COVERED CALIFORNIA

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2025 and June 30, 2024

California Health Benefit Exchange - Covered California - Sacramento, CA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Fiscal Years Ended

June 30, 2025 and June 30, 2024

CALIFORNIA HEALTH BENEFIT EXCHANGE - COVERED CALIFORNIA

An Independent Public Entity of the State of California

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Prepared by:

Financial Management Division

Jim Watkins, CPA, MPPA

Chief Financial Officer

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December 23, 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 (FY) ending June 30, 2025, and June 30, 2024. 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 resources measurement 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, 2025, and 2024. 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. The annual budget is prepared using the current resources focus and modified accrual basis of accounting. The budget is based on forecasted enrollment, premiums, forecasted operating expenditures, 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 FYs.

The executive director presents the proposed Covered California budget at a Board meeting in May each year. 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 FY, with quarterly reports comparing actual expenditures to budgeted amounts. 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 refer to the recognition of commitments related to unfulfilled purchase orders or outstanding contracts, which will subsequently be recognized as expenditures upon receipt of the goods and services. A mid-year budget review is performed to evaluate current-year encumbrances and consider any modifications for the remainder of the FY.

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 Training for State Officials, and
- Sexual Harassment Prevention Training for Managers.

Employees

The June 2024 Board approved budget authorized 1,494 permanent positions reflecting an increase of 19 permanent positions more than in the FY 2023-24 approved budget total of 1,475. Roughly 42 percent of the new positions were allocated to the Policy, Eligibility and Research Division's new Consumer Experience section. 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 826, 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 2024, California's health care uninsured rate was 5.9 percent, a decrease from 6.4 percent in 2023. Roughly 94 percent of California residents had some type of health insurance coverage. Private health insurance coverage accounted for 66.1 percent, while public coverage, including Medicaid and Medicare accounted for 35.5 percent in 2024.

California's economy, the largest among the 50 states, accounted for 14 percent of the U.S. Gross Domestic Product (GDP) in 2024 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 $3.9 trillion at the end of the FY, and, as the nation's leader in agriculture production, the State's farming operations generated over $55.8 billion in cash receipts for the 2022 crop year. In 2022, California exported approximately $185.5 billion in products, and provisional estimates total $191 billion for 2023. California's 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 2023, the travel and tourism industry in California experienced continued growth, driven by a surge in leisure travel, an increase in international visitors, and the recovery of business and convention travel following the COVID-19 pandemic. The industry generated revenues of $146 billion, representing an 8.5 percent increase from the previous year. Additionally, travel-related state and local tax revenues totaled $12.8 billion, representing an 8 percent increase compared to the prior year.

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.

Covered California conducts an annual rate study and a fiscal sustainability study during each budget cycle. These studies focus on analyzing the participation fee rate that Covered California uses to generate operating revenue. The revenue from the participation fee is influenced by several factors, including enrollment levels, the premiums charged to consumers who purchase coverage through the Covered California marketplace, and the participation fee rate itself.

Covered California projects enrollment, revenues, and expenditures for the current budget year and forecasts for an additional five 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.

Both national and state economic conditions can significantly influence enrollment, revenues, and expenditures in Covered California. Deteriorating or improving economic conditions may lead to changes in the labor market, which in turn may alter enrollment trends. Labor market trends influence enrollment patterns in Covered California. Typically, during economic downturns and rising unemployment, enrollment in Covered California increases as individuals lose their job-sponsored health care coverage. Additionally, some individuals enrolled in Covered California may exit as they transition to Medi-Cal due to a decrease in income following job loss.

Conversely, when the economy is growing steadily and unemployment rates are falling, Covered California often sees a decline in enrollment as individuals find employment and gain access to employer-sponsored health care coverage. This ongoing fluctuation in the labor market leads to corresponding changes in enrollment trends within Covered California.

Government responses through policy changes can significantly impact enrollment, revenues, and expenditures in the healthcare sector, as well as 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 Covered California due to the generous unemployment benefits and employer subsidies for health premiums associated with pandemic-related closures.

During the COVID-19 pandemic, states received increased Medicaid funding on the condition that they would suspend disenrollments for the duration of the federal COVID-19 public health emergency (PHE). This “continuous coverage” requirement allowed millions of Californians to remain enrolled in Medi-Cal throughout the health crisis. As a result of this policy, the transition from Medi-Cal to Covered California significantly decreased, and Medi-Cal enrollment rose from 12.5 million to 16.1 million.

However, the federal Consolidated Appropriations Act of 2023 ended the link to the PHE, terminating the continuous coverage requirement on March 31, 2023. Consequently, Medi-Cal resumed its normal renewal processes starting April 1, 2023.

Starting in July 2023, Covered California observed a growing number of individuals moving from Medi-Cal to Covered California. This trend persisted throughout the 12-month unwind period and beyond, largely due to waivers from the Centers for Medicare and Medicaid Services (CMS) that provided extended continuous coverage for specific groups enrolled in Medi-Cal.

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 reducing out-of-pocket costs for healthcare coverage. These policies resulted in increased flows into Covered California. However, persistent inflation, without policy actions designed to expand health care affordability, can result in declining Covered California enrollment, as consumers face economic tradeoffs.

Major Activities

During the FY 2024-25, approximately 2.6 million Californians, about 6.6 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 medical market for Covered California reached nearly 1.9 million during the FY, exceeding the previous year's record enrollment of 1.7 million. Additionally, Covered California for Small Business (CCSB) provided healthcare coverage to around 9,318 small business employer groups and their 77,000 employees and dependents.

In FY 2024-25, the Service Center's customer support representatives responded to over 2.5 million calls from consumers, up 3 percent from the previous FY. During the same period, the Service Centers' virtual chat information system handled over 270,000 online consumer inquiries.

