flows for Fiscal Years 2024, 2023, and 2022

	<u>FY 2023 / 2024</u>	<u>FY 2022 / 2023</u>	<u>FY 2021 / 2022</u>	<u>FY 23/24 - FY 22/23 (Difference)</u>	<u>FY 22/23 - FY 21/22 (Difference)</u>
Cash Inflows From Operations	\$ 446,482,412	\$ 416,538,928	\$ 404,772,590	\$ 29,943,484	\$ 11,766,338
Cash Outflows From Operations	(373,644,249)	(341,433,661)	(349,878,967)	(32,210,588)	8,445,306
Cash Flows From Operating Activities	72,838,163	75,105,267	54,893,623	(2,267,104)	20,211,644
Cash Flows From Noncapital Financing Activities	(301,361)	(1,590,139)	(5,903,511)	1,288,778	4,313,372
Cash Flows From Investments in Capital Assets	(25,911,599)	(24,068,854)	(18,290,541)	(1,842,745)	(5,778,313)
Cash Flows From Investing Activities	18,310,404	7,469,812	975,765	10,840,592	6,494,047
Net Income/(Decrease) in Cash	\$ 64,935,607	\$ 56,916,086	\$ 31,675,336	\$ 8,019,521	\$ 25,240,750

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

Budget to Actual Results

In FY 2023-24, Covered California recognized a favorable operating income variance of \$30.2 million. The greater-than-forecasted revenue combined with a favorable expenditure budget variance of \$34 million resulted in operating income totaling \$34.7 million, or \$30.2 million, greater than the budgeted operating loss of \$3.8 million. Non-operating revenue recognized a favorable \$10.2 million budget variance primarily due to the continued Federal Reserve monetary actions that increased the federal funds rate.

Table 4 Budget to Actual Comparison Schedule FY 2023-2024 Non-GAAP

	FY 2023-24 Budget	FY 2023-24 Actual	FY 2023-24 Variance
Total Individual Market Member Months	\$ 20,953,189	\$ 20,398,718	\$ (554,471)
Authorized / Average Filled Positions	1,475	1,306	169
Operating Revenue			
Individual Market Revenue (Med./ Dental)	433,398,744	423,237,829	(10,160,915)
CCSB (Medical, Dental, COBRA)	26,154,080	32,528,771	6,374,691
Total Operating Revenue	459,552,824	455,766,600	(3,786,224)
Operating Expenditures			
Plan Management	34,975,488	32,938,002	2,037,486
Marketing, Outreach and Sales, Program Integrity	123,814,945	115,389,276	8,425,669
Service Center and Consumer Experience	127,854,997	121,270,988	6,584,009
Technology	108,916,352	102,845,923	6,070,429
Administration	53,908,891	48,142,192	5,766,698
Capital Investments	5,651,000	505,306	5,145,694
Total Operating Expenditures	455,121,672	421,091,688	34,029,985
Operating Income	4,431,152	34,674,913	30,243,761
Non-Operating Income	10,714,911	20,921,249	10,206,338
Change in Fund Balance	\$ 15,146,063	\$ 55,596,162	\$ 40,450,099

In FY 2022-23, Covered California recognized a favorable operating income variance of \$58.7 million. Covered California's budget had assumed an operating loss of \$3.8 million. This budgeted outcome resulted from assuming that enhanced federal subsidies would expire at the end of 2022 and enrollment losses of 150,000 would occur. However, the enhanced federal subsidies were extended through the end of 2025 with the passage of the Inflation Reduction Act, and enrollment losses did not ensue. Covered California's enrollment exceeded budget forecasts by 627,488 member months, resulting in a favorable revenue variance. The greater-than-forecasted revenue combined with a favorable expenditure budget variance resulted in operating income totaling \$47.8 million, or \$58.7 million, greater than the budgeted operating loss of \$11.4 million. Non-operating

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

revenue recognized a favorable \$9.3 million budget variance primarily due to aggressive Federal Reserve monetary actions that increased the federal funds rate.

Table 5 Budget to Actual Comparison FY 2022-2023 Non-GAAP

	FY2022-23 Budget	FY2022-23 Actuals	FY2022-23 Variance
Total Individual Market Member months	19,353,768	19,981,216	627,448
Total Operating Revenue	399,968,903	418,043,036	18,074,133
Total Operating Expenditures	411,365,194	370,788,594	(40,576,600)
Operating Gain or (Loss)	(11,396,291)	47,254,442	58,650,733
Non-Operating Revenue	1,500,000	10,768,411	9,268,411
Change in Net Position	\$ (9,896,291.00)	\$ 58,022,853.00	\$ 67,919,144.00

Budgetary Basis Results Compared to GAAP Basis Reconciliation

For FY 2023-24, Covered California's fund balance on a budgetary basis increased by \$55.6 million in FY 2023-24. The change in net position under GAAP for FY 2023-24 was a net increase of \$17.4 million. The below presents a reconciliation of the differences in the change in the fund balance and net position between the budgetary basis of accounting and the GAAP basis of accounting.

Table 6 FY 2023-24 Reconciliation of Budgetary Accounting Change in Fund Balance to Annual Comprehensive Change in Net Position

	FY 2023-24
Budgetary legal change in fund balance	\$ 55,596,162
Pension Expense (GASB 68 adjustments)	2,271,937
OPEB (GASB 75 adjustments)	(47,783,000)
Capital Asset Purchases	25,149,281
Depreciation Expense	(24,522,988)
Compensated Absences	(869,471)
Other GAAP Adjustments, Net	7,544,280
GAAP Gchange in Net Position	\$ 17,386,201

Covered California's fund balance on a budgetary basis increased by \$58.0 million in FY 2022-23. The change in net position under GAAP for FY 2022-23 was a net increase of \$105.8 million. Table 6 presents a reconciliation of the differences in the change in the fund balance and net position between the budgetary basis of accounting and the GAAP basis of accounting.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

Table 7 Reconciliation of Budgetary Accounting Change in Fund Balance to Annual Comprehensive Change in Net Position

	FY 2022-23
Budgetary Legal Change in Net Position	\$ 58,022,854
Pension Expense (GASB 68 Adjustments)	(8,397,796)
OPEB (GASB 75 Adjustments)	73,801,000
Capital Asset Purchases	23,670,304
Depreciation Expense	(37,768,197)
Other GAAP Adjustments, Net	(3,494,655)
GAAP Change in Net Position	\$ 105,833,510

Table 8 Reconciliation of Covered California's FY 2023-24 Budgetary Legal Basis Salaries, Wages, and Benefits Expenditures with Comprehensive Financial Statements Salaries, Wages and Benefits Expense

Salaries and Wages Expenditure Budgetary Legal Basis:	\$ 170,209,213
GAAP Adjustments	
GAAP Adjustments Not Related to Pension or OPEB, Debit (+) Credit (-):	(2,695,099)
OPEB Expense, Debit (+) Credit (-):	47,783,000
Pension Expense, Debit (+) Credit (-):	(2,272,615)
Comprehensive Financial Statements:	\$ 213,024,499

Table 9 Reconciliation of Covered California's FY 2022-23 Budgetary Legal Basis Salaries, Wages, and Benefits Expenditures with Comprehensive Financial Statements Salaries, Wages and Benefits Expense

Salaries and Wages Expenditure Budgetary Legal Basis	\$ 162,940,222
GAAP Adjustments:	
GAAP Adjustments Not Related to Pension or OPEB, Debit (+) Credit (-)	(4,109,644)
OPEB Expense, Debit (+) Credit (-)	(73,799,000)
Pension Expense, Debit (+) Credit (-)	8,397,796
Comprehensive Financial Statements	\$ 93,429,374

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Management's Discussion and Analysis**

Currently Known Facts, Decisions, or Conditions

This section contains a discussion of the currently known facts, decisions, or conditions that are expected to affect the financial position or results of operations in the next fiscal year. The areas that will likely have a significant impact are whether the ARPA-enhanced federal subsidies will be renewed and the impact of the reduction in Covered California's participation fee. Covered California is also currently undergoing a rate study to determine the rate necessary to sustain inter-period equity for future years.

Events that will occur in the future that will impact Covered California's enrollment, revenue, and consequently, its financial position, include the following.

Prior to each budget cycle, Covered California performs a rate study and, if necessary, adjusts its participation fee to achieve inter-period equity. Among other financial considerations, Covered California also evaluates the level of working capital on hand to mitigate current and future risks and considers whether adjustments to the participation fee are necessary to ensure adequate working capital.

The rate study conducted during the FY 2023-24 revealed that Covered California had more working capital than necessary. As a result, it was determined that the individual market participation fee should be temporarily reduced from 3.25 percent to 2.25 percent for the 2025 calendar plan year. This reduction aims to gradually adjust the working capital to an appropriate level. The Covered California Board approved this temporary reduction in June 2024.

Once the working capital stabilizes, the participation fee will be reset to a break-even level. This break-even level is based on modest growth in annual operating expenses that do not exceed the growth in premiums in the long term.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Statement of Net Position
June 30, 2024 and 2023**

Assets and Deferred Outflows	<u>FY 2023 / 2024</u>	<u>FY 2022 / 2023</u>
Current Assets:		
Cash	\$ 93,893,613	\$ 92,871,006
Cash Equivalents	538,213,000	474,300,000
Receivables:		
Enrollment Fees (Net of Allowance for Cancelled Enrollments)	39,883,677	33,806,616
Other Receivables	6,534,564	4,187,777
Total Receivables	46,418,241	37,994,393
Other Current Assets	5,792,332	5,438,251
Total Current Assets	684,317,186	610,603,650
Noncurrent Assets:		
Depreciable Capital Assets	482,694,117	457,616,757
Less Accumulated Depreciation	(381,081,542)	(356,630,475)
Right of Use Assets (Lease Assets)	46,655,874	29,328,001
Less Accumulated Amortization	(15,555,944)	(10,506,556)
Right of Use Assets (SBITA Assets)	9,623,190	8,282,862
Less Accumulated Amortization	(4,256,583)	(3,496,292)
Capital Assets, Net	138,079,112	124,594,297
Total Assets	822,396,298	735,197,947
Deferred Outflows of Resources		
Deferred Outflows of Resources - Pension	84,521,323	82,381,107
Deferred Outflows of Resources - OPEB	50,575,000	45,435,000
Total Deferred Outflows of Resources	135,096,323	127,816,107
Total Assets and Deferred Outflows of Resources	\$ 957,492,621	\$ 863,014,054

See accompanying notes to the financial statements.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Statement of Net Position (Continued)
June 30, 2024 and 2023**

Liabilities and Deferred Inflows

Current Liabilities:	FY 2023 / 2024	FY 2022 / 2023
Accounts Payable	\$ 78,709,700	\$ 70,806,963
Accrued Liabilities	335,393	1,181,810
Unearned Revenue	2,286,494	2,130,755
Interfund Loan Payable	1,062,788	3,030,000
Compensated Absences	12,099,822	11,568,022
Lease Liability (Right of Use) - Current Portion	4,425,590	5,376,553
SBITA Liability (Right of Use) - Current Portion	2,690,660	2,323,593
Total Current Liabilities	101,610,447	96,417,696
Noncurrent Liabilities:		
Compensated Absences	7,641,746	7,304,076
Other Liabilities	5,827,936	578,470
Interfund Loan Payable	-	1,049,745
Net Other Postemployment Benefits	342,458,000	279,595,000
Net Pension Liability	236,658,283	235,140,336
Lease Liability (Right of Use) - Noncurrent Portion	27,722,652	14,338,496
SBITA Liability (Right of Use) - Noncurrent Portion	2,555,667	1,368,878
Total Noncurrent Liabilities	622,864,284	539,375,001
Total Liabilities	724,474,731	635,792,697
Deferred Inflows of Resources		
Deferred Inflows of Resources - Pension	3,675,190	5,325,536
Deferred Inflows of Resources - OPEB	86,992,000	96,932,000
Total Deferred Inflows of Resources	90,667,190	102,257,536
Total Liabilities and Deferred Inflows of Resources	\$ 815,141,921	\$ 738,050,233
Net Position		
Net Investment in Capital Assets	\$ 93,755,526	\$ 92,476,325
Unrestricted	48,595,174	32,487,496
Total Net Position	\$ 142,350,700	\$ 124,963,821

See accompanying notes to the financial statements.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2024 and 2023**

	FY 2023 / 2024	FY 2022 / 2023
Operating Revenues:		
Enrollment Fees-Individual	\$ 419,814,224	\$ 387,632,996
Enrollment Fees-CCSB	32,528,771	29,707,168
Total Operating Revenues	452,342,995	417,340,164
Operating Expenses:		
Salaries, Wages, Benefits	213,024,498	93,429,373
Operating Expenses and Equipment	42,120,717	39,208,732
Professional Services	167,263,989	140,158,801
Facilities Operations	1,664,519	2,435,236
Depreciation Expense	24,522,988	37,768,197
Amortization Expense	9,620,322	9,076,588
Total Operating Expenses	458,217,033	322,076,927
Operating Income (Loss)	(5,874,038)	95,263,237
Nonoperating Revenues and Expenses:		
Interest Income	20,635,109	10,372,809
Other Income	2,638,872	254,898
Loss on Disposal of Assets	(13,064)	(57,434)
Total Nonoperating Revenues and Expenses	23,260,917	10,570,273
Change in Net Position	17,386,879	105,833,510
Total Net Position – Beginning of Year	124,963,821	18,065,676
Cumulative Effect of Accounting Change	-	1,064,635
Total Net Position – End of Year	\$ 142,350,700	\$ 124,963,821

See accompanying notes to the financial statements.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2024 and 2023**

	<u>FY 2023 / 2024</u>	<u>FY 2022 / 2023</u>
Cash Flows From Operating Activities:		
Receipts from Enrollment Fees	\$ 446,482,412	\$ 416,538,928
Payments to Employees and for Employee Benefits	(157,007,686)	(159,235,173)
Payments to Suppliers	(216,636,563)	(182,198,488)
Net Cash Provided by Operating Activities	<u>72,838,163</u>	<u>75,105,267</u>
Cash Flows From Noncapital Financing Activities:		
Repayment of SB 84 Interfund Loan	(3,016,957)	(2,864,368)
Federal Grants	-	1,107,393
Other Income	2,715,596	166,836
Net Cash Used in Noncapital Financing Activities	<u>(301,361)</u>	<u>(1,590,139)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition of Capital Assets	(18,233,329)	(15,017,286)
Payments Towards the Right to Use Assets (Leased Assets)	(4,250,896)	(5,525,811)
Payments Towards the Right to Use SBITA Assets	(3,427,374)	(3,525,757)
Net Cash Used in Capital and Related Financing Activities	<u>(25,911,599)</u>	<u>(24,068,854)</u>
Cash Flows From Investing Activities:		
Interest Income	18,310,404	7,469,812
Net Cash Provided by Investing Activities	<u>18,310,404</u>	<u>7,469,812</u>
Net Increase in Cash and Cash Equivalents	<u>64,935,607</u>	<u>56,916,086</u>
Cash and Cash Equivalents – Beginning of Year	<u>567,171,006</u>	<u>510,254,920</u>
Cash and Cash Equivalents – End of Year	<u>\$ 632,106,613</u>	<u>\$ 567,171,006</u>

See accompanying notes to the financial statements.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Statement of Cash Flows (Continued)
For the Fiscal Years Ended June 30, 2024 and 2023**

Reconciliation of Operating Income (Loss) to Net Cash

Provided by Operating Activities:

Operating Income (Loss)	\$	(5,874,038)	\$	95,263,237
-------------------------	----	-------------	----	------------

Adjustments to Reconcile Operating Income (Loss) to Net Cash

Provided by Operating Activities:

Depreciation and Amortization:		34,143,310		46,844,785
--------------------------------	--	------------	--	------------

Changes in Assets and Liabilities:

(Increase) Decrease in Accounts Receivable	(6,099,143)	(1,094,139)
(Increase) Decrease in Other Assets	(354,081)	1,698,440
Changes in Pension Obligations	(2,272,615)	8,397,796
Changes in OPEB Obligations	47,783,000	(73,799,000)
Increase (Decrease) in Accounts Payable	83,472	(2,497,239)
Increase (Decrease) in Accrued Liabilities	(846,417)	498,439
Increase (Decrease) in Unearned Revenue	155,739	292,903
Increase (Decrease) in Compensated Absences	869,470	(903,034)
Increase (Decrease) in Other Liabilities	5,249,466	403,079

Net Cash Provided by Operating Activities

\$	72,838,163	\$	75,105,267
-----------	-------------------	-----------	-------------------

Supplemental Disclosure of Non-Cash Activities:

Carrying Value of Items Disposed	\$	13,064	\$	57,434
Capital Asset Purchases Included in Accounts Payable		6,929,017		8,710,452
Acquisition of Right to Use Lease Assets		16,684,088		-
Acquisition of Right to Use SBITA Assets		4,711,374		5,346,928

See accompanying notes to the financial statements.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

1.1 Reporting Entity

Established on September 30, 2010, in response to the passage of the Patient Protection and Affordable Care Act signed into law by President Obama in March 2010 Covered California, formerly known as California Health Benefit Exchange, is an independent state agency that receives no funds or appropriations from the State of California. Covered California is governed by a five-member board and generates revenues to cover operations and capital expenses by charging participation fees on monthly gross premiums collected by qualified health plan carriers.