Additionally, the Marketing Division launched various strategic initiatives that helped drive Covered California's record enrollment. These included developing and testing messaging strategies, targeting key audiences with more focused messaging, and delivering critical information in a more casual and approachable manner, with an emphasis on affordability. Marketing efforts were focused on five core audiences and utilized eight different languages, featuring messages tailored to be culturally and linguistically appropriate.

Covered California's paid media campaigns achieved over 1.6 billion impressions, garnered 62 million video views, and drove more than 6.4 million visits to its website. As a result of digital advertising, over 166,000 accounts were created. Additional marketing efforts utilizing email, direct mail, and short-messaging services (SMS), delivered over 11 million messages to members and 41 million messages to prospective consumers, resulting in approximately 86,000 new accounts being created.

The Marketing Division collaborated with various community organizations, including social influencers, to engage with hard-to-reach populations. In response to the Los Angeles County wildfires, Covered California launched a special campaign aimed at individuals who may have been displaced or who experienced job or business losses because of the fires.

Throughout the FY, the Policy, Eligibility, and Research Division undertook numerous initiatives that were crucial in driving Covered California's record enrollment. These include developing and designing the State of California's expanded 2025 state cost-sharing reduction (CSR) assistance program and implementing the expansion of coverage eligibility to non-citizens under the Deferred Action for Childhood Arrivals (DACA) program.

The Policy, Eligibility, and Research Division implemented numerous improvements to streamline consumer experience. These included enhancements to the CalHEERS application that increased compliance, flexibility, automation, and self-service options for consumers and assisters, such as the Code for America initiative, Remote Identity Proofing (RIDP) enhancements, improving notices for clarity and inclusivity, duplicate record interventions, and the "No Wrong Door 2.0" initiative.

Additionally, consumer retention and outreach were strengthened using automation, data, and technology. Targeted strategies were developed to facilitate auto-enrollment for Medi-Cal transitioners under Senate Bill (260), resulting in improved notices and overall consumer experiences. Efforts were also made to expand facilitated enrollment for new populations.

The Health Equity and Quality Transformation Division launched the Quality Transformation Initiative (QTI) in FY 2024-25. This initiative focused on evaluating quality indicators for health plans, specifically in the areas of hypertension management, diabetes control, and colorectal cancer screening. The results were stratified by race and ethnicity, metal tier, and geographic region to identify differences among various sub-populations, both overall and within individual plans. The Health Equity and Quality Transformation Division also expanded the number of measures in the 2024 Plan Performance report by improving the quality and completeness of data from the Healthcare Evidence Initiative (HEI).

The Health Equity and Quality Transformation Division calculated and directed quality payments based on QTI performance to support the 2025 Population Health Investments. As of June 2025, this initiative successfully enrolled nearly 7,000 eligible households in the Beyond Covered Grocery Support Program, approximately 300 households in the Beyond Covered Child Savings Account Program, and 46 medical practices across California in the Equity and Practice Transformation program. These practices receive coaching and support to enhance services for Covered California members.

The Health Equity and Quality Transformation Division collaborated with the Plan Management Division to implement new Qualified Health Plan Individual Market contracts, which reflect updated requirements for healthcare quality and equity performance based on evidence-based measures. Additionally, The Health Equity and Quality Transformation Division conducted a comprehensive analysis of enrollment and utilization trends in Qualified Dental Plans (QDPs), which led to proposed amendments for QDP contracts in 2027.

In the second half of FY 2024-25, the individual market participation fee rate decreased from 3.25 percent to 2.25 percent. This change aligned with Covered California's strategy to manage its uncommitted fund balance effectively. The reduction in the individual market participation fee rate resulted in an average monthly decrease in individual market participation fee revenue of approximately $8 million. Although lowering the participation fee rate put downward pressure on revenue, this was partially offset by higher-than-expected enrollment, which increased participation fee revenues.

During FY 2024-25, Covered California administered three programs funded by the State of California: the Enhanced Cost-Sharing Program, the California Premium Credit Program, and the Strike Lockout Benefit Program. For FY 2024-25, funding for the Enhanced Cost-Sharing Reduction Program increased, rising from $82.5 million to $165 million. The increased funding was available for the second half of FY 2024-25, as the program is designed to cover calendar year periods running from January through December. During FY 2024-25, a monthly average of 1.03 million enrollees, representing roughly 56 percent of the average monthly effectuated enrollees, received state-funded cost-sharing reduction (CSR) assistance. In coverage year 2024, a monthly average of 805,058 enrollees received state-funded CSR assistance. Following the increase in state funding for CSR assistance and the expansion of the program in coverage year 2025, the monthly average of enrollees receiving state-funded CSR assistance increased to 1.3 million.

Covered California administered the California Premium Credit Program, requiring reimbursement of $1 per-member-per-month (PMPM) to carriers for each eligible enrollee to cover abortion-related services. During FY 2024-25, Covered California administered payments to carriers totaling $22 million for the California Premium Credit Program.

In addition, Covered California continued to administer a Strike Lockout Benefit Program that provided $2 million for striking workers' health care coverage.

Acknowledgments

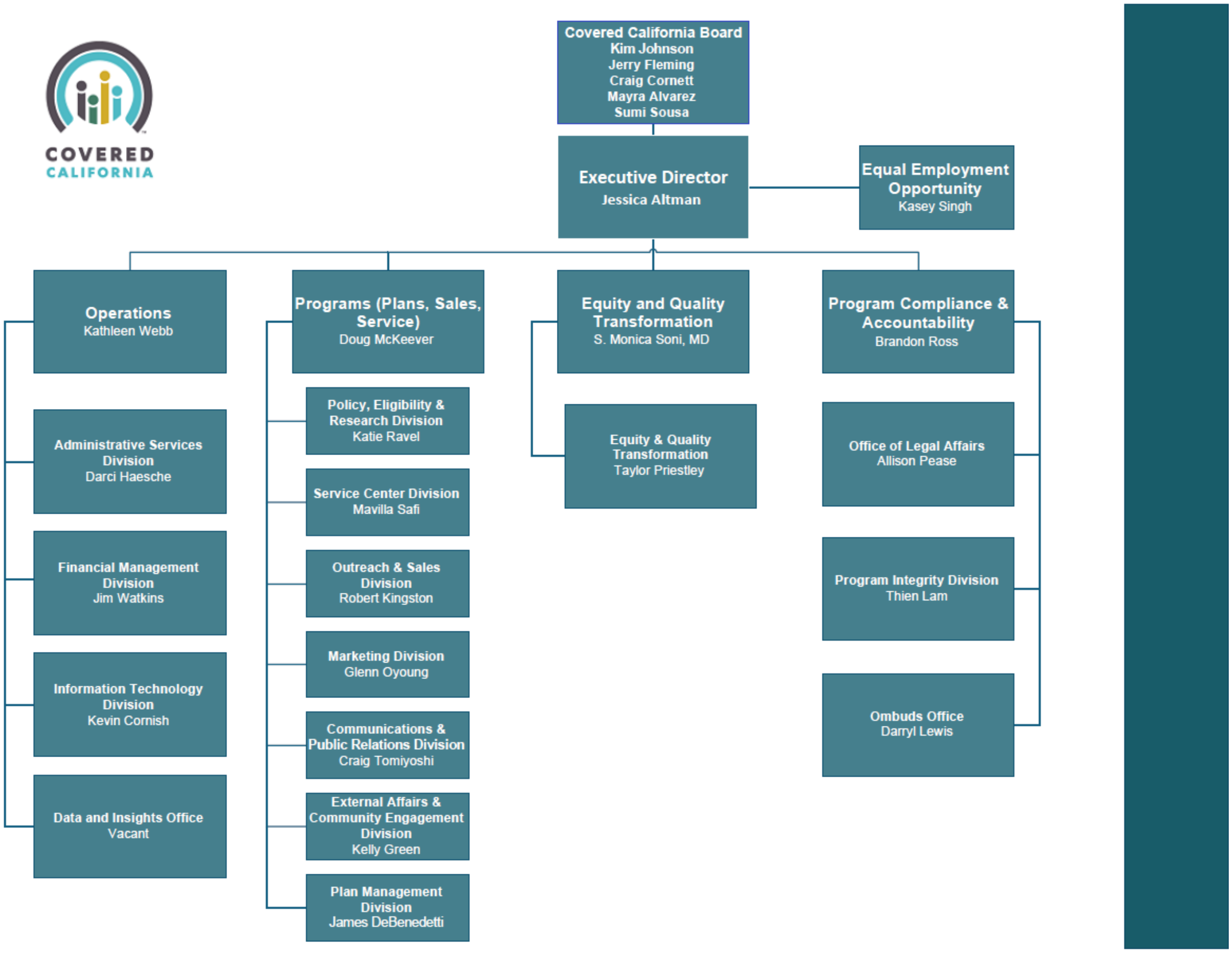
This report was made possible by the dedicated efforts of Covered California's Financial Management Division in collaboration with other Covered California divisions and our independent auditors. We extend our gratitude to all staff members who contributed to it. Finally, we thank the Covered California 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,

Jim Watkins

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

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Certified Public Accountants

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, 2025, and 2024, 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, 2025, and 2024, 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.

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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 December 23, 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.

Macias Gini & O'Connell LLP

Sacramento, California
December 23, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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 FYs ended June 30, 2025, and June 30, 2024. The MD&A presents an overview of the FY 2024-25 financial highlights and an analysis of each of the condensed financial statements. The MD&A presents three FYs, which include FY 2024-25, FY 2023-24, and FY 2022-23.

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 15 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 2024-25

As of June 30, 2025, Covered California reported cash and cash equivalents totaling $663.6 million. The organization's total assets and deferred outflows of resources amounted to $984.6 million, while total liabilities and deferred inflows of resources were $798.8 million. Covered California's net position increased year-over-year, reaching $185.8 million. Working capital, defined as the difference between total current assets and total current liabilities, stood at $616.5 million on June 30, 2025, reflecting an increase of $33.8 million compared to FY 2023-24's total of $582.7 million.

Statement of Net Position Highlights

Fiscal Year 2024-25

- Cash increased in FY 2024-25 by $31.5 million, rising from $632.1 million to $663.6 million, or 5.0 percent over the prior year. The increase in cash was the result of a combination of outcomes. Total cash flows from operations equaled $44.6 million, representing a $28.3 million decrease from the prior year. The decrease in cash flows from operating activities was due to flat operating revenue inflows compared to the prior year. The flattening of cash inflows from operating activities resulted from lowering the individual market participation fee from 3.25 percent to 2.25 percent in plan year 2025. Cash outflows from operating activities increased by $25.5 million year-over-year, totaling $399.1 million. Personnel cash outflows accounted for $22 million of the total increase, while cash outflows from suppliers accounted for $3.6 million of the year-over-year increase. Cash outflows for investment in capital assets, principally enhancements to CalHEERS, totaled $38.4 million. Cash inflows from investing activities totaled $25.2 million.

- Accounts receivable and other current assets amounting to $51.7 million include receivables due as of June 30, 2025, as well as certain payments to vendors that represent costs applicable to future accounting periods recorded as prepaid assets. Accounts receivables totaled $45.8 million, a decrease of $662,896 compared to $46.4 million in the prior FY. Prepaid Assets totaled $5.6 million and primarily consisted of prepaid software and prepaid office supplies.