Consistent with governmental accounting principles, the California Health Trust Fund was created in the State Treasury to account for Covered California's financial activities (Government Code (GC) Section 100520) (a)). Monies deposited in the fund may not be loaned to, or borrowed by, any other special fund or the General Fund, or a county general fund or any other county fund (GC Section 100520 (b)).

No state general fund money is used to fund Covered California operations. Exchange operations are funded through a participation fee applied to carrier premiums charged to consumers. Further, no liability incurred by the exchange or any of its officers or employees may be satisfied using money from the state General Fund (GC Section 100521 (a)).

Because Covered California is an independent public entity, it must maintain a prudent reserve, or working capital. .

Covered California is classified as an enterprise fund for accounting purposes. This means that the organization must rely on fees or charges to cover the costs associated with providing exchange services. Covered California imposes a charge on qualified health plan carriers to fund its operations and maintain a reasonable level of working capital (GC Section 100503 (n)). The participation fee rate must be set at a level that ensures sufficient revenue while preventing the accumulation of excess funds beyond the board-approved operating expenditure budget for the following year. Because Covered California is an enterprise fund and also an independent public entity that is not reported in the state of California's annual comprehensive financial reports, it must prepare its own financial

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

statements in accordance with generally accepted accounting principles (GAAP) and government accounting standards board (GASB) statements (GASB statement 34). These financial statements are prepared utilizing the accrual basis of accounting and adhere to an economic resource focus, similar to financial statements prepared by private enterprises.

1.2 *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

Covered California's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as appropriate for special purpose government entities that engage in business type activities. Covered California uses the economic resources measurement focus and accrual basis of accounting.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events. Covered California records revenue when earned and records expenses when the related liability is incurred, regardless of the timing of related cash flows.

The economic resources measurement focus allows Covered California to report all of its economic resources related to operations in the financial statements. Also, like a business, the accrual basis of accounting recognizes transactions related to operations when they are earned, when services are provided or fees are collected, regardless of when the cash is received or paid out for those transactions. This means revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accrual basis of accounting aligns with the economic resources measurement focus.

1.3 *Effect of New Governmental Accounting Standards (GASB) Pronouncements*

1.3.1 *GASB Statement No. 100 Accounting Changes and Error Correction*

GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62, with the objective of enhancing accounting and financial reporting requirements to increase understandability, reliability, relevance, consistency, and comparability of

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

the information reported for the users of the financial statements. GASB Statement No. 100 was issued in June 2022 and becomes effective for fiscal years beginning after June 15, 2023.

This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This statement also requires that the aggregate amount of adjustments to and restatements of beginning net position be displayed in the financial statements.

GASB 100 further requires disclosure in the notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this statement addresses how information affected by a change in accounting principle or error correction should be

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

presented in required supplementary information (RSI) and supplementary information (SI) sections.

For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. Application of GASB Statement No. 100 did not have a material impact on Covered California.

1.4 Future GASB Pronouncements

1.4.1 GASB Statement No. 101 Compensated Absences

GASB Statement No. 101, Compensated Absences, was issued in June 2022, and is effective for fiscal years beginning after December 15, 2023. This statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments will no longer be required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The implementation of this pronouncement will likely result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. This model will also result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. Covered California's management is evaluating the full impact of the amendment on its financial reports.

1.4.2 GASB Statement No. 102 Certain Risk Disclosures

GASB Statement No. 102, Certain Risk Disclosures, was issued December 2023, and is effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. This statement defines risks for state and local governments and requires them to disclose information about these risks in their financial statements. The focus is on concentrations (lack of diversity in resources) and constraints (limitations on governments) that could hurt a government's ability to provide services or meet financial obligations.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Specifically, governments must assess if a concentration or constraint creates a risk of substantial impact within a year of issuing financial statements. If such a risk is identified, the government must disclose details about the risk, including potential events that could cause problems and what actions are being taken to mitigate the risk. This disclosure helps users of financial statements understand the government's financial health.

1.4.3 *GASB Statement No. 103 Financial Reporting Model Improvements*

GASB Statement No. 103, Financial Reporting Model Improvements, was issued April 2024, and is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). This statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

This statement also describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

Further, this statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

Additionally, this Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

1.4.4 GASB Statement No. 104 Disclosure of Certain Capital Assets

GASB Statement No. 104, Disclosure of Certain Capital Assets, was issued September 2024, and is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. This statement

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by GASB Statement No. 34. These include lease assets recognized under GASB Statement No. 87 (Leases), intangible right-to-use assets recognized under GASB Statement No. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements), and subscription assets recognized under GASB Statement No. 96 (SBITA). These assets must be disclosed separately by major class of underlying asset in the capital assets note disclosures.

In addition, intangible assets other than those three types must also be disclosed separately by major class. The statement further requires additional disclosures for capital assets that are held for sale.

2. Assets, Liabilities, and Net Position

2.1 Cash and Cash Equivalents

Covered California's cash and cash equivalents represent cash deposited in the State of California's Surplus Money Investment Fund (SMIF) and cash on hand with the State Treasurer. For purposes of the statement of cash flows, Covered California's considers demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2.2 Investments

Changes in the fair value of the cash in the SMIF that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the sale of investments. Covered California investments are managed in the SMIF.

2.3 Accounts Receivable

Covered California's accounts receivables consist of carrier enrollment fees net of allowances, aged small business receivables, and interest earned on deposits in the SMIF not yet received.

2.4 Capital Assets

Capital assets are defined as assets with a unit cost of \$5,000 or greater and a useful life of more than one year. Capital assets are stated at cost, including all costs related to the acquisition. Depreciation on equipment is calculated using the

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

straight-line method over the estimated useful life ranging from 2 to 20 years. Depreciation on internally generated software and purchased software is calculated using the straight-line method over the estimated useful life of 10 and 5 years, respectively. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the period of disposal. Amortization of leasehold improvements, right of use lease assets and right of use SBITA Assets are computed using the straight-line method over the shorter of the lease term or the useful life.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets, Covered California has recorded internally generated computer software that went live on October 1, 2013. Intangible assets are considered internally generated if they are created or produced by Covered California or an entity contracted by Covered California or if they are acquired from a third party but require more than a minimal incremental effort on the part of Covered California to begin to achieve their expected level of service capacity. The preliminary project stage was completed in

For tangible and intangible capital assets held by Covered California, the asset's expected useful life must exceed one year, the purchase price or internally generated cost of each unit must be greater than or equal to \$5,000, and the assets or property must be used for state business.

For right to use subscription based information technology arrangements (SBITA) assets, the contract conveys control of another party's right to use IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange like transaction, the minimum noncancelable contract term is greater than 12 months, the SBITA contracts must have \$50,000 or more in total upfront or future subscription payments over the subscription term, and the underlying IT assets are used to conduct state business.

Covered California reports capital assets net of accumulated depreciation and amortization on its Statement of Net Position.

2.5 Leases

Covered California follows GASB 87 Accounting for Leases and, June 30, 2024, is the lessee for three noncancelable building leases. Covered California recognizes both the lease liabilities and intangible right-to-use (ROU) lease asset on the ACFR. Lease liabilities are recognized when total future payments are in excess of \$100,000 and when the term extends beyond one year. At the

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

commencement of a lease, Covered California initially measures the lease liability at the present value of payments expected to be made during the lease term. The lease liability is subsequently reduced by the principal portion of lease payments made. The lease ROU asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease ROU asset is amortized on a straight-line basis over its useful life.

Covered California uses the interest rate charged by the lessor as the discount rate, or if not provided, the State of California Incremental Borrowing Rate used as the discount rate for leases.

Covered California monitors changes in circumstances that would require a re-measurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with other non-current liabilities on the statement of net position.

2.6 *Subscription Based Information Technology Agreements (SBITA) Assets*

Covered California accounts for subscription-based information technology arrangements (SBITAs) according to GASB Statement No. 96. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA supplier's) information technology software, alone or in combination with tangible capital assets (the underlying information technology assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a noncancellable right to use the underlying information technology assets. The term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA supplier will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA supplier will not exercise that option). Covered California recognizes SBITAs as a SBITA liability and an intangible right-to-use asset (SBITA asset) in the financial statements.

2.7 *Accounts Payable*

Accounts payable represents amounts owed by Covered California that are due to carriers, agents, suppliers, employees, and other parties.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

2.8 *Compensated Absences*

The financial statements report both the current and noncurrent liabilities for compensated absences, which are vested unpaid vacation, annual leave, and other paid leave programs. The amounts of vested unpaid vacation and annual leave accumulated by state employees are accrued when incurred. The current year portion of compensated absences is based on prior estimates which could be significantly different to actual usage. The remaining balance is reported in the noncurrent liabilities section of the statement of net position.

3. *Loan Payable to the State of California*

During the year ended June 30, 2018, the State enacted a pension borrowing plan, as part of their 2017-18 budget package to reduce the state's unfunded liabilities for its employee pension plans. Chapter 50, Statutes of 2017 Senate Bill 84 (SB 84) authorized the State to make a onetime \$6 billion supplemental pension payment to the California Public Employees' Retirement System (CalPERS) in fiscal year 2017-18, in addition to the annual state contribution. The additional pension payment was funded through a loan from the Surplus Money Investment Fund (SMIF). Covered California's proportionate share of the loan was \$17,337,000 as of fiscal year 2017-18. A loan payable over the term was established and will be fully satisfied in FY 2024/25.

4. *Deferred Outflows and Deferred Inflows of Resources*

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense) until then. Covered California reports deferred amounts related to pension and OPEB that relay differences between estimated and actual investment earnings, changes in actuarial assumption, and other pension and OPEB related changes.

The Statement of Net Position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisition of net assets that apply to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Covered California deferred inflow of resources is related to pensions and other OPEB amounts.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

4.1 *Deferred outflows of resources consist of the following transactions:*

4.1.1 *Net Pension Liability*

All Covered California civil employees participate in the California Public Employees' Retirement System (CalPERS), which is included in the State of California's Annual Comprehensive Financial Report (ACFR) as a fiduciary component unit. The portion of the present value of projected benefit payments to be provided to civil service employees attributable to past periods of service less Covered California's fiduciary net position is recorded as a liability. Covered California is using the measurement dates of June 30, 2023, June 30, 2022, and June 2021 for the reporting dates as of June 30, 2024, June 30, 2023, and June 30, 2022 respectively.

Increases in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred outflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and increases in the net pension liability are all recognized in pension expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on pension plan investments exceed actual earnings, with the net difference amortized to pension expense over a five-year period beginning in the current reporting period. Employer contributions made subsequent to the measurement date are reported as deferred outflows of resources related to pension and reduce net pension liability in the following year.

4.1.2 *Other Postemployment Benefits (OPEB)*

Covered California has adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). GASB Statement No. 75 requires Covered California to report its proportionate share of the net OPEB liability on its Statement of Net Position. It also requires Covered California to record its proportionate share of OPEB expenses in its Statement of Revenues, Expenses, and Changes in Net Position.

Increases in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred outflows of resources related to OPEB. Differences between expected and actual experience

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

regarding economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB contribution amounts, are all recognized as OPEB expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on OPEB plan investments exceed actual earning, with the net difference amortized to OPEB expenses over a five-year period beginning in the current reporting period. Employer contributions made subsequent to the measurement date are reported as deferred outflows of resources related to OPEB and reduce net OPEB liability in the following year.

4.2 *Deferred Inflows of Resources*

Deferred inflows of resources are the acquisition of assets that are applicable to future reporting periods. Deferred inflows of resources are presented separately after Total Liabilities in the Statement of Net Position.

5. Net Position

Covered California's financial statements include the following categories of net position: Net investments in capital assets represents capital assets, net of accumulated depreciation / amortization, current and long-term liabilities, and deferred inflows and outflows of resources. Unrestricted net position is the residual amount of the net position (deficit) not included in the net investment in capital assets or the restricted net position.

6. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Revenues and Expenses

7.1 *Revenue*

Revenues are classified as operating or nonoperating in the accompanying Statement of Revenues, Expenses and Changes in Net Position. Covered California derives its operating revenues from monthly participation fees assessed to health insurance companies for policies sold through the marketplace for the individual and Covered California for Small Business (CCSB) markets.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Covered California's participation fee is assessed on gross premiums. The carriers pay the participation fee to Covered California pursuant to contractual agreements. The participation fee is applicable to both the medical and dental enrollment. The individual market participation fee was 3.25% of the premium due by each enrollee in plan years 2022, 2023, and 2024. The CCSB participation fee was 5.20% of the premium due by each enrollee in plan years 2022, 2023, and 2024.

Individual market revenues are recognized when billed by Covered California. Covered California does not collect individual market premiums. Enrollees pay carriers directly for healthcare coverage and Covered California bills qualified carriers monthly for the contractually agreed participation fee.

Covered California recognizes revenue related to the CCSB program on a net basis in accordance with FASB 2014-09, Topic 606-Revenue from Contracts with Customers. The CCSB program includes a contractual relationship between Covered California and participating carriers. The carriers have agreed that Covered California will facilitate enrollment on behalf of carriers through the CCSB program on the health benefit exchange. Covered California collects small employer group premiums and distributes commissions to agents and general agents, retains a participation fee, and passes the remaining monies to carriers for health coverage.

Since Covered California arranges for the provision of healthcare coverage by carriers, it participates as an agent in the transaction. The carriers that provide the service, healthcare coverage, are the principals in the transaction. When Covered California completes the enrollment of individuals into CCSB participating carriers, it recognizes revenue in the amount of the participation fee. Though immaterial, Covered California also recognizes agent fee revenue when Employers are enrolled without the assistance of a broker or agent. Effectuated enrollment is recognized by healthcare premium payment received by the contractually required due date.