- Net capital assets increased by $8.8 million to $146.9 million from $138.1 million in FY 2023-24 due to an increase in Subscription Based Technology Agreements (SBITAs). Capital assets include capitalized costs associated with the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), the marketplace platform for Covered California. Capital assets also include office furniture, equipment, leasehold improvements, right-to-use lease assets, and right-to-use SBITA assets.

- Total current liabilities as of June 30, 2025, equaled $98.8 million, a reduction of $2.8 million over the prior year's total of $101.6 million. Total liabilities include accounts payables, accrued liabilities, unearned revenue, compensated absences, lease liabilities, and SBITA liabilities.

    - Accounts payables equaled $74.3 million in FY 2024-25 and included amounts for unpaid goods and services. These payables reflect amounts due to carriers and agents for the CCSB market of $39.5 million and amounts due to other third parties totaling $34.8 million.

  - As of June 30, 2025, lease liabilities totaled $27.7 million (current liability of $4.6 million, non-current liability of $23.1 million), and the corresponding right-to-use lease asset was $39.5 million and accumulated amortization of $13.1 million.

  - As of June 30, 2025, the right-to-use subscription liabilities for SBITAs totaled $16.2 million (current liability of $11.3 million, non-current liability of $4.9 million). The corresponding total SBITA asset balance was $16.8 million ($30.5 million is the SBITA assets less the accumulated amortization of $13.7 million).

- Non-current liabilities increased by $10.2 million from $622.9 million on June 30, 2024, to $633.1 million on June 30, 2025. The Other Post Employment Benefit (OPEB) liability increased by $29.5 million in FY 2024-25 to $372.0 million from $342.5 million in FY 2023-24. The pension liability decreased by $25.6 million from $236.7 million in FY 2023-24 to $211.1 million in FY 2024-25. This decrease is primarily due to higher investment gains earned by the California Public Employees' Retirement System (CalPERS), as well as a slight decrease in Covered California's proportionate share factor. See notes 4 and 5 for additional information on Pension and OPEB Liabilities.

- Covered California's Net Position increased from $142.4 million in FY 2023-24 to $185.8 million in FY 2024-25, or $43.4 million. The increased net position resulted from a combination of outcomes. Covered California recognized operating income of $16.7 million, which was primarily driven by a favorable OPEB expense adjustment and year-over-year increases in CCSB operating income. Furthermore, year-over-year increases in non-operating income also played a role, as the ongoing higher yield rates in the SMIF and increased investment balances resulted in non-operating income being greater than in the previous FYs.

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, an increase of $17.4 million over FY 2022-23's total of $125.0 million.

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.

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 percent over the prior year. Cash increased due to the net effect of positive cash flows from operating activities totaling $446.5 million from participation fee revenue, negative cash outflows from operating activities totaled $373.6 million, negative cash outflows from noncapital financial activities of $301,361 negative cash outflows from investments in capital assets totaled $25.9 million, and positive cash inflows from investing activities totaling $18.3 million. Cash inflows from operating activities related to participation fee revenue increased $29.9 million from the prior year. The higher participation fee revenue was the result of enrollment gains that materialized due to the Medi-Cal unwind.

- 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 $124.6 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, were $101.6 million and included accounts payable, accrued liabilities, unearned revenue, compensated absences, lease liabilities, and SBITA liabilities.

- Accounts payables totaled $78.7 million in FY 2024-23 and included amounts 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). The corresponding right-to-use lease asset was $31.1 million and 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 $2.5 million). The corresponding total SBITA asset balance was $5.4 million ($9.6 million is the SBITA assets less the accumulated amortization of $4.3 million).

- 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. Covered California's pension liability rose by $1.5 million in FY 2023-24, totaling $236.7 million, up 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 totaled $142.4 million in FY 2024-25, which was $17.4 million greater than the FY 2022-23 total of $125.0 million. The increase in net position resulted from an operating loss of $5.9 million, combined with non-operating revenues of $23.3 million, primarily associated with interest income from investments.

Table 1: Condensed Summary of Net Position

	FY 2024 / 2025	FY 2023 / 2024	FY 2022 / 2023	FY 24/25 - FY 23/24 (Difference)	FY 23/24 - FY 22/23 (Difference)
Cash	$ 663,599,727	$ 632,106,613	$ 567,171,006	$ 31,493,113	$ 64,935,607
Other Current Assets	51,723,559	52,210,573	43,432,644	(487,014)	8,777,929
Total Current Assets	**715,323,285**	**684,317,186**	**610,603,650**	**31,006,099**	**73,713,536**
Capital Assets, Net	146,900,100	138,079,112	124,594,297	8,820,988	13,484,815
Total Assets	**862,223,386**	**822,396,298**	**735,197,947**	**39,827,087**	**87,198,351**
Deferred Outflows of Resources	122,361,925	135,096,323	127,816,107	(12,734,398)	7,280,216
Total Assets and Deferred Outflows of Resources	**984,585,311**	**957,492,621**	**863,014,054**	**27,092,689**	**94,478,567**
Current Liabilities	98,774,073	101,610,447	96,417,696	(2,836,373)	5,192,750
Noncurrent Liabilities					
Other Noncurrent Liabilities	50,034,573	43,748,001	24,639,665	6,286,572	19,108,336
Net OPEB Liability	371,967,000	342,458,000	279,595,000	29,509,000	62,863,000
Net Pension Liability	211,115,112	236,658,283	235,140,336	(25,543,171)	1,517,947
Total Noncurrent Liabilities	**633,116,685**	**622,864,284**	**539,375,001**	**10,252,401**	**83,489,283**
Total Liabilities	**731,890,758**	**724,474,731**	**635,792,697**	**7,416,028**	**88,682,033**
Deferred Inflows of Resources	66,906,026	90,667,190	102,257,536	(23,761,164)	(11,590,346)
Total Liabilities and Deferred Inflows of Resources	**798,796,784**	**815,141,921**	**738,050,233**	**(16,345,136)**	**77,091,687**
Investment in Capital Assets	$ 101,676,846	$ 93,755,526	$ 92,476,325	$ 7,921,319	$ 1,279,201
Unrestricted	84,111,681	48,595,174	32,487,496	35,516,507	16,107,678
Total Net Position	**$ 185,788,527**	**$ 142,350,700**	**$ 124,963,821**	**$ 43,437,827**	**$ 17,386,879**

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 FY. 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.