Covered California recognizes additional non-operating revenue through the investment of excess funds in the Surplus Money Investment Fund (SMIF) and performance penalties from carriers that fail to meet Covered California's Carrier Performance Metrics. Performance penalties outline specific performance standards in the areas of health disparities, payment strategies, enrollee experience, data quality and completeness, and oral health, that are critical to Covered California meeting its mission. Non-operating revenue also includes miscellaneous revenue, escheat warrants, miscellaneous services to the public,

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

interest expense (net) related to the SB84 loan, interest expense (net) on leases and SBITAs, and gains or losses on disposal of equipment.

All revenues received that are not part of the ongoing operations, such as interest income or federal grants, are classified as nonoperating revenues.

7.2 Expenses

Covered California expenses consist of operating and non-operating expenses with, salaries, wages and benefits and professional services making up the majority of total expenses.

7.2.1 Professional Expenses

Professional services include costs incurred to acquire software or other capital assets, recognition of depreciation and amortization expense and CCSB passthrough revenues.

7.2.2 Salaries, Wages, and Benefits

Included in the Salaries, Wages and Benefits expense category is compensated absences that include both the current and noncurrent liabilities for compensated absences, which are vested unpaid vacation, annual leave, and other paid leave programs. The amounts of vested unpaid vacation and annual leave accumulated by state employees are accrued when incurred. The amount reported in the current liabilities section reflects the amount of leave paid in the current fiscal year. The remaining balance is reported in the noncurrent liabilities section of the statement of net position. Additionally, current Covered California employee retirement benefits expense and current other post-employment benefits expense as well as healthcare expenses are also included in the Salaries, Wages, and Benefits category.

DETAILED NOTES ON ALL ACTIVITIES

2. Assets, Liabilities, and Net Position

2.1 Cash and Cash Equivalents

Covered California's cash and cash equivalents represent cash deposited in the State of California's Surplus Money Investment Fund (SMIF) and cash on hand with the State Treasurer.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Cash and cash equivalents are held as cash on hand in pools and managed by the State Treasurer. Interest income earned on outstanding cash balances is allocated among pool participants based on average daily cash balances.

	FY 2023-24	FY 2022-23
Cash in State Treasury	\$ 93,893,613	\$ 92,871,006
Surplus Money Investment Fund	538,213,000	474,300,000
Total Cash and Cash Equivalents	<u>\$ 632,106,613</u>	<u>\$ 567,171,006</u>

As of FY 2023-24 and FY 2022-23, the carrying value of deposits in the SMIF represents the fair value. The SMIF consists of the available cash of all special funds of the State which do not have investment authority of their own. Cash balances in excess of needs in any of these participating funds are invested by the State Treasurer. The Pooled Money Investment Board (PMIB) provides regulatory oversight over the State Treasurer's pooled investment program and is responsible for determining whether any cash balances of the participating funds are in excess of current needs and available for investment, or whether it is necessary to liquidate previous investments to meet current requirements. The PMIB is composed of the State Treasurer, as chairman; the State Controller; and the Director of Finance.

All of the resources of the SMIF are invested through the Pooled Money Investment Account (PMIA). By law, PMIA monies can be invested only in the following categories: U.S. Government securities; securities of federally sponsored agencies; domestic corporate bonds; interest-bearing time deposits in California banks, savings and loan associations, and credit unions; prime-rated commercial paper; repurchase and reverse repurchase agreements; security loans; banker's acceptances; negotiable certificates of deposits; and loans to various bond funds.

On June 30, 2024 and 2023, the allocation of the deposits held by Covered California in the SMIF, of which Covered California's estimated share was .302298 and 0.265889, respectively. The State of California's SMIF invested balance totals are listed below:

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

	FY 2023-24	FY 2022-23
U.S. Treasury Securities	\$ 101,329,456,154	\$ 112,527,284,000
Federal Agency Debt	40,491,383,681	35,897,492,312
Supranational Debentures	2,970,189,533	2,922,770,688
Bank Notes	-	200,000,000
Certificates of Deposit	15,450,015,000	13,200,000,000
Commercial Paper	11,683,558,042	7,730,448,000
Bonds	693,227,690	463,859,000
Time Deposits	5,060,000,000	5,082,000,000
AB 55 and General Fund Loans	362,908,000	358,954,000
Total	<u>\$ 178,040,738,100</u>	<u>\$ 178,382,808,000</u>

The value of the deposits in the State Treasurer's pooled investment program, including the SMIF, is equal to the dollars deposited in the program. The fair value of the position in the program may be greater or less than the value of the deposits, with the difference representing the unrealized gain or loss. As of June 30, 2024 and 2023, this difference was immaterial to the valuation of the deposits held by Covered California in the SMIF.

Covered California's share in the interest earnings of the PMIA is based on its ratio of dollar-day contributions to the total dollar-day investments of the PMIA. The overall return on investment for the PMIA was 3.927 percent for the year ended June 30, 2024 and 2.17 percent for the year ended June 30, 2023.

On June 30, 2024 and 2023, the weighted average maturity of PMIA investments was approximately 217 days and 260 days, respectively. Weighted average maturity is the average number of days, given a dollar-weighted value of individual investments, that the securities in the portfolio have remaining from the evaluation date to stated maturity. Neither SMIF nor PMIA are rated by credit rating agencies. Additional disclosures regarding investment risks, interest rate risk, credit risk, custodial credit risk and concentration of credit risk, are presented in the financial statements of the State of California for the year ended June 30, 2024 and June 30, 2023.

Cash was also impacted by a new allocation assessed by the State Controller's Office for cash withheld in fund 0675 as of June 30, 2024. This allocation is in conformance with GASB 84 for funds held in a clearing account managed by the controlling agencies for payroll liabilities in-process. Fiscal Year 2023-24 was the first year the State Controller's Office provided the allocation to Covered California. This entry increased cash by \$10.1 million and posted the offsetting liability for payroll amounts due at the end of the period but not yet paid.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

2.3 *Receivables*

For Fiscal Year 2023-24, receivables include participation fees owed by health insurance carriers for the individual market at \$39.9 million, abatements recorded at \$0.46 million, and contributions from the SMIF at \$6.1 million. For Fiscal Year 2022-23, receivables comprise \$33.8 million from health insurance carriers for participation fees in the individual market, \$0.5 million in abatements, and \$3.7 million due from the SMIF.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

2.4 Capital Assets

Covered California's Capital assets net of depreciation and amortization equaled \$138,079,112 at fiscal year end June 30, 2024.

Table 10 Capital Assets at June 30, 2024

Changes in Capital Assets for the Fiscal Year Ended June 30, 2024:				
	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Depreciable Assets-Development Costs:				
Internally Developed Software	\$ 373,052,397	\$ 25,162,346	\$ -	\$ 398,214,743
Hardware	23,392,012	-	-	23,392,012
Licenses and Purchased Software	42,074,654	-	-	42,074,654
Total Depreciable Assets Development Costs	438,519,063	25,162,346	-	463,681,409
Depreciable Capital Assets:				
Office Furniture and Equipment	10,766,559	-	(84,986)	10,681,573
Leasehold Improvements	8,331,135	-	-	8,331,135
Total Depreciable Capital Assets	457,616,757	25,162,346	(84,986)	482,694,117
Less Accumulated Depreciation:				
Asset Development Costs	(341,948,901)	(23,016,708)	-	(364,965,609)
Office Furniture and Equipment	(9,581,972)	(699,933)	71,922	(10,209,983)
Leasehold Improvements	(5,099,602)	(806,348)	-	(5,905,950)
Total Accumulated Depreciation	(356,630,475)	(24,522,989)	71,922	(381,081,542)
Total Capital Assets, Net	100,986,282	639,357	(13,064)	101,612,575
Right of Use Assets (Lease Assets), Amortized:				
Right of Use Assets	29,328,001	17,327,873	-	46,655,874
Less Accumulated Amortization	(10,506,556)	(5,049,388)	-	(15,555,944)
Total Right of Use Assets, Amortized, Net	18,821,445	12,278,485	-	31,099,930
Right of Use Assets (SBITA), Amortized:				
Right of Use Assets	8,282,862	5,111,810	(3,771,482)	9,623,190
Less Accumulated Amortization	(3,496,292)	(4,531,773)	3,771,482	(4,256,583)
Total Right of Use Assets, Amortized, Net	4,786,570	580,037	-	5,366,607
Total Capital Assets, Net	\$ 124,594,297	\$ 13,497,879	\$ (13,064)	\$ 138,079,112

CalHEERS application development costs incurred during FY 2023-24 were \$25.2 million, and during FY 2022-23, they were \$23.7 million. Depreciation of the intangible assets began on October 1, 2013, and totaled \$23.0 million and \$35.9 million for fiscal years 2023-24 and 2022-23, respectively.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Covered California's Capital assets net of depreciation and amortization equaled \$124,594, 297 at fiscal year end June 30, 2023.

Table 11 Capital Assets at June 30, 2023

Changes in Capital Assets for the Fiscal Year Ended June 30, 2023:				
	Balance July 1, 2022 (restated) ¹	Increases	Decreases	Balance June 30, 2023
Depreciable Assets-Development Costs:				
Internally Developed Software	\$ 349,324,659	\$ 23,727,738	\$ -	\$ 373,052,397
Hardware	23,392,012	-	-	23,392,012
Licenses and Purchased Software	42,074,654	-	-	42,074,654
Total Depreciable Assets Development Costs	414,791,325	23,727,738	-	438,519,063
Depreciable Capital Assets:				
Office Furniture and Equipment	10,922,179	-	(155,620)	10,766,559
Leasehold Improvements	8,810,549	-	(479,414)	8,331,135
Total Depreciable Capital Assets	434,524,053	23,727,738	(635,034)	457,616,757
Less Accumulated Depreciation:				
Asset Development Costs	(306,051,154)	(35,897,745)	-	(341,948,901)
Office Furniture and Equipment	(8,777,066)	(949,202)	144,296	(9,581,972)
Leasehold Improvements	(4,611,656)	(921,250)	433,304	(5,099,602)
Total Accumulated Depreciation	(319,439,876)	(37,768,197)	577,600	(356,630,475)
Total Capital Assets, Net	115,084,177	(14,040,459)	(57,434)	100,986,282
Right of Use Assets (Lease Assets), Amortized:				
Right of Use Assets	31,505,683	-	(2,177,682)	29,328,001
Less Accumulated Amortization	(5,810,001)	(5,580,295)	883,740	(10,506,556)
Total Right of Use Assets, Amortized, Net	25,695,682	(5,580,295)	(1,293,942)	18,821,445
Right of Use Assets (SBITA), Amortized:				
Right of Use Assets	2,935,935	5,346,927	-	8,282,862
Less Accumulated Amortization	-	(3,496,292)	-	(3,496,292)
Total Right of Use Assets, Amortized, Net	2,935,935	1,850,635	-	4,786,570
Total Capital Assets, Net	\$ 143,715,794	\$ (17,770,119)	\$ (1,351,376)	\$ 124,594,297

¹ As of July 1, 2022 Covered California restated the capital assets due to the implementation of GASB 96.

2.5 Leases

Covered California follows GASB 87 Accounting for Leases at June 30, 2024 and is the lessee for three noncancelable building leases. Covered California recognizes both the lease liabilities and intangible right-to-use (ROU) lease asset on the Statement of Net Position. Lease liabilities are recognized when total future payments are in excess of \$100,000 and when the term extends beyond one year. At the commencement of a lease, Covered California initially measures the lease liability at the present value of payments expected to be made during the lease term. The lease liability is subsequently reduced by the principal portion of lease payments made. The lease ROU asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

commencement date, plus certain initial direct costs. Subsequently, the lease ROU asset is amortized on a straight-line basis over its useful life.

Covered California uses the interest rate charged by the lessor as the discount rate, or if not provided, the State of California Incremental Borrowing Rate used as the discount rate for leases.

Covered California monitors changes in circumstances that would require a re-measurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with other non-current liabilities on the statement of net position.

The addition to the lease liability represents the amendment to lease 1 – Exposition Blvd extending its term to 6/30/2031.

At FY year end June 30, 2024, Covered California was the lessee in three building leases:

- Building lease 1—1601 Exposition Blvd, Sacramento, CA, 95815;
- Building lease 2—247 E. Nees Avenue, Fresno, CA, 93720; and
- Building lease 4 —7677 Oakport Steet, Suite 800, Oakland, CA, 94621.

Table 12 Lease Terms, Conditions, and Values as of June 30, 2024

Lease Factors	Building Lease 1	Building Lease 2	Building Lease 4
Term	07/01/2023-06/30/2031	04/01/2020-05/30/2030	03/1/2022-02/29/2028
Asset as of 6/30/2024	\$20,965,969	\$9,543,897	\$590,064
Asset Amortization Method	Straight line	Straight line	Straight line
Liability as of 06/30/2024	\$21,572,828	\$9,962,285	\$613,129
Liability Discount Rate	2.42%	0.90%	0.90%
Direct Pmts. At Inception	\$24,127,266	\$14,452,188	\$965,559
Asset Useful Life	96 Months	106 Months	72 Months
Contract Length	96 Months	106 Months	72 Months
Amortization	96 Months	106 Months	72 Months

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

Table 13 Lease Terms, Conditions, and Values as of June 30, 2023

Lease Factors	Building Lease 1	Building Lease 2	Building Lease 3	Building Lease 4	Building Lease 5
Term	07/01/2020-06/30/2025	04/01/2020-5/30/2030	02/17/2020-4/30/2023	03/1/2022-02/29/2028	05/01/2018-08/31/2022
Asset as of 6/30/2023	\$7,073,312	\$10,997,143	\$0	\$750,991	\$0
Asset Amortization Method	Straight line	Straight line	Straight line	Straight line	Straight line
Liability as of 6/30/23	\$7,443,178	\$11,504,371	\$0	\$767,500	\$0
Liability Discount Rate	0.20%	0.90%	0.20%	0.90%	0.20%
Direct Pmts. At Inception	\$14,554,039	\$14,452,188	\$488,824	\$965,559	\$1,798,323
Asset Useful Life	48 Months	106 Months	22 Months	72 Months	58 Months
Contract Length	48 Months	106 Months	22 Months	72 Months	58 Months
Amortization	48 Months	106 Months	22 Months	72 Months	58 Months

During FY 2022-23, two capital leases expired or were otherwise terminated and nonrenewed as follows:

- Building Lease 3—1610 Arden Way, Sacramento, CA expired and was nonrenewed; and
- Building Lease 5—1601 Response Road, Sacramento, CA was terminated.

The termination of Building Lease 5 resulted in the elimination of \$1,382,005 in liabilities, \$303,898 of which were classified as current liabilities and \$1,078,107 classified as non-current liabilities in FY 2022-23.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Table 14 The changes in the lease liability for the year ended June 30, 2024, and June 30, 2023, are as follows:

The changes in the lease liability for the year ended June 30, 2024, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Building leases liability	\$ 19,715,049	\$ 16,684,088	\$ 4,250,896	\$ 32,148,242	\$ 4,425,590

The changes in the lease liability for the year ended June 30, 2023, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Building leases liability	\$ 26,622,865	\$ -	\$ 6,907,815	\$ 19,715,049	\$ 5,376,553

Table 15 The future payments of lease principal and interest as of June 30, 2024, are as follows:

Future Liability Summary			
Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 4,425,590	\$ 580,503	\$ 5,006,093
2026	4,604,511	498,380	5,102,891
2027	4,787,760	412,701	5,200,461
2028	4,915,286	323,448	5,238,734
2029	4,999,579	231,455	5,231,034
2030-2034	8,415,515	182,190	8,597,705
Total	<u>\$ 32,148,242</u>	<u>\$ 2,228,677</u>	<u>\$ 34,376,919</u>

2.6 Subscription-Based Information Technology Arrangement (SBITA)

Covered California accounts for subscription-based information technology arrangements (SBITAs) according to GASB Statement No. 96 that became effective for fiscal years beginning after June 15, 2022. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA supplier's) information technology software, alone or in combination with tangible capital assets (the underlying information technology assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a noncancellable right to use the underlying information technology assets. The term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA supplier will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA supplier will not exercise that option). Covered California recognizes SBITAs as a SBITA liability and an intangible right-to-use asset (SBITA asset) in the financial statements.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Covered California recognizes a SBITA right-to-use liability and a SBITA right-to-use asset at the commencement of the subscription term, or at the date of the GASB 96 implementation of July 1, 2022 for existing SBITAs. The initial SBITA liability was measured at the present value of subscription payments expected to be made during the subscription term, and future subscription payments are discounted using an incremental borrowing rate. The SBITA asset is measured as the sum of the initial subscription liability amount, the payments made to the SBITA supplier before the commencement of the subscription term, and the capitalizable implementation costs, less any incentives received at or before the commencement of the subscription term.

Covered California will reduce the SBITA liability as payments are made and recognize amortization of the discount on the subscription liability as an outflow of resources (e.g., interest expense) in future financial reporting periods. Covered California recognizes amortization of the subscription asset as an outflow of resources over the subscription term.

The changes in the SBITA liability for the year ended June 30, 2024 and June 30, 2023 are as follows:

Table 16 The changes in the SBITA liability for the year ended June 30, 2024, and June 30, 2023, are as follows:

The changes in the SBITA liability for the year ended June 30, 2024, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
SBITA liability	\$ 3,692,471	\$ 4,981,230	\$ 3,427,374	\$ 5,246,327	\$ 2,690,660

The changes in the SBITA liability for the year ended June 30, 2023, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
SBITA liability	\$ 1,871,300	\$ 5,346,928	\$ 3,525,757	\$ 3,692,471	\$ 2,323,593

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Table 17 The future payments of SBITA principal and interest as of June 30, 2024, are as follows:

Fiscal Year ended June 30,	Future Payments		
	Principal	Interest	Total
2025	\$ 2,690,660	\$ 83,186	\$ 2,773,845
2026	1,386,389	39,988	1,426,377
2027	1,118,200	6,415	1,124,615
2028	25,230	670	25,900
2029	25,848	52	25,900
Total	\$ 5,246,327	\$ 130,310	\$ 5,376,637

2.7 Accounts Payable

Accounts payable represents amounts owed by Covered California that are due to carriers, agents, suppliers, employees, and other parties. The accounts payable totals were \$78.7 million at June 30, 2024, and \$70.8 million at June 30, 2023. These amounts include outstanding CCSB passthrough payables.

2.8 Compensated Absences

The financial statements report both the current and noncurrent liabilities for compensated absences, which are vested unpaid vacation, annual leave, and other paid leave programs. The amounts of vested unpaid vacation and annual leave accumulated by state employees are accrued when incurred. The current year portion of compensated absences is based on prior estimates which could be significantly different to actual usage. The remaining balance is reported in the noncurrent liabilities section of the statement of net position.

Changes in Compensated Absences Liability Balances for the Fiscal Year Ended June 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year (Estimated)
Compensated Absences Liability Total	\$ 18,872,097	\$ 6,929,894	\$ 6,060,424	\$ 19,741,568	\$ 12,099,822

3. Loan Payable to State of California

During the year ended June 30, 2018, the State enacted a pension borrowing plan, as part of their 2017-18 budget package to reduce the state's unfunded liabilities for its employee pension plans. Chapter 50, Statutes of 2017 Senate Bill 84 (SB 84) authorized the State to make a one-time \$6 billion supplemental pension payment to the California Public Employees' Retirement System (CalPERS) in fiscal year 2017-18, in addition to

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

the annual state contribution. The additional pension payment was funded through a loan from the Surplus Money Investment Fund (SMIF). Covered California's proportionate share of the loan was \$17,337,000 as of fiscal year 2017-18. A loan payable over the term was established and will be fully paid in FY 2024-25.

Table 18 Balances to the Interfund Loan Payable for Fiscal Years Ended June 30, 2024 and 2023:

	<u>Balance at July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2024</u>	<u>Due Within One Year</u>
Loan Payable SMIF (SB84)	\$ 4,079,745	\$ -	\$ 3,016,957	\$ 1,062,788	\$ 1,062,788

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2023</u>	<u>Due Within One Year</u>
Loan Payable SMIF (SB84)	\$ 6,944,113	\$ -	\$ 2,864,368	\$ 4,079,745	\$ 3,030,000

SB 84 requires all funds that are normally responsible for paying retirement contributions repay the interest and principal on the SMIF loan over the next decade. SB 84 indicates that state funds must repay their respective shares of the loan in proportion to their pension costs. However, it also gives the Department of Finance (DOF) discretion to determine the timing of the repayments and the methodology for estimating the repayment costs across funds.

In fiscal year 2017-18, the first year of the loan repayment, only the State General Fund paid the principal and interest on the loan. In fiscal year 2018-19, in addition to the State General Fund, special and non-governmental cost funds started repaying their proportionate share of the loan's principal and interest. The fiscal year 2018-19 assessments were equal to the estimated loan repayment amount each fund is obligated to pay in fiscal year 2018-19, plus the repayment amount for the fiscal year 2017-18. The Department of Finance directs the State Controller's Office (SCO) to assess the fund's share for a particular year required loan repayment.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Table 19 Estimated Annual Schedule of Principal and Interest

Estimated Annual Schedule of Principal and Interest

	Principal	Interest	Total
FY 2024-25	\$ 1,062,788	\$ 230,000	\$ 1,292,788
Total	\$ 1,062,788	\$ 230,000	\$ 1,292,788

4. Net Pension Liability

4.1 Pensions

All Covered California civil employees participate in the California Public Employees' Retirement System (CalPERS), which is included in the State of California's Annual Comprehensive Financial Report as a fiduciary component unit. The portion of the present value of projected benefit payments to be provided to civil service employees attributable to past periods of service less Covered California's fiduciary net position is recorded as a liability. Covered California uses the measurement period of June 30, 2023, and June 30, 2022, for the reporting dates as of June 30, 2024, and June 30, 2023, respectively.

4.2 Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* (GASB 68), requires public employers to comply with accounting and financial reporting standards related to the recognition and calculation of pension obligations. Under GASB 68, employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement are required to record their portion of the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position.

Net pension liability is the plan's total pension liability based on the entry age normal actuarial cost method less the plan's fiduciary net position. This may be a net pension asset when the Plan's fiduciary net position exceeds its total pension liability.

Pension expense is the change in net pension liability from the previous reporting period to the current reporting period, less adjustments. This may be a negative expense (pension income), which should be reported as a credit in pension expense.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Deferred outflows of resources and deferred inflows of resources related to pensions are certain changes in total pension liability and fiduciary net position that are to be recognized in future pension expense.

GASB 68 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Table 20 Valuation and Measurement Dates

	2024	2023
Valuation date (VD)	June 30, 2022	June 30, 2021
Measurement date (MD)	June 30, 2023	June 30, 2022
Measurement period (MP)	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

4.3 Plan Description, Benefits Provided, and Employees Covered

Covered California contributes to the State of California's Public Employees' Retirement Fund administered by the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. Covered California has employees who are enrolled in the State Miscellaneous Plan, State Industrial, and State Safety sub-groups. CalPERS provides retirement benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State and uses the accrual basis of accounting. Benefit provisions and all other requirements are established by state statute.

CalPERS issues a separate annual comprehensive financial report that includes financial statements and required supplementary information. CalPERS' annual financial report may be obtained by writing to the California Public Employees' Retirement System, Fiscal Services Division, P.O. Box 942703, Sacramento, California 94229, or by visiting the CalPERS website at www.CalPERS.ca.gov.

Generally, full-time employees are eligible to participate as members of CalPERS and are eligible to retire at age 50 and are considered vested when they reach five years of service. However, the Public Employees' Pension Reform Act, or PEPRA, which went into effect on January 1, 2013, changed the terms of the pension plan for state workers first hired after January 2013. PEPRA members become eligible to retire at age 52 with at least 5 years of service.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

4.4 Employer Contribution and Vesting

The employer contribution is the amount the employer will contribute to the employee's health plan premium in retirement. Vesting refers to the amount of time the employee must be employed by the employer in order to receive the employer's contribution toward the employee's health premium at retirement.

When an employee retires from the State of California the employee may receive the state's contribution towards health plan premiums in retirement. Employer contributions are subject to collective bargaining and can be found on the Retiree Plans & Rates webpage.

4.4.1 *State of California Vesting*

This section describes the state's vesting for state employees eligible for CalPERS retirement. If the employee was first hired by the state:

- Before January 1, 1985 and are eligible to retire, the employee will receive 100 percent of the state's contribution
- Between January 1, 1985 through January 1, 1989, the employee will need 10 years of CalPERS service credit to receive 100 percent of the state's contribution. In this case, CalPERS service credit includes service with a state agency, public agency, and schools.
- After January 1, 1989, the employee will need 20 years of state service to receive 100 percent of the state's contribution
- Most employees hired on or after certain dates are subject to a 25-year vesting for 100 percent of the state's contribution based on bargaining unit (BU):
 - BU 12 – January 1, 2011
 - BU 9, 10 – January 1, 2016
 - BU 1, 2, 3, 4, 6, 7, 8, 11, 13, 14, 15, 17, 18, 19, 20, 21 – January 1, 2017
 - BU 16 – April 1, 2017
 - BU 5 – January 1, 2020

4.5 *Contributions*

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. For the Plan measurement periods ended June 30, 2023, the active employee contribution rate for State Miscellaneous was 32.00%, State Industrial 21.00%, State Safety 22.75%. For the Plan measurement periods ended June 30, 2022, the active employee contribution rate for State Miscellaneous was 29.22%, State Industrial 17.34%, State Safety 19.47%.

Any reduction in employer contributions due to the increase in the employee contributions must be paid by the employer towards the unfunded liability. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer-paid member contributions or situations where members are paying a portion of the employer contribution.

4.6 *Discount Rate*

CalPERS prepared the GASB 68 Accounting Valuation Reports (AVRs) for the State of California for the five plans (including the State Miscellaneous Plan) in which the State participates. For the June 30, 2023, measurement date, CalPERS utilized a discount rate of 6.90 percent, which includes the plans' administrative expenses. For the June 30, 2022, measurement date, CalPERS utilized a discount rate of 6.9 percent, which includes the plan's administrative expenses.

4.7 *Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*

The State Controller's Office (SCO) used a calculated percentage based on Covered California's share of the pensionable compensation to the State's total pensionable compensation amounts for the State Miscellaneous Plan, to provide Covered California's proportionate share of net pension liability and related GASB 68 accounting elements. For the June 30, 2023, measurement period and June 30, 2022, measurement period Covered California's calculated percentage for all three subgroups were as follows:

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

Table 21 Covered California's Proportionate Share Percentages

Subgroup	Calculated Percentage June 30, 2023 Measurement Period	Calculated Percentage June 30, 2022 Measurement Period
Miscellaneous	0.615879%	0.621920%
State Safety	0.000000%	0.000060%
State Industrial	0.000000%	0.001350%

Covered California's net pension liability for its proportionate share of the State's net pension liability for the Miscellaneous sub-group was \$235,140,336 at the start of the July 1, 2022 measurement period and \$236,658,283 for the three sub-groups at the end of the measurement period, June 30, 2023, respectively.

For the measurement periods June 30, 2023, and 2022 (the measurement date), Covered California incurred a non-cash pension expense of \$29,973,996 and \$32,695,782, respectively.

As of the measurement date of June 30, 2023 and 2022, Covered California had deferred outflows and deferred inflows of resources related to pensions as follows:

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

Table 22 Deferred Outflows and Deferred Inflows of Resources Related to Pensions

	2023	2022
Deferred Outflows of Resources		
Pension Contributions Subsequent to Measurement Date	\$ 32,245,933	\$ 30,219,987
Difference between Expected and Actual Experiences	11,340,903	3,717,999
Change in Assumptions	12,284,098	17,799,477
Difference In Projected and Actual Earnings on Pension Plan Investment	28,650,389	30,643,644
Total	\$ 84,521,323	\$ 82,381,107
Deferred Inflows of Resources		
Difference between Expected and Actual Experiences	\$ 3,675,190	\$ 5,325,536
Total	\$ 3,675,190	\$ 5,325,536

Exclusive of deferred outflows related to payments after the measurement date, the net amount of deferred outflows (inflows) of resources related to pensions will be recognized in future pension expense as follows:

Table 23 Future Pension Expense

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of resources
2024	\$ 13,233,323
2025	10,149,223
2026	23,457,403
2027	1,760,253
Total	\$ 48,600,200

4.8 Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The total pension liability as of the June 2023 measurement date was based on an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. The total pension liability as of June 2022 measurement date was based on an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. Unless noted, the calculations were based on the following actuarial methods and assumptions:

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Table 24 Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method:	Entry Age Actuarial Cost method
Amortization Method/Period:	For both measurement dates, the 2018 CalPERS Actuarial Amortization policy specifies that all changes in liability due to plan amendments (other than golden handshakes which are amortized over 5 years), changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. Commencing with the 2019 valuation, all new gains or losses are tracked, and the net unamortized gain or loss is amortized over a fixed 20-year period with a 5-year ramp up at the beginning of the amortization period.
Asset Valuation Method:	For both measurement dates, Fair Value
Inflation:	2.30% for June 2023 and for June 2022
Salary Increases:	For both measurement dates, varies by entry age and service
Payroll Growth:	2.80% for June 2023 and June 2022
Investment Rate of Return:	6.8% for June 2023, 6.90% for June 2022
Retirement Age:	For June 2023 measurement date, the probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality Rate Table:	For June 2023 measurement date, the probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For June 2021, the probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include generational mortality improvement using 80% of MP-2020 published by the Society of Actuaries for June 2022. For June 2021 measurement date, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using Scale 90% of scale MP-2016 published by the Society of Actuaries.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

The table below reflects long-term expected real rate of return by asset class for June 30, 2023, and June 30, 2022, measurement dates. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation used to measure the total pension liability. The real rate of return on these asset classes used an expected inflation rate of 2.30 percent. Figures are based on the 2021 Asset Liability Management study conducted by CalPERS.

Table 25 Long-Term Expected Real Rate of Return by Asset Class June 30, 2023, and June 30, 2022

Asset Class	Assumed Asset Allocation	Real Return
Global Equity – Cap-weighted	30.00%	4.54%
Global Equity – Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investments Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
	100.00%	

4.8.1 Changes in Assumption

There are no changes in assumptions for June 30, 2023 measurement date. The accounting discount rate was same as the prior year at 6.90 percent. In determining the long-term expected rate of return, CalPERS considered long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Actuarial Assumptions. The accounting discount rate was 7.15 percent for measurement dates 2017 through 2021. Sensitivity of the Net Pension Liability to Changes in the Discount Rate.