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

Fiscal Year 2024-25

For FY 2024-25, Covered California reported operating revenue of $442.3 million and operating expenses of $425.6 million, resulting in an operating income of $16.7 million for the FY. With the inclusion of non-operating income of $26.7 million, Covered California's net position increased by $43.4 million for the FY.

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 FY. With non-operating revenue of $23.3 million, Covered California's net position increased by $17.4 million for the FY.

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

	FY 2024 / 2025	FY 2023 / 2024	FY 2022 / 2023	FY 24/25 - FY 23/24 (Difference)	FY 23/24 - FY 22/23 (Difference)
Revenues					
Individual Market Revenue	$ 405,609,954	$ 419,814,224	$ 387,632,996	$ (14,204,270)	$ 32,181,228
CCSB Revenue	36,738,732	32,528,771	29,707,168	4,209,961	2,821,603
Total Operating Revenues	**442,348,686**	**452,342,995**	**417,340,164**	**(9,994,309)**	**35,002,831**
Expenses					
Salary and Wages Expense	174,117,995	213,024,498	93,429,373	(38,906,503)	119,595,125
Other Operating Expenses	251,500,852	245,192,535	228,647,554	6,308,317	16,544,981
Total Expenses	**425,618,847**	**458,217,033**	**322,076,927**	**(32,598,186)**	**136,140,106**
Operating Income (Loss)	**16,729,839**	**(5,874,038)**	**95,263,237**	**22,603,877**	**(101,137,275)**
Nonoperating Revenue	26,707,988	23,260,917	10,570,273	3,447,071	12,690,644
Changes in Net Position	**43,437,827**	**17,386,879**	**105,833,510**	**26,050,948**	**(88,446,631)**
Total Net Position - Beginning of Year	142,350,700	124,963,821	18,065,676	17,386,879	106,898,145
Cumulative Effect of Accounting Change	-	-	1,064,635	-	(1,064,635)
Total Net Position - End of Year	**$ 185,788,527**	**$ 142,350,700**	**$ 124,963,821**	**$ 43,437,827**	**$ 17,386,879**

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.

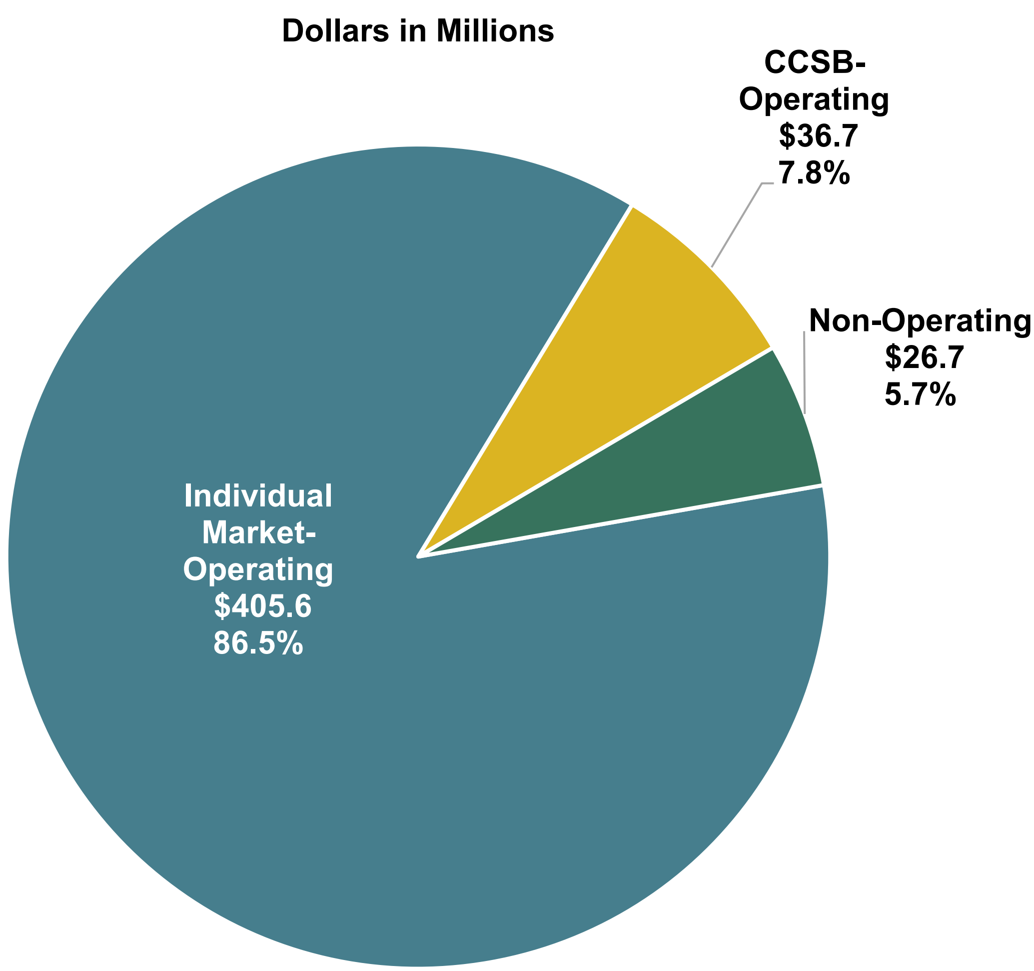
2. A participation fee charged to carriers that participate in the Covered California for Small Business (CCSB) program.