The following presents the net pension liability of Covered California as of June 30, 2023, calculated using the current discount rate of 6.90 percent, as well as what the pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

Table 26 Net Pension Liability at June 30, 2023

Miscellaneous Plan	Net Pension Liability at June 30, 2023		
	Discount Rate	Current Discount Rate	Discount Rate
	- 1% (5.90%)	(6.90%)	+ 1% (7.90%)
	\$343,384,116	\$236,658,283	\$147,553,760

The following presents the net pension liability of Covered California as of June 30, 2022, calculated using the discount rate of 6.90 percent, as well as what the pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

Table 27 Net Pension Liability at June 30, 2022

Miscellaneous Plan	Net Pension Liability at June 30, 2022		
	Discount Rate	Current Discount Rate	Discount Rate
	- 1% (5.90%)	(6.90%)	+ 1% (7.90%)
	\$338,354,701	\$235,140,336	\$148,972,236

4.9 Pension Plan Fiduciary Net Position

Each plan's fiduciary net position disclosed in the accounting valuation report provided by CalPERS may differ from the plan's assets reported in the funding actuarial valuation report due to several reasons; the accounting valuation report must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation report

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

5. Other Postemployment Benefits (OPEB)

Covered California has adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires Covered California to report its proportionate share of the net OPEB liability on its Statement of Net Position. It also requires Covered California to record its proportionate share of OPEB expenses in its Statement of Revenues, Expenses, and Changes in Net Position.

5.1 Other Postemployment Benefits

Covered California adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) during the 2017-18 fiscal year. GASB 75 requires that the reported liability and asset information be determined based on specific valuation and measurement dates. For this report, the following valuation and measurement dates were used:

Table 28 OPEB Valuation and Measurement Dates

	2024	2023
Valuation date (VD)	June 30, 2023	June 30, 2022
Measurement date (MD)	June 30, 2023	June 30, 2022
Measurement period (MP)	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

5.2 Plan Description, Benefits Provided, and Employees Covered

Postretirement healthcare benefits are also provided to Covered California retirees through the programs sponsored by the State as administered by CalPERS and the California Department of Human Resources (CalHR). As the postretirement healthcare plan is sponsored by the State, it is considered a single-employer plan. Prior to FY 17-18, the total other postemployment benefits (OPEB) actuarial accrued liability was reported at the State level.

Healthcare and dental benefits may be provided to members depending on the date hired and the member's years of credited service. Postretirement health benefits include medical, prescription drug, and dental benefits. These benefits are funded on a pay-as-you-go basis. Effective July 1, 2018 (FY 18-19), both the employer and the employee are pre-funding OPEB. As part of the State response to COVID-19, the employee portion of pre-funding was suspended as of July 1, 2020, for the fiscal year 2021-22. Following the recovery from COVID-19, the suspension of OPEB prefunding was renegotiated. Employees resumed pre-funding of OPEB in FY 21-22.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Employer contributions for health premiums during the fiscal years 2023-24 and 2022-23 maintained the 100/90 percent contribution formula established pursuant to Government (Gov.) Code section 20683.2(d) of the Public Employees' Retirement Law, the California State Legislature may adopt higher contribution rates than what is actuarially required to redirect savings resulting from increases in member contribution rates for various state members that became effective July 1, 2013, and July 1, 2014. Under this formula, the State uses 100 percent of the weighted average premiums of the four largest health benefit plans to calculate the maximum amount the State will contribute toward the retiree's health benefits. The State also contributes 90 percent of the weighted average excess of the two-party or family premium over the single premium for the health benefits of each of the retiree's dependents. The retiree is responsible for paying all health benefit plan costs that exceed the average of the four largest benefit plans. The monthly contribution maximums for 2023-24, and 2022-23 were respectively \$ 883, and \$816 for a single enrollee, \$1,699, and \$1,548 for an enrollee and one dependent, and \$2,124, and \$1,983 for an enrollee and two or more dependents. Dental premiums vary by plan and number of dependents. The contribution formulas are subject to approval and amendment by the state legislature. The actual amount of the contribution varies by employee type. If members are not fully vested, the healthcare and dental contributions will be prorated based on the years of service.

5.3 Contributions

Covered California paid approximately \$ 17,659,000 for postretirement health and dental benefits for retired members and prefunding for the year ended June 30, 2024, and \$16,888,000 for the year ended June 30, 2023.

5.4 Net OPEB Liability, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

Covered California reported a liability of \$342,458,000 for its proportionate share of the OPEB Plan net OPEB liability in accordance with the parameters of GASB 75 for the year ended June 30, 2024, and \$279,595,000 for the year ended June 30, 2023. The State Controller's Office (SCO) used the total amount of Covered California OPEB contributions as a proportion of the State's total contributions for each bargaining unit or valuation group, to provide Covered California's net OPEB liability and related GASB 75 accounting elements. At June 30, 2024, Covered California's combined proportionate share, based on its attributable bargaining units or valuation groups' contributions for the measurement period June 30, 2023 (measurement date) was 0.966650% and 0.817270% at June 30, 2022.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

For the measurement period, June 30, 2023 (the measurement date), Covered California incurred a non-cash OPEB expense of \$64,912,000. For the measurement period, June 30, 2022 (the measurement date), Covered California incurred a non-cash credit to OPEB expense in the amount of (\$56,913,000) respectively.

As of the measurement date of June 30, 2023, and 2022, Covered California had deferred outflows and deferred inflows of resources related to OPEB as follows:

Table 29 Deferred Outflows and Deferred Inflows of Resources Related to OPEB at June 30, 2023 and June 30, 2022

	2023	2022
Deferred Outflow of Resources		
OPEB Contributions Subsequent to Measurement Date	\$ 17,569,000	\$ 16,888,000
Difference Between Expected and Actual Experience	12,586,000	9,006,000
Change in Assumption	18,879,000	17,724,000
Net Difference in Projected and Actual Earnings on OPEB		
Plan Investments	1,541,000	1,817,000
Total	\$ 50,575,000	\$ 45,435,000
Deferred Inflow of Resources		
Difference Between Expected and Actual Experience	\$ 28,797,000	\$ 33,429,000
Change in Assumption	58,195,000	63,503,000
Total	\$ 86,992,000	\$ 96,932,000

Exclusive of deferred outflows related to contributions after the measurement date, the net amount of deferred outflows (inflows) of resources related to OPEB will be recognized in future OPEB expenses as follows:

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

Table 30 Future OPEB Deferred Outflows / (Inflows) of Resources

Measurement Period ended June 30:	Deferred Outflows / (Inflows) of Resources
2024	\$ (14,989,000)
2025	(8,900,000)
2026	(9,005,000)
2027	(9,591,000)
2028	(8,337,000)
Thereafter	(3,164,000)
Total	\$ (53,986,000)

The actuarial valuation report for OPEB can be obtained by writing to the Office of the State Controller, P.O. Box 942850, Sacramento, California 94250 or by visiting the State Controller's website at www.SCO.ca.gov.

5.5 Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

Covered California's net 2024 OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023. Covered California's net 2023 OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2022.

The following actuarial methods and assumptions were used:

Table 31 Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

Valuation Date:	For the 2024 report, June 30, 2023. For the 2023 report, June 30, 2022.
Measurement Date:	For the 2024 report, June 30, 2023. For the 2023 report, June 30, 2022.
Actuarial Cost Method:	Entry age normal in accordance with the requirements of GASB Statement No. 75.
Actuarial Valuation Method:	For both periods, market value of assets.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Actuarial Assumptions:	
Discount rate:	Blended rate for each valuation group, consisting of 6.00% when assets are available to pay benefits, otherwise the 20-year municipal bond G.O. bond AA index rate of 3.86% for June 30, 2023 and 3.69% for June 30, 2022.
Inflation:	For both periods, 2.30%.
Salary increases:	For both periods, varies by entry age and service.
Investment rate of return:	For 2024 and 2023, 6.00%.
Mortality rate:	For both periods, the probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019. Mortality rates include 15 years of projected mortality improvements using 80% of Scale MP-2020 published by the Society of Actuaries.
Pre-Retirement Turnover:	For both periods, the pre-retirement turnover information was derived from data collected during 2000 to 2019 per the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.
Healthcare Cost Trend Rates:	<p>Pre-Medicare coverage: Actual rates for 2024, increasing to 7.00% in 2025, grading down to 4.50% from 2030 to 2038, and 4.25% for 2039 and later years. Post-Medicare coverage: Actual rates for 2024, increasing to rates ranging from 7.00% to 7.66% in 2025, grading down to 4.50% from 2035 to 2038, and 4.25% for 2039 and later years.</p> <p>Dental coverage: 0.23% for 2024, 2.00% for 2025, 3.00% for 2026, 4.00% for 2027, and 4.25% for 2028 and later years.</p> <p>The 2022 trend rates are based on actual premium increases for 2022. For 2023 and beyond an initial rate of 7.5% was used for Pre-Medicare per capita claim costs and premium and post-Medicare premium grading down to 4.5% in 2029, 4.5% from 2030-2037, and 4.25% on and after 2038. The Post-Medicare per capita cost trend rates were set at 4.96% for 2022, 8.30% in 2023, grading down to 4.66% in 2030, for PERSCare and 5.10% for 2022, 8.42% in 2023 grading down to 4.68% in 2030 for PERS Choice and PERS Select. The Post-Medicare per capita cost trend for all plan is 4.50% from 2031 to 2037 and 4.25% on after 2038.</p>
Retirement age:	For both periods, the probabilities of retirement are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019.

5.6 FY 2023-24 Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2023 and June 30, 2022 was 6.0 percent. The discount rate was based on a blended rate for each respective actuarial valuation group. The blended rates used to measure the June 30, 2023, total OPEB liability consists of the 20-year Municipal G.O. Bond AA Index rate of 3.86% as of June 30, 2023, as reported by Fidelity, when

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

prefunding assets are not available to pay benefits, and 6.00% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements, which actuarially determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled beginning in 2024 and thereafter. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2023, on the SCO website, at www.SCO.ca.gov.

5.7 *FY 2022-23 Discount Rate*

The discount rate used to measure the total OPEB liability at June 30, 2022 was 6.0 percent. The discount rate was based on a blended rate for each respective actuarial valuation group. The blended rates used to measure the June 30, 2022, total OPEB liability consists of the 20-year Municipal G.O. Bond AA Index rate of 3.69% as of June 30, 2022, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.00% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements, which actuarially determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled beginning in 2024 and thereafter. The actuarial valuations as of June 30, 2022 include the impact of the temporary suspensions of employee contributions under the Personal Leave Program that was in effect during the fiscal year ended June 30, 2022. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2022, on the SCO website, at www.SCO.ca.gov.

5.8 *FY 2023-24 OPEB Liability and Expense*

In FY 2023-24, Covered California experienced an increase in Net OPEB Liability and an increase in salaries, wages, and benefit expenses driven by the decrease in the blended discount rate, and changes to Covered California's proportionate share allocation factors.

Because the factors in FY 2023-24 assumptions did not materialize and new information became available that impacted the State's June 30, 2024 actuarial valuation process, the State and Covered California experienced a swing in the

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

OPEB liability and expense in the opposite direction from FY 2023-24-year end estimates. The following factors impacted FY 2023-24 OPEB liability and expense amounts (the following are on a state macro level and do not represent Covered California's share) and:

- Demographic experience decreased slightly from the expected actuarial liabilities by 0.06 percent or \$.05 billion
- During the year, favorable healthcare claims experience and plan design changes decreased the expected total OPEB liability by approximately 0.16 percent or \$0.15 billion. This change in total OPEB liability is mainly driven by the relationship between the assumed trend rate used to project average member claims cost in 2023 (used in last year's actuarial valuation) and the actual trend rate for 2023 (used to update average per member claim costs) and the actual trend rate for the 2024 premium increases. During plan year ended June 30, 2023, average per member claim costs were slightly lower than assumed, after considering the migration to the PERS Platinum and PERS Gold healthcare plans.
- The participation rates, plan election assumptions, and other healthcare related assumptions other than trend were updated as part of the experience study covering the period July 1, 2018, to June 30, 2022. Updates to these assumptions caused the total OPEB liability to increase by 0.28 percent or \$0.25 billion.
- The healthcare trend rates are updated as part of the annual actuarial valuation process. These assumptions are used to project the employer's net healthcare costs. Separate rates are assumed for pre-Medicare and post-Medicare coverage. Updating the trend rates including EGWP/IRA adjustment increased the liabilities by about 3.09 percent or \$2.8 billion.
- Changing the GASB Statements No. 74 and 75 blended discount rate as of June 30, 2022, which ranged from 3.69 percent to 4.24 percent, to the blended discount rate as of June 30, 2023, which ranges from 3.86 percent to 4.38 percent, decreased the total OPEB liability by 2.33 percent or \$2.1 billion.

The FY 2023-24 increase in Covered California's Net OPEB Liability, and resulting increase in salaries, wages, and benefit expenses between FY 2022-23 and FY

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

2023-24 was primarily driven by the decrease in the blended discount rate, and changes in Covered California's proportionate share allocation factors.

In FY 2023-24, Covered California's GASB 75 Net OPEB Liability increased from \$279.6 million to \$342 million, or \$62.9 million.

Table 32 Covered California's Proportionate Share of the State's Net OPEB Liability

	FY 2023 - 24	FY 2022 - 23	Change
Net Other Post Employment Benefits (OPEB)	<u>\$ 342,458,000</u>	<u>\$ 279,595,000</u>	<u>\$ 62,863,000</u>

The blended discount rate decreased between the current measurement date and the prior measurement date. The blended discount rate is used to discount future benefit payments to a present value. The total OPEB liability is equal to the actuarial accrued liabilities discounted to the present for the plan. The GASB 75 discount rate for June 30, 2022 the discount rate ranged from 4.07 percent to 4.22 percent, and for June 30, 2023, ranged from 4.25 percent to 4.38 percent. If the rate associated with the measurement period decreases, the Total OPEB Liability increases, and conversely if the 20-year municipal bond index rate declines, the Total OPEB Liability increases. This means that year to year changes in the OPEB liability may materially swing in value and the corresponding OPEB expenses may also materially change year-over-year.

In addition to the decreased blended discount rate, Covered California's proportionate share allocation factors also influenced the OPEB expenses for the period. Proportionate share calculations apply for the cost sharing multiple employer plans, allowing each employer to determine the amount of the total Net OPEB Liability and OPEB Expense to recognize.

The FY 2023-24 Statement of Revenues, Expenses, and Changes in Net Position recognized an increase in Salaries, Wages, and Benefits expense of \$121.1 million over FY 2022-23 related to changes in the OPEB liability. The increase in expenses was the result of the net effect of an OPEB proportionate share increase of \$63.4 million and an increase associated with the current year OPEB expense change of \$1.5 million.

5.9 FY 2022-23 OPEB Liability and Expense

The FY 2022-23 salaries, wages, and benefit expenses totaled \$93.4 million, or \$58.1 million less than the FY 2021-22 total of \$152 million. The decline in salaries, wages and benefit expenses was primarily due to a decrease in other post-

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

employment benefits (OPEB) caused by a reduction in Covered California's proportionate share of the state's net (OPEB) liability.

The decrease in Covered California's Net OPEB Liability, and resulting decrease in salaries, wages, and benefit expenses between FY 2021-22 and FY 2022-23 was primarily driven by:

- The increase in the blended discount rate, and
- The changes in Covered California's proportionate share allocation factors.

In FY 2022-23, Covered California's GASB 75 Net OPEB Liability declined from \$379.2 million to \$279.6 million, or \$99.6 million.

The blended discount rate increased between the current measurement date and the prior measurement date. The blended discount rate is used to discount future benefit payments to a present value. The total OPEB liability is equal to the actuarial accrued liabilities discounted to the present for the plan. The GASB 75 discount rate as of June 30, 2021, ranged from 2.68 percent to 2.95 percent. The blended discount rate as of June 30, 2022, ranged from 4.07 percent to 4.22 percent. If the rate associated with the measurement period decreases, the Total OPEB Liability increases, and conversely if the 20-year municipal bond index rate declines, the Total OPEB Liability increases. This means that year to year changes in the OPEB liability may materially swing in value and the corresponding OPEB expenses may also materially change year-over-year.