3. Interest income earned from cash investments in the California Surplus Money Investment Fund (SMIF) and other revenue sources.

2024-25 Revenue Summary

During FY 2024-25, the individual market accounted for 86.5 percent of total revenue, while the small business market accounted for 7.8 percent. Individual market revenue totaled $405.6 million, and CCSB operating revenues totaled $36.7 million. Total non-operating revenue, earned primarily from interest in investments in the State of California's Surplus Money Investment Fund (SMIF), accounted for $26.7 million in FY 2024-25.

Figure 1: Fiscal Year 2024-25 Operating and Non-Operating Revenue (Total = $469.0 million)



Revenue Highlights

Fiscal Year 2024-25

- FY 2024-25 operating revenues totaled $442.3 million, while non-operating revenues totaled $26.7 million. Operating and non-operating revenues combined totaled $469.0 million.

- Covered California recognized $405.6 million in individual market revenue in FY 2024-25, which was $14.2 million or 3.4 percent less than FY 2023-24's total of $419.8 million. This decrease was anticipated due to the reduction of the individual market participation fee from 3.25 percent to 2.25 percent in plan year 2025. Total individual market medical member months rose year-over-year by 9.0 percent, while gross premiums decreased by 2.8 percent year-over-year.

- FY 2024-25 CCSB operating revenue totaled $36.7 million, which was $4.2 million or 12.9 percent greater than FY 2023-24's total of $32.5 million. The year-over-year increase in CCSB revenues was driven primarily by price increases. The number of member months decreased slightly by 837 from FY 2023-24 to FY 2024-25.

- Non-operating revenue totaled $26.7 million for FY 2024-25, an increase of $3.4 million over the prior FY of $23.3 million. 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 yield rate for the SMIF in FY 2024-25 was 4.4 percent, whereas the yield rate in FY 2023-24 was 3.9 percent.

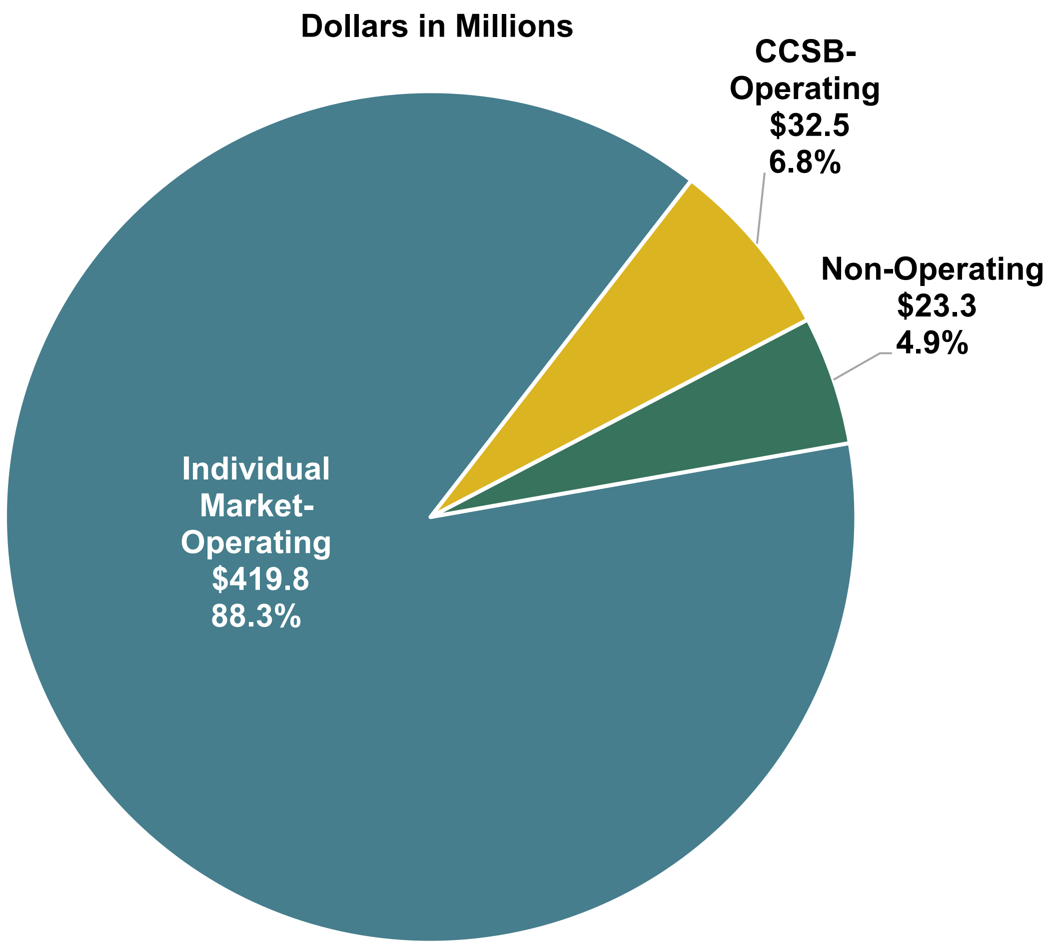
    - Other non-operating revenue included $1.3 million in performance penalties collected from carriers. These reflect penalties on carriers that fail to meet Covered California's Carrier Performance Metrics, which outline specific performance standards in the areas of health disparities, payment strategies, enrollee experience, data quality and completeness, and oral health.

    - Other non-operating revenue also included miscellaneous revenue, escheat warrants, public services, interest expense related to the SB84 pension loan, and interest expense on leases and SBITAs.

2023-24 Revenue Summary

During FY 2023-24, the individual market accounted for 88.3 percent of total revenue, while the small business market accounted for 6.8 percent. 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 2: Fiscal Year 2023-24 Operating and Non-Operating Revenue (Total = $475.6 million)



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.

- Covered California recognized $419.8 million in individual market revenue in FY 2023-24, which was $32.2 million or 8.3 percent 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. Total member months rose year-over-year by 2.8 percent, 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 percent greater than FY 2022-23. The year-over-year increase was driven by employer group retention, increased premiums, and higher enrollment.

- 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 yield for the SMIF in FY 2022-23 was 2.2 percent, while in FY 2023-24, it increased to 3.9 percent.

    - 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 included miscellaneous revenue, escheat warrants, public services, interest expense related to the SB84 pension loan, interest expense on leases and SBITAs, and a loss on equipment disposal.

Operating Expenses

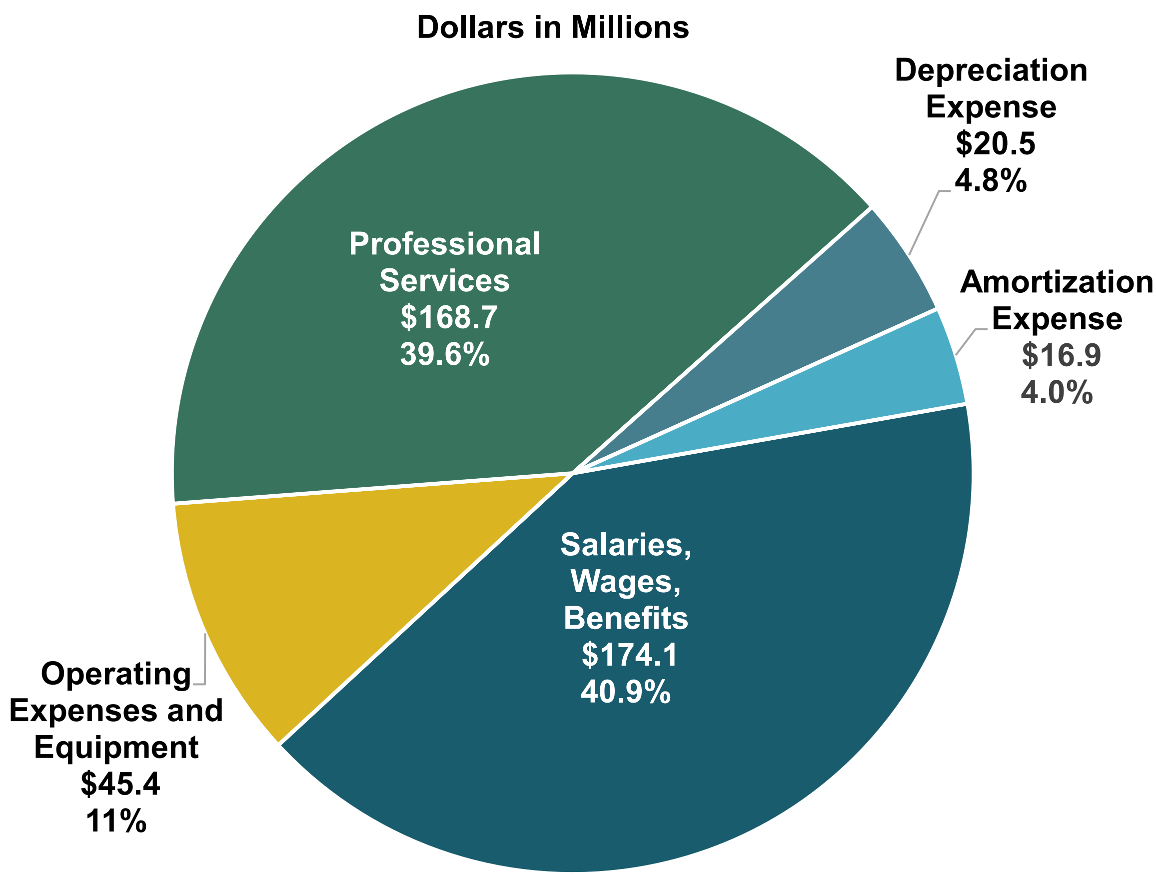
Operating expenses constitute the ongoing day-to-day costs incurred to maintain exchange services. Operating Expenses consist of five primary categories: Salaries, Wages, & Benefits, Operating Expenses & Equipment, Professional Services, Depreciation Expenses, and Amortization Expenses.

2024-25 Operating Expenses Summary

Operating Expenses

Covered California's FY 2024-25 operating expenses totaled $425.6 million. Two categories accounted for 80.5 percent of all operating expenses. Salaries, Wages, and Benefits comprised 40.9 percent of operating expenses, while Professional Services comprised 39.6 percent.

Figure 3: Fiscal Year 2024-25 Operating Expenses by Category (Total = $425.6 million)



Operating Expense Highlights

Fiscal Year 2024-25

- Total operating expenses for FY 2024-25 equaled $425.6 million, or $32.6 million less than the FY 2023-24 total of $458.2 million.

- The FY 2024-25 Salaries, Wages, and Benefit expenses totaled $174.1 million, a reduction of $38.9 million from the prior year's total of $213.0 million. The decrease in personnel expenses was due to adjustments related to Other Post-Employment Benefits (OPEB) expenses, resulting in a reduction in overall personnel expenses.