In addition to the increased blended discount rate, Covered California's proportionate share allocation factors also influenced the OPEB expenses for the period. Proportionate share calculations apply for the cost sharing multiple employer plans, allowing each employer to determine the amount of the total Net OPEB Liability and OPEB Expense to recognize.

The FY 2022-23 Statement of Revenues, Expenses, and Changes in Net Position recognized a reduction in Salaries, Wages, and Benefits expense of \$73.8 million related to changes in the OPEB liability. The reduction in expenses was the result of the net effect of an OPEB proportionate share decrease of \$57.3 million, a decrease of \$16.9 million associated with the reversal of employer contributions, and an increase associated with the current year OPEB change of \$398 thousand.

5.10 FY 2023-24 Changes in Assumptions

For the period June 30, 2023 (measurement period) the following change was made: the GASB Statements No. 74 and 75 blended discount rate as of June 30,

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

2023, which ranged from 3.86 percent to 4.37 percent, to the blended discount rate as of June 30, 2022, which ranges from 3.69 percent to 4.24 percent.

5.11 *FY 2022-23 Changes in Assumptions*

For the period June 30, 2022 (measurement period) the following change was made: the GASB Statements No. 74 and 75 blended discount rate as of June 30, 2021, which ranged from 1.92 percent to 2.95 percent, to the blended discount rate as of June 30, 2022, which ranges from 3.69 percent to 4.24 percent. In the period ended June 30, 2021 (measurement period), the following changes were made: demographic assumptions were updated per the June 30, 2021 CalPERS Experience Study and Review of Actuarial Assumptions, the discount rate and long-term expected return on assets was changed from 6.75 percent to 6.00 percent, and the inflation rate assumption was changed from 2.25 percent to 2.30 percent.

5.12 *Post Retirement Benefit Increase:*

For June 2022 measurement date, the lesser of contract cost of living adjustment (COLA) or 2.30 percent until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30 percent thereafter. For June 2021 measurement date, the lesser of contract cost of living adjustment (COLA) or 2.50 percent until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50 percent thereafter.

The Mortality Rate Table used was developed based on CalPERS specific data. For June 2022, the table includes generational mortality improvements using Society of Actuaries Scale 80% of scale MP-2020. For June 2021, the table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP-2016. For more details on the Mortality Rate Table for the June 2022 and June 2021 measurement dates, please refer to the November 2021 experience study report (based on CalPERS demographic data from 2001 to 2019), and to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015), respectively.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 2001 to 2019, including updates to salary increase, mortality and retirement rates. All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study reports can be obtained at the CalPERS website under Forms and Publications.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return for June 30, 2022 measurement date, CalPERS's staff took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. In determining the long-term expected rate of return for June 30, 2021 measurement date, CalPERS's staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

5.13 Long Term Rate of Return:

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for the 2023 and 2022 measurement periods are summarized in the following table.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

Table 33 Long-Term Expected Real Rate of Return by Asset Class and Assumed Allocation for June 30, 2023 and June 30, 2022 Measurement Dates:

Asset Class	Assumed Asset Allocation	Real Return
Global Equity – Cap-weighted	30.00%	4.54%
Global Equity – Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investments Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
	100.00%	

5.14 Sensitivity of the Net OPEB Liability to Changes in the Blended Discount Rate

The following represents the net OPEB liability of Covered California as of the measurement date ended June 30, 2023, calculated using the respective blended discount rate for each bargaining unit, as well as what the net OPEB liability would be if it were calculated using a rate that are 1 percentage point lower or 1 percentage-point higher than the blended discount rate:

Blended Discount Rate -1%	Blended Discount Rate	Blended Discount Rate + 1%
\$401,531,202	342,458,000	\$294,433,308

The following represents the net OPEB liability of Covered California as of the measurement date ended June 30, 2022, calculated using the respective blended discount rate for each bargaining unit, as well as what the net OPEB liability would be if it were calculated using a rate that are 1 percentage-point lower or 1 percentage-point higher than the blended discount rate:

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Blended Discount Rate -1%	Blended Discount Rate	Blended Discount Rate + 1%
\$327,017,516	\$279,595,000	\$241,064,675

5.15 Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rates

The following presents the net OPEB liability of Covered California as of June 30, 2023, calculated using health care cost rates that are 1 percentage-point lower or 1 percentage-point higher than the current rate:

Health Cost Trend Rate -1%	Health Cost Trend Rate	Health Cost Trend Rate + 1%
\$300,963,014	\$342,458,000	\$395,230,388

The following presents the net OPEB liability of Covered California as of June 30, 2022, calculated using health care cost rates that are 1 percentage point lower or 1 percentage-point higher than the current rate:

Health Cost Trend Rate -1%	Health Cost Trend Rate	Health Cost Trend Rate + 1%
\$237,389,858	\$279,595,000	\$333,329,114

5.16 OPEB Plan Fiduciary Net Position

CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. CalPERS' annual financial report may be obtained by writing to the California Public Employees' Retirement System, Fiscal Services Division, P.O. Box 942703, Sacramento, California 94229 or by visiting the CalPERS web site at www.CalPERS.ca.gov.

6. Risk Management

Covered California is exposed to various risks of loss related to torts and civil claims including theft, damage, and destruction of its real and personal assets; contract disputes; employment related exposures; worker's compensation losses; errors and omissions of its officers and officials; and natural disasters. The extent of Covered California's third-party loss exposure is reduced because Covered California is self-insured through the State Department of General Services (DGS) Office of Risk and Insurance Management (ORIM) for risks of employee errors and omissions, business interruption, and comprehensive insurance. The ORIM provides risk management and insurance services to state and other public entities on an ongoing or project-specific basis.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Covered California has incurred no significant reductions in insurance coverage from the prior year. In addition, no insurance settlement in the last three years has exceeded insurance coverage. All claims are on a “pay-as-you-go” basis.

Additionally, liabilities for workers’ compensation costs are accrued based on estimates derived from the State Compensation Insurance Fund. Estimates are based on actuarial review of employee workers’ compensation program and includes indemnity payments, compensation benefits, and leave benefits. The liability for workers’ compensation is not material to the financial statements as a whole.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

REQUIRED SUPPLEMENTARY INFORMATION

Pension and Other Post Employment Benefits (OPEB)

Table 34 Schedule of Covered California's Proportionate Share of the Net Pension Liability

SCHEDULE OF COVERED CALIFORNIA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

Fiscal Year	2015	2016	2017	2018	2019
Measurement Period	2014	2015	2016	2017	2018
Covered California's Proportion of the Net Pension Liability	0.224583%	0.428616%	0.500055%	0.481857%	0.517062%
Covered California's Proportionate Share of the Net Pension Liability	\$53,473,665	\$121,049,500	\$165,589,315	\$176,047,944	\$162,432,133
Covered California's Covered Payroll	\$22,502,642	\$45,608,536	\$55,957,084	\$55,854,234	\$63,362,515
Covered California's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	237.63%	265.41%	295.92%	315.19%	256.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.17%	70.68%	66.81%	66.42%	71.83%

Fiscal Year	2020	2021	2022	2023	2024
Measurement Period	2019	2020	2021	2022	2023
Covered California's Proportion of the Net Pension Liability	0.541209%	0.581853%	0.601058%	0.621918%	0.615900%
Covered California's Proportionate Share of the Net Pension Liability	\$182,041,545	\$202,261,884	\$133,973,158	\$235,140,336	\$236,658,126
Covered California's Covered Payroll	\$69,890,529	\$79,013,423	\$77,593,021	\$91,605,865	\$95,381,104
Covered California's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	260.47%	255.98%	172.66%	256.66%	248.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.34%	71.51%	82.39%	71.63%	72.46%

(1) Amounts presented were determined as of June 30th of the prior fiscal year.

(2) Data is being accumulated annually to present 10 years of the reported information.

Notes to Schedule:

Benefit Changes: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Table 35 Schedule of Plan Contributions Pension Last 10 Years

	2015	2016	2017	2018	2019
Actuarially Determined Contribution	\$ 11,090,990	\$ 14,066,553	\$ 14,920,905	\$ 35,345,764	\$ 20,541,282
Contributions in Relation to the Actuarially Determined Contribution	(11,090,990)	(14,066,553)	(14,920,905)	(35,345,764)	(20,541,282)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 22,506,642	\$ 45,608,536	\$ 55,957,084	\$ 55,854,234	\$ 63,362,515
Contributions as a Percentage of Covered-Employee Payroll	49.28%	30.84%	26.66%	63.28%	32.42%

	2020	2021	2022	2023	2024
Actuarially Determined Contribution	\$ 24,348,721	\$ 22,791,722	\$ 32,498,513	\$ 30,219,987	\$ 32,245,933
Contributions in Relation to the Actuarially Determined Contribution	(24,348,721)	(22,791,722)	(32,498,513)	(30,219,987)	(32,245,933)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 69,890,529	\$ 79,013,423	\$ 77,593,021	\$ 91,605,865	\$ 95,381,104
Contributions as a Percentage of Covered-Employee Payroll	0.35	0.29	0.42	0.33	0.34

Notes to Schedule:

Valuation Date	June 30, 2022
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age actuarial cost method
Amortization method/period	Level percent of payroll
Asset valuation method	Fair value of assets
Inflation	2.30%
Payroll growth	2.80%
Investment rate of return (net of pension investment and administrative expenses; includes inflation)	6.8% net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and

Table 36 Schedule of Covered California's Proportionate Share of Net OPEB Liability Last 7 Years

**Schedule of Covered California's Proportionate Share of the Net OPEB Liability
SCHEDULE OF COVERED CALIFORNIA'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

Fiscal Year	2018	2019	2020	2021	2022	2023	2024
Measurement Period	2017	2018	2019	2020	2021	2022	2023
Covered California's Proportion of the Net OPEB Liability	0.347280%	1.105186%	0.431673%	0.462595%	0.520965%	0.449548%	0.539378%
Covered California's Proportionate Share of the Net OPEB Liability	\$308,148,000	\$326,760,000	\$338,695,000	\$365,112,000	\$379,189,000	\$279,595,000	\$342,458,000
Covered California's Covered Payroll	\$55,854,234	\$86,743,694	\$98,343,086	\$112,986,169	\$113,444,926	\$123,931,109	\$140,385,317
Covered California's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	551.70%	376.70%	344.40%	323.15%	334.25%	225.61%	243.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.47%	1.53%	2.75%	5.23%	7.30%

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Table 37 Schedule of Contributions -OPEB

Fiscal Year	SCHEDULE OF CONTRIBUTIONS – OPEB						
	2018	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution	\$ 7,401,000	\$ 9,931,000	\$12,077,000	\$ 14,100,000	\$ 15,966,000	\$ 16,888,000	\$ 17,569,000
Contribution in Relation to the Actuarially Determined Contributions	(7,401,000)	(9,931,000)	(12,077,000)	(14,100,000)	(15,966,000)	(16,888,000)	(17,569,000)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 55,854,234	\$86,743,694	\$98,343,086	\$112,986,169	\$113,444,926	\$123,931,109	\$140,385,317
Contributions as a Percentage of Covered-Employee Payroll	13.25%	11.45%	12.28%	12.48%	14.07%	13.63%	12.51%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation.

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year were from Actuarial Valuation dated June 2023.

Methods and assumptions used to determine contributions:

Actuarial Cost Method Entry age normal in accordance with the requirements of GASB Statement No. 75

Actuarial Valuation Method Market value of assets

Inflation 2.30%

Payroll Growth 2.80%

Investment Rate of Return 6.00%

Healthcare Cost-Trend Rates *Pre-Medicare coverage* : Actual rates for 2024, increasing to 7.00% in 2025, grading down to 4.50% from 2030 to 2038, and

Mortality Derived using CalPERS' membership data for all members.

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 80% Scale MP-2020. For more details on this table, refer to the 2021 *CalPERS Experience Study and Review of Actuarial Assumptions* report (2021 Experience Study) for the period from 2000 to 2019. Other demographic assumptions used in the June 30, 2023 valuation were also based on the results of the 2021 Experience Study, including updates to termination, disability, and retirement rates. The 2021 Experience Study is available at www.CalPERS.ca.gov.

Healthcare related assumptions such as plan participation, aging factors, adjustments for disabled members, and adjustments for children of current retirees and survivors are based on the *State of California Retiree Health Benefits Program* (2022 Experience Review) performed by Gabriel, Roeder, Smith and Company (GRS) for the period from 2018 to 2022. Other healthcare assumptions such as member healthcare plan selection, coverage and continuance, select and ultimate healthcare cost trend rates, and per capita claim costs and expenses, are based on the most current information available. The GRS 2022 Experience Review is available at www.sco.ca.gov.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

STATISTICAL SECTION (UNAUDITED)

This part of Covered California's Annual Comprehensive Financial Report presents detailed information as context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Covered California's overall financial health. The statistical section information is not subject to an independent audit.

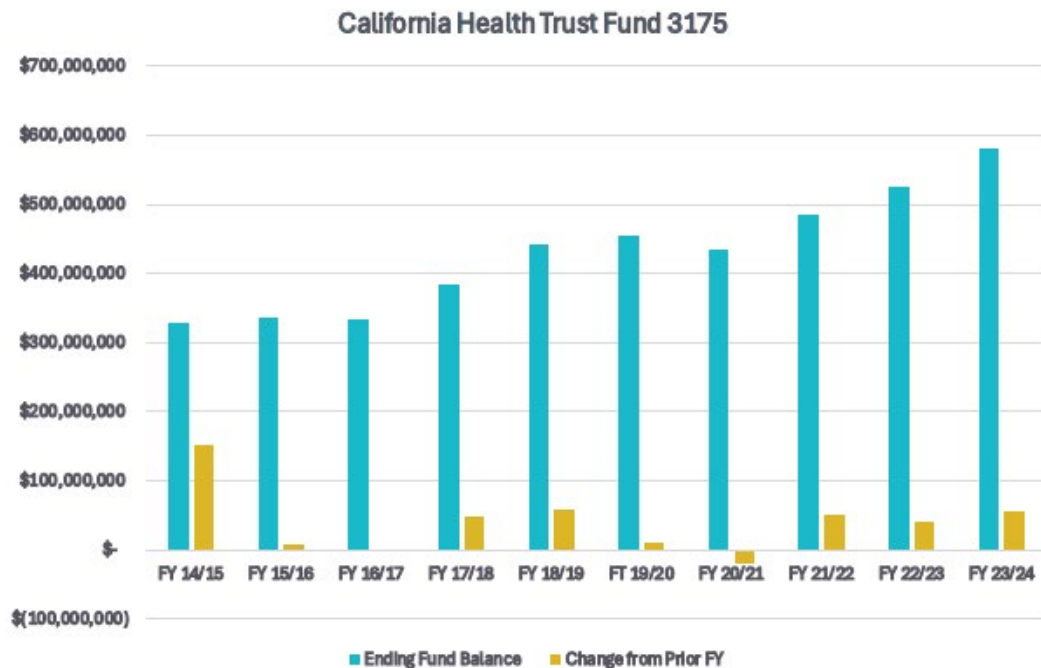
FINANCIAL TRENDS

These schedules contain information to help the reader understand how Covered California's financial performance and financial condition have changed over time:

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

**STAT. TABLE 1: GOVERNMENTAL FUND BALANCE AND CHANGE IN FUND
BALANCE OF GOVERNMENTAL FUNDS: CALIFORNIA HEALTH TRUST FUND
3175 BALANCE (USING THE MODIFIED ACCRUAL AND CURRENT RESOURCE
METHOD OF ACCOUNTING)**

Covered California's Governmental Fund Balance Fund 3175		
Fiscal Year	Ending Fund Balance	Change from Prior FY
FY 14/15	\$ 329,405,636	\$ 152,083,338
FY 15/16	337,321,942	7,916,306
FY 16/17	334,897,037	(2,424,905)
FY 17/18	383,756,621	48,859,584
FY 18/19	443,388,795	59,632,174
FT 19/20	454,250,229	10,861,433
FY 20/21	433,812,441	(20,437,787)
FY 21/22	484,852,213	51,039,771
FY 22/23	524,811,073	39,958,861
FY 23/24	581,738,551	56,927,477



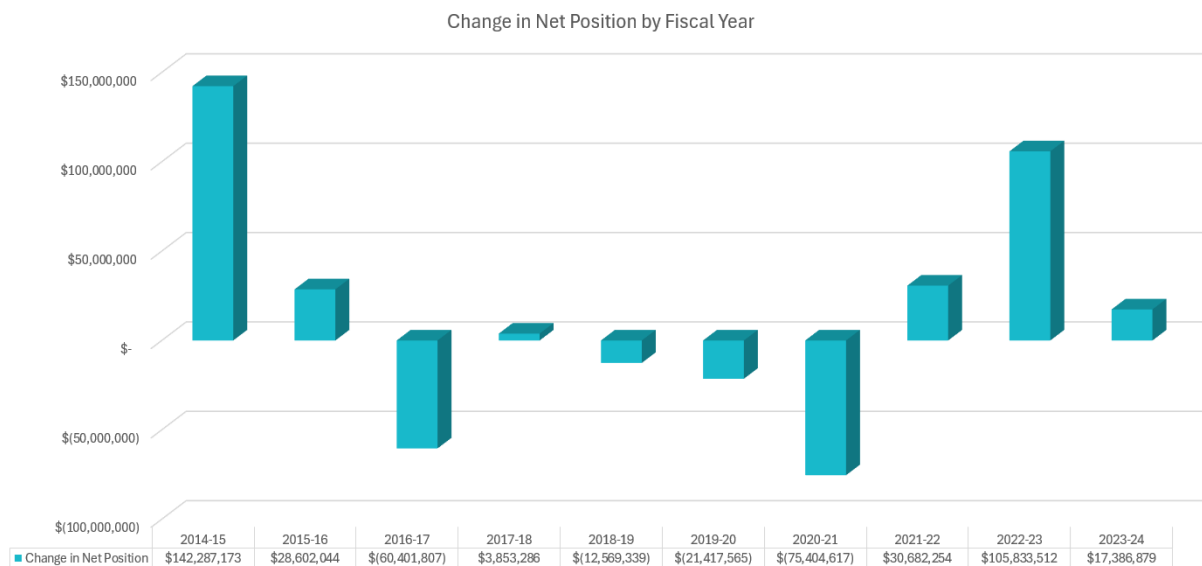
CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

STAT. TABLE 2: NET POSITION BY COMPONENT

Net Position By Component					
	2014-15	2015-16	2016-17	2017-18	2018-19
Net Investment in Capital Assets	\$ 245,650,865	\$228,884,477	\$201,261,120	\$173,415,538	\$157,214,729
Unrestricted (Deficit)	144,502,949	212,057,465	179,279,015	(78,710,199)	(75,078,729)
	<u>\$ 390,153,814</u>	<u>\$440,941,942</u>	<u>\$380,540,135</u>	<u>\$ 94,705,339</u>	<u>\$ 82,136,000</u>
	2019-20	2020-21	2021-22	2022-23	2023-24
Net Investment in Capital Assets	\$ 145,156,401	\$134,768,137	\$109,970,690	\$ 92,476,325	\$ 93,755,526
Unrestricted (Deficit)	(84,437,966)	(149,454,319)	(91,905,014)	32,487,496	48,595,174
	<u>\$ 60,718,435</u>	<u>\$ (14,686,182)</u>	<u>\$ 18,065,676</u>	<u>\$124,963,821</u>	<u>\$142,350,700</u>

STAT. TABLE 3: CHANGES IN NET POSITION

Change in Net Position					
Fiscal Year	2014-15	2015-16	2016-17	2017-18	2018-19
Change in Net Position	\$ 142,287,173	\$ 28,602,044	\$ (60,401,807)	\$ 3,853,286	\$ (12,569,339)
Fiscal Year	2019-20	2020-21	2021-22	2022-23	2023-24
Change in Net Position	\$ (21,417,565)	\$ (75,404,617)	\$ 30,682,254	\$105,833,512	\$ 17,386,879



CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

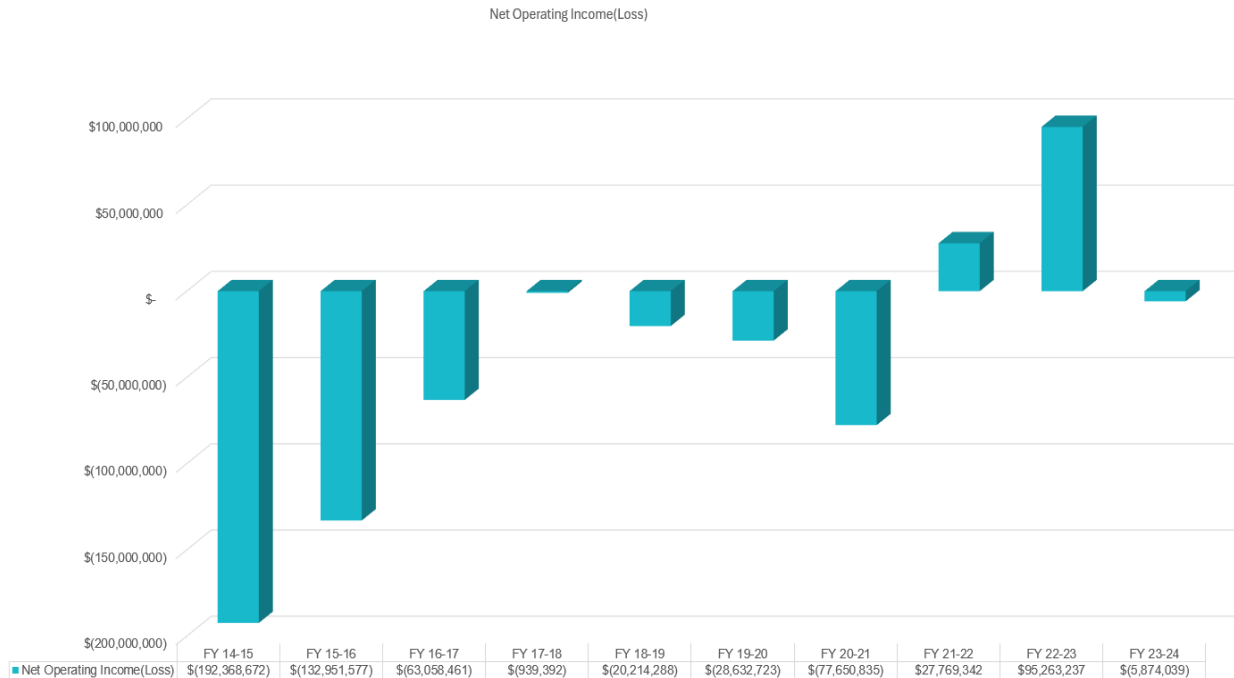
STAT TABLE 4: COVERED CALIFORNIA AUTHORIZED POSITIONS BY FISCAL YEAR

FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
\$ 1,344	\$ 1,399	\$ 1,323	\$ 1,373	\$ 1,399
FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
\$ 1,391	\$ 1,420	\$ 1,440	\$ 1,467	\$ 1,475

STAT. TABLE 5: OPERATING INCOME (LOSS)

10 Year Historical Operating Income (Loss)					
	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Total Operating Revenue	\$ 207,446,678	\$ 224,124,047	\$ 263,241,195	\$ 334,843,602	\$ 371,428,067
Total Operating Expenses	399,815,350	357,075,624	326,299,656	335,782,995	391,642,355
Operating Income (Loss)	\$ (192,368,672)	\$ (132,951,577)	\$ (63,058,461)	\$ (939,393)	\$ (20,214,288)

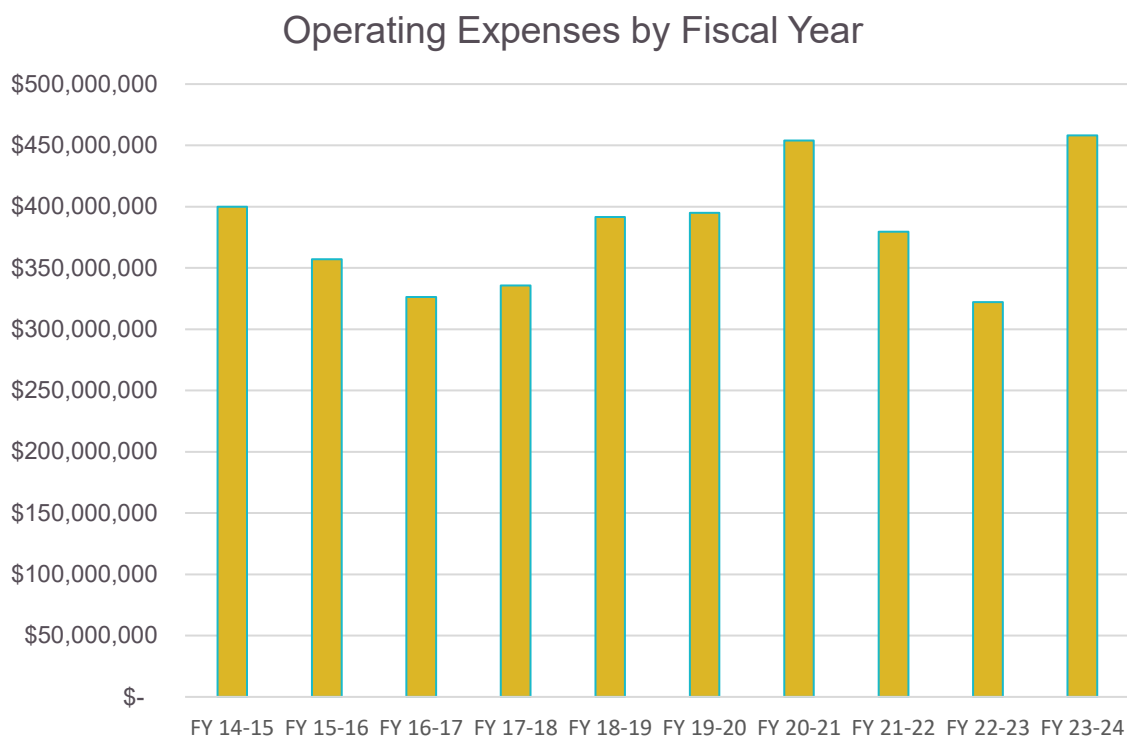
	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Total Operating Revenue	\$ 366,323,257	\$ 376,410,007	\$ 407,357,082	\$ 417,340,164	\$ 452,342,995
Total Operating Expenses	394,955,980	454,060,842	379,587,740	322,076,927	458,217,033
Operating Income (Loss)	\$ (28,632,723)	\$ (77,650,835)	\$ 27,769,342	\$ 95,263,237	\$ (5,874,038)



CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

STAT. TABLE 6: 10-YEAR HISTORICAL OPERATING AND CAPITAL EXPENSES

10 Year Historical Operating and Capital Expenses				
FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
\$ 399,815,350	\$ 357,075,624	\$ 326,299,656	\$ 335,782,995	\$ 391,642,355
FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
\$ 394,955,980	\$ 454,060,842	\$ 379,587,740	\$ 322,076,927	\$ 458,217,712



CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

STAT. TABLE 7: OPERATING REVENUE, BY TYPE, BY FISCAL YEAR

Revenue Type	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Individual Market	\$ 204,314,367	\$ 217,956,554	\$ 255,984,302	\$ 324,035,211	\$ 356,693,687
CCSB	3,132,311	6,167,493	7,256,893	10,808,392	14,734,380
Total Operating Revenue	\$ 207,446,678	\$ 224,124,047	\$ 263,241,195	\$ 334,843,603	\$ 371,428,067

Revenue Type	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Individual Market	\$ 350,638,441	\$ 355,690,379	\$ 379,760,436	\$ 387,632,996	\$ 419,814,224
CCSB	15,684,816	20,719,628	27,596,646	29,707,168	32,528,771
Total Operating Revenue	\$ 366,323,257	\$ 376,410,007	\$ 407,357,082	\$ 417,340,164	\$ 452,342,995

STAT. TABLE 8: 12-YEAR COVERED CALIFORNIA HISTORICAL PARTICIPATION FEE RATE:

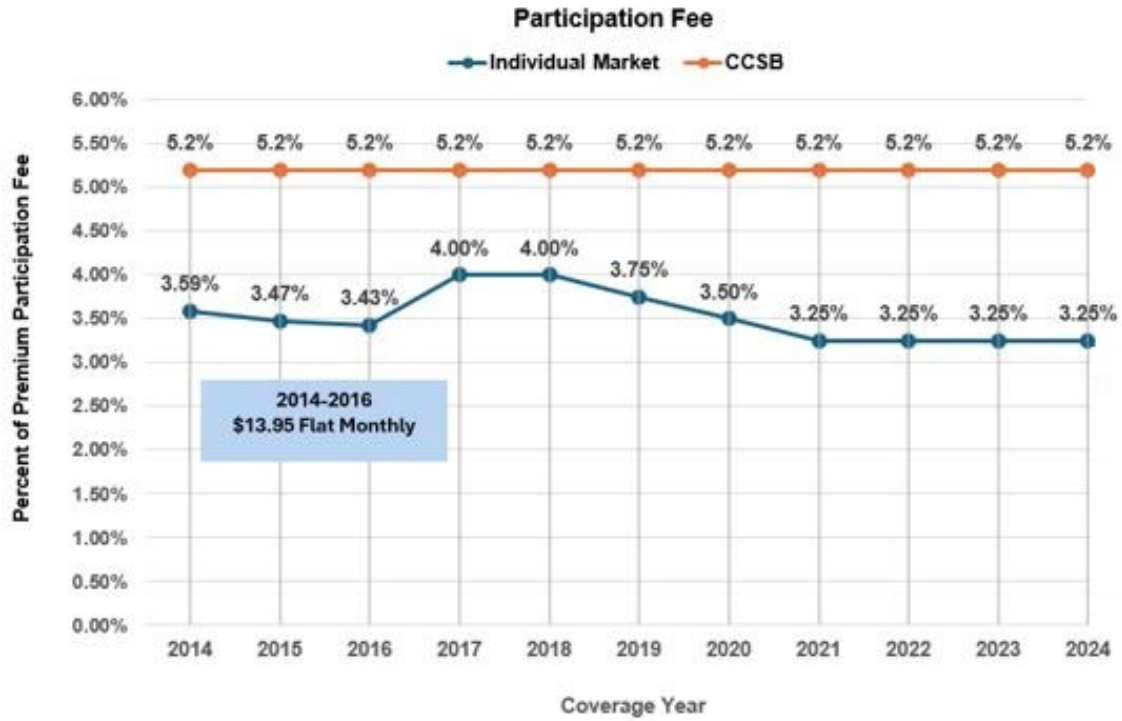
	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Indiv Participation Fee Rate					
1 st Half	\$ 13.95	\$ 13.95	4.00%	4.00%	3.75%
2nd Half	\$ 13.95	\$ 13.95	4.00%	4.00%	3.75%

CCSB Participation Fee Rate					
1 st Half	5.20%	5.20%	5.20%	5.20%	5.20%
2nd Half	5.20%	5.20%	5.20%	5.20%	5.20%

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Indiv Participation Fee Rate					
1 st Half	3.50%	3.25%	3.25%	3.25%	3.25%
2nd Half	3.50%	3.25%	3.25%	3.25%	3.25%

CCSB Participation Fee Rate					
1 st Half	5.20%	5.20%	5.20%	5.20%	5.20%
2nd Half	5.20%	5.20%	5.20%	5.20%	5.20%

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)



**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

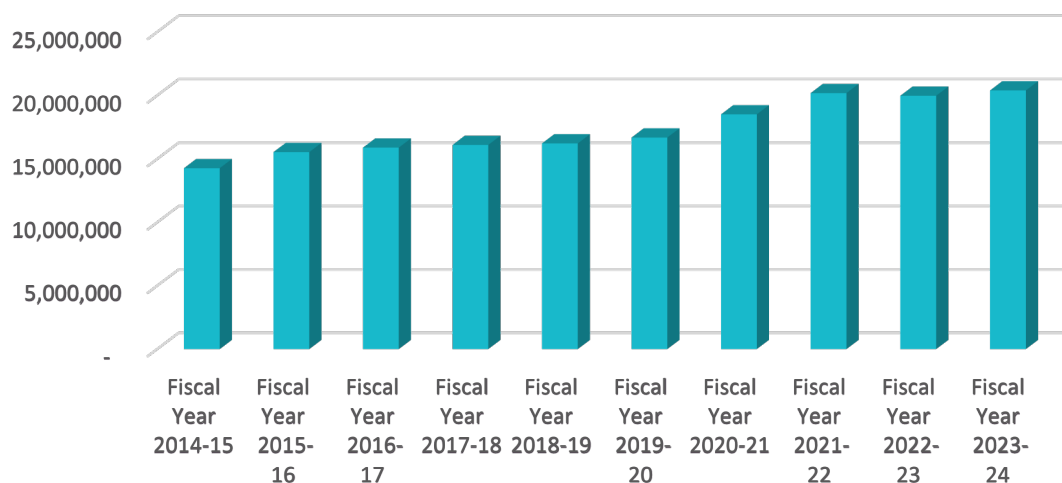
**STAT. TABLE 9: INDIVIDUAL MARKET EFFECTUATED ENROLLMENT BY MONTH,
TOTAL FY MEMBER MONTHS AND AVERAGE MONTHLY ENROLLMENT**

Month/FY	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
July	1,176,722	1,309,196	1,330,583	1,331,427	1,362,715
August	1,169,631	1,288,185	1,319,717	1,321,261	1,353,381
September	1,150,849	1,269,191	1,308,908	1,311,734	1,341,408
October	1,131,069	1,242,510	1,299,154	1,295,995	1,326,601
November	1,113,937	1,226,941	1,287,879	1,276,836	1,308,490
December	1,077,064	1,205,100	1,264,666	1,242,161	1,289,521
January	1,054,451	1,237,676	1,292,811	1,336,271	1,353,606
February	1,092,815	1,290,311	1,337,522	1,378,810	1,406,739
March	1,324,098	1,387,567	1,389,610	1,419,119	1,391,853
April	1,327,459	1,378,699	1,372,709	1,409,816	1,377,147
May	1,332,599	1,360,186	1,350,790	1,396,259	1,364,561
June	1,323,160	1,344,921	1,340,792	1,384,585	1,348,735
Total Member Months	14,273,854	15,540,483	15,895,141	16,104,274	16,224,757
Average Monthly Enrollment	1,189,488	1,295,040	1,324,595	1,342,023	1,352,063

Month/FY	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24
July	1,337,888	1,549,004	1,611,768	1,697,412	1,664,176
August	1,325,271	1,561,679	1,639,062	1,692,577	1,663,938
September	1,307,593	1,562,658	1,668,155	1,665,388	1,665,864
October	1,291,779	1,526,396	1,685,252	1,654,985	1,662,553
November	1,268,634	1,501,529	1,680,565	1,645,895	1,658,248
December	1,243,525	1,479,296	1,669,802	1,630,137	1,645,471
January	1,343,658	1,504,658	1,690,038	1,640,377	1,690,885
February	1,498,167	1,561,548	1,728,111	1,679,856	1,744,238
March	1,487,114	1,557,402	1,711,683	1,674,801	1,734,887
April	1,513,495	1,553,553	1,704,651	1,670,656	1,745,443
May	1,531,671	1,568,900	1,701,242	1,664,834	1,756,035
June	1,537,957	1,586,769	1,698,183	1,664,298	1,766,980
Total Member Months	16,686,752	18,513,392	20,188,512	19,981,216	20,398,718
Average Monthly Enrollment	1,390,563	1,542,783	1,682,376	1,665,101	1,699,893

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Trend In Total Individual Market Member Months



STAT. TABLE 10: CALIFORNIA'S UNINSURED² RATES³ (NUMBERS IN THOUSANDS)

	2023	2022	2021	2020 ²	2019
California Estimated Total Population	38,500	38,550	38,720	N	39,000
Uninsured Rate	6.4%	6.5%	7.0%	N	7.7%
Uninsured Count	2,464	2,506	2,710	N	3,003

	2018	2017	2016	2015	2014
California Estimated Total Population	39,060	39,050	38,760	38,650	38,300
Uninsured Rate	7.2%	7.2%	7.3%	8.6%	12.4%
Uninsured Count	2,812	2,812	2,829	3,324	4,749

² [Health Insurance Coverage in the United States: 2023](#),

³ As a result of disruptions to data collection stemming from the COVID-19 pandemic the Census Bureau announced that the standard 2020 1-year American Community Survey (ACS) data products would not be released.

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

**STAT. TABLE 11: INDIVIDUAL MEDICAL PLAN EFFECTUATED ENROLLMENT,
DISTRIBUTION BY INCOME AS PERCENT OF THE FEDERAL POVERTY LEVEL
(FPL) DURING FY 2023-24**

Income as Percent of the Federal Poverty Level	Average Monthly Effectuated Enrollment
0% to 150% FPL	263,205
150% to 200% FPL	425,254
200% to 400% FPL	712,553
400% to 600% FPL	140,634
Over 600% FPL	75,105
FPL Unavailable	280
Unsubsidized	82,862
Total	1,699,893

STAT. TABLE 12: EFFECTUATED ENROLLMENT BY RACE

Race	Effectuated Enrollment	Average Effectuated Enrollment per Month
White	5,575,449	464,621
Latino	4,565,040	380,420
Asian/Pacific Islander	4,064,276	338,690
Not Reported	4,025,411	335,451
Other	1,230,516	102,543
Black or African American	419,769	34,981
Multiple	471,075	39,256
American Indian/Alaska Native	47,182	3,932
Total	20,398,718	1,699,893

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

**STAT. TABLE 13: INDIVIDUAL MEDICAL PLAN EFFECTUATED ENROLLMENT,
DISTRIBUTION BY METAL TIER DURING FY 2023-24**

FY 2023-2024 Enrollment, by Metal Tier		
Metal Tier	Average Monthly Enrollment	Average Effectuated Enrollment per Month
Minimum Coverage	188,859	15,738
Bronze HDHP	1,142,907	95,242
Bronze	4,076,780	339,732
Bronze Subtotal	5,219,687	434,974
Silver 70	3,857,164	321,430
Silver Enhanced 73	1,788,732	149,061
Silver Enhanced 87	4,067,039	338,920
Silver Enhanced 94	2,402,156	200,180
Silver Subtotal	12,115,091	1,009,591
Gold	2,014,766	167,897
Platinum	860,315	71,693
Total	20,398,718	1,699,893

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

**STAT. TABLE 14: INDIVIDUAL MEDICAL PLAN EFFECTUATED ENROLLMENT,
DISTRIBUTION BY METAL TIER DURING FY 2023-24**

Carrier	Total Member Months	Average Monthly Enrollment
Kaiser	7,012,615	584,385
Blue Shield	5,757,738	479,812
Anthem Blue Cross	2,659,426	221,619
LA Care	1,840,410	153,368
Health Net	1,366,128	113,844
Molina Healthcare	626,567	52,214
Oscar Health Plan	172,108	14,342
SHARP Health Plan	336,545	28,045
Valley Health	272,139	22,678
Western Health	139,511	11,626
Inland Empire Health Plan	91,471	7,623
Aetna Health of California	87,328	7,277
Chinese Community	36,732	3,061
Total	20,398,718	1,699,893

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

STAT. TABLE 15: INDIVIDUAL MEDICAL PLAN ENROLLMENT, DISTRIBUTION BY CARRIER DURING FY 2023-24

Region	Total Member Months	Average Effectuated Enrollment	% Of Total Effectuated Enrollment
Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Nevada, Plumas, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, and Yuba counties	742,876	61,906	4%
Marin, Napa, Solano, and Sonoma counties	706,970	58,914	3%
Sacramento, Placer, El Dorado, and Yolo counties	1,162,095	96,841	6%
San Francisco County	421,010	35,084	2%
Contra Costa County	639,903	53,325	3%
Alameda County	893,849	74,487	4%
Santa Clara County	821,794	68,483	4%
San Mateo County	353,465	29,455	2%
Monterey, San Benito, and Santa Cruz counties	340,827	28,402	2%
San Joaquin, Stanislaus, Merced, Mariposa, and Tulare counties	987,754	82,313	5%
Fresno, Kings, and Madera counties	516,441	43,037	3%
San Luis Obispo, Santa Barbara, and Ventura counties	946,880	78,907	5%
Mono, Inyo, and Imperial counties	193,102	16,092	1%
Kern County	305,702	25,475	1%
Los Angeles County (northeast)	2,693,084	224,424	13%
Los Angeles County (southwest)	3,340,552	278,379	16%
San Bernardino and Riverside counties	1,941,195	161,766	10%
Orange County	1,900,581	158,382	9%
San Diego County	1,490,380	124,198	7%
Unknown	258	22	0%
Total	20,398,718	1,699,893	

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

STAT. TABLE 16: CALIFORNIA'S UNEMPLOYMENT RATE STATISTICS BY YEAR⁴

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2015	6.80	6.70	6.60	6.50	6.40	6.30	6.10	6.00	5.90	5.80	5.80	5.70	6.22
2016	5.70	5.60	5.60	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.40	5.40	5.52
2017	5.30	5.10	5.00	5.00	4.90	4.80	4.80	4.80	4.70	4.60	4.50	4.50	4.83
2018	4.40	4.30	4.30	4.20	4.20	4.20	4.20	4.20	4.20	4.30	4.30	4.30	4.26
2019	4.30	4.30	4.20	4.10	4.00	4.00	4.00	4.00	4.00	4.00	4.10	4.10	4.09
2020	4.30	4.40	5.50	16.10	15.80	13.80	13.10	11.80	9.90	9.30	9.00	9.00	10.17
2021	8.70	8.60	8.50	8.40	8.00	7.90	7.40	7.00	6.50	6.10	5.70	5.40	7.35
2022	5.20	4.80	4.50	4.30	4.10	4.00	3.90	3.80	4.00	4.20	4.30	4.40	4.29
2023	4.40	4.50	4.50	4.50	4.60	4.60	4.70	4.80	4.90	5.00	5.10	5.10	4.73
2024	5.10	5.10	5.10	5.20	5.20	5.30	5.40	5.40	5.50	5.50	5.50	5.50	5.32

⁴ [Bureau of Labor Statistics Data](#)

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

STAT. TABLE 17: CIVILIAN LABOR FORCE ³

	Civilian Labor Force					
	Jan	Feb	Mar	Apr	May	Jun
2015	18,818,212	18,826,972	18,838,028	18,848,322	18,852,828	18,848,420
2016	18,943,234	18,970,382	18,990,181	19,006,193	19,024,146	19,044,461
2017	19,132,994	19,148,790	19,166,879	19,187,319	19,207,735	19,224,877
2018	19,222,096	19,243,453	19,272,324	19,296,900	19,310,247	19,313,643
2019	19,383,306	19,379,073	19,368,541	19,360,324	19,359,399	19,368,378
2020	19,603,988	19,628,098	19,310,026	18,698,851	18,560,581	19,030,336
2021	18,702,773	18,740,375	18,809,337	18,891,976	18,929,269	19,019,592
2022	19,199,279	19,198,891	19,195,381	19,212,628	19,208,234	19,211,233
2023	19,352,662	19,378,297	19,402,526	19,428,573	19,452,197	19,474,685
2024	19,566,956	19,565,139	19,571,603	19,593,686	19,628,844	19,658,960
	Jul	Aug	Sep	Oct	Nov	Dec
2015	18,839,426	18,832,394	18,832,610	18,846,578	18,875,380	18,910,415
2016	19,064,645	19,082,707	19,097,439	19,107,156	19,113,583	19,121,219
2017	19,237,228	19,241,455	19,237,249	19,228,301	19,218,639	19,214,570
2018	19,311,140	19,311,464	19,319,744	19,336,652	19,357,820	19,375,766
2019	19,386,987	19,413,427	19,447,796	19,487,390	19,530,764	19,571,469
2020	19,067,483	18,910,905	18,658,461	18,609,671	18,645,846	18,707,388
2021	19,020,329	19,047,351	19,035,969	19,070,414	19,090,039	19,152,389
2022	19,195,999	19,166,744	19,195,382	19,234,908	19,280,042	19,317,415
2023	19,488,585	19,505,723	19,519,502	19,539,966	19,543,471	19,568,148
2024	19,680,958	19,694,492	19,688,148	19,694,534	19,696,165	19,693,484

**CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)**

STAT. TABLE 18: CIVILIAN LABOR FORCE EMPLOYED ³

	Civilian Labor Force Employed					
	Jan	Feb	Mar	Apr	May	Jun
2015	17,534,241	17,560,173	17,587,613	17,616,628	17,643,698	17,665,593
2016	17,869,644	17,903,852	17,930,902	17,952,732	17,973,039	17,993,197
2017	18,128,436	18,165,196	18,202,131	18,236,856	18,268,115	18,293,785
2018	18,376,536	18,406,818	18,443,706	18,476,837	18,497,884	18,506,956
2019	18,541,902	18,548,090	18,553,148	18,562,033	18,575,756	18,593,293
2020	18,770,034	18,768,004	18,245,996	15,688,440	15,635,673	16,411,270
2021	17,073,243	17,133,589	17,215,261	17,314,299	17,415,395	17,522,958
2022	18,204,332	18,278,530	18,336,979	18,391,749	18,416,238	18,440,468
2023	18,494,840	18,509,936	18,527,397	18,548,993	18,566,506	18,579,701
2024	18,566,015	18,564,697	18,567,512	18,580,508	18,602,757	18,617,734
	Jul	Aug	Sep	Oct	Nov	Dec
2015	17,683,551	17,700,481	17,720,714	17,749,464	17,787,329	17,829,444
2016	18,013,049	18,031,471	18,046,714	18,059,728	18,075,298	18,097,891
2017	18,313,576	18,327,306	18,335,505	18,341,328	18,346,796	18,357,229
2018	18,507,679	18,506,230	18,507,042	18,512,717	18,522,233	18,533,124
2019	18,613,227	18,636,253	18,667,908	18,702,621	18,736,108	18,760,088
2020	16,561,398	16,673,712	16,802,992	16,887,988	16,965,156	17,023,645
2021	17,613,404	17,710,108	17,798,262	17,905,992	18,006,242	18,112,373
2022	18,448,104	18,441,058	18,430,090	18,435,948	18,455,018	18,473,793
2023	18,579,240	18,576,462	18,567,990	18,567,656	18,554,388	18,569,024
2024	18,624,206	18,625,435	18,612,058	18,616,021	18,619,221	18,618,007