- Total Other Operating Expenses equaled $251.5 million in FY 2024-25, an increase of $6.3 million over the prior FY. Of the total other operating expenses, equipment expenses constituted $45.4 million, professional services accounted for $168.7 million, depreciation accounted for $20.5 million, and amortization expenses represented $16.9 million.

- Depreciation expense amounted to $20.5 million in FY 2024-25, down from $24.5 million in FY 2023-24. The reduction in depreciation is attributed to depreciable assets reaching the end of their useful lives and being fully depreciated. Amortization expense totaled $16.8 million in FY 2024-25, an increase of $7.3 million from the prior year's total of $9.6 million. The increase in amortization reflects the additional SBITA assets acquired in FY 2024-25, as well as the related monthly amortization amounts attributable to those assets.

- Covered California reported an operating income of $16.7 million for the FY 2024-25, with operating revenues totaling $442.3 million and operating expenditures amounting to $425.6 million.

Operating Expenses by Functional Area

Covered California's business model includes 19 divisions and a capital projects cost center. These divisions and the cost center can be categorized into five main functional areas within the organization. Each functional area represents a key operational capacity that specifically supports Covered California's mission to deliver affordable health care to Californians. In FY 2024-25, three functional areas accounted for roughly 76.2 percent of total operating and capital expenditures. These functional areas include Service Center, Ombuds, and Consumer Experience Functional Area, Marketing, Outreach and Sales, Communications, Program Integrity Functional Area, and Technology Functional Area.

Table 3: Fiscal Year 2024-25 Operating Expenses by Functional Area

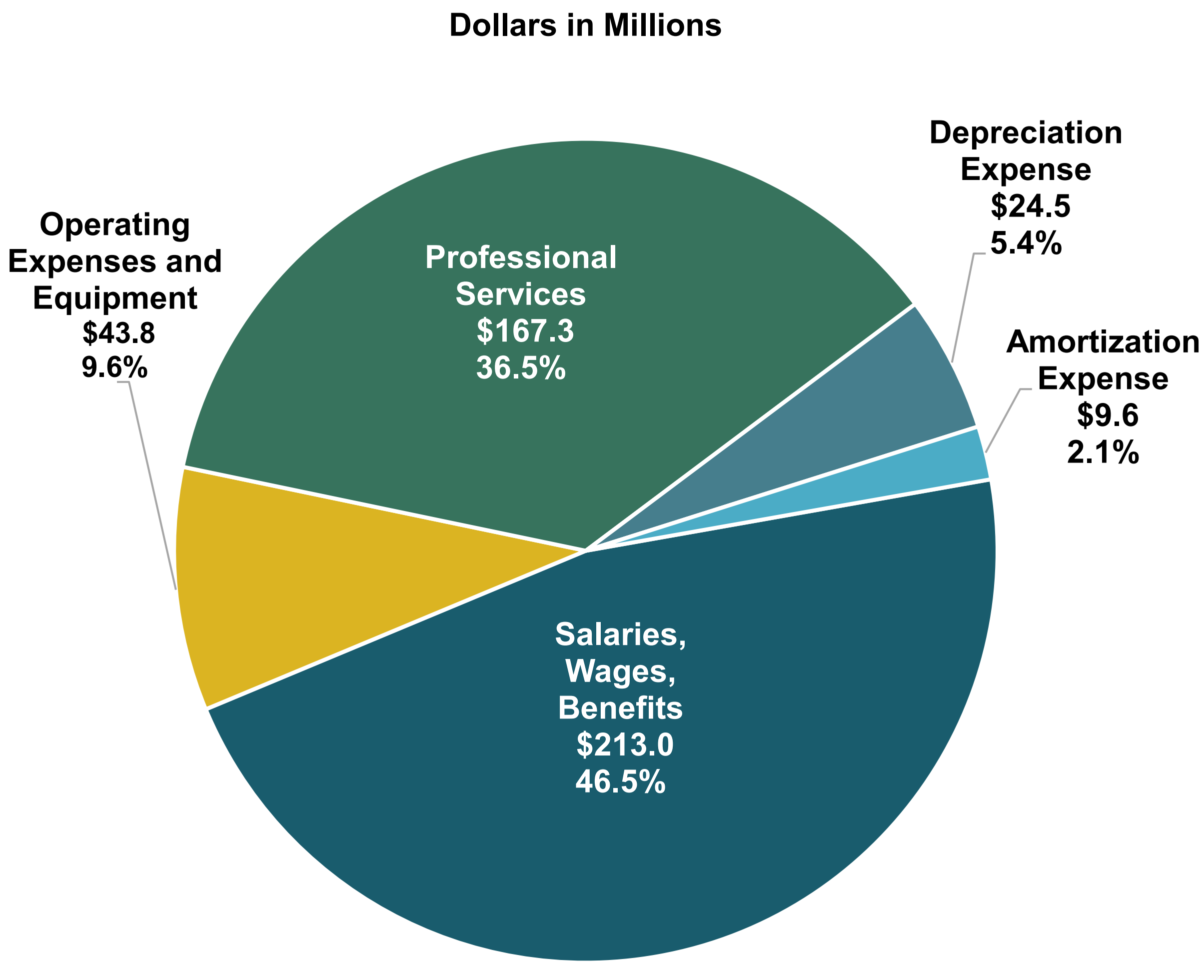
Functional Area	Total Expenses	% of Total GAAP Expenses
Service Center, Ombuds, and Consumer E xperience Functional Area	$ 124,113,367	29.2%
Marketing, Outreach and Sales, Communications, Program Integrity Functional Area	104,824,965	24.6%
Technology Function al Area	95,174,243	22.4%
Plan Management/Policy/HE QT Functional Area	35,895,510	8.4%
Administration Functional Area	51,245,248	12.0%
State Shared	19,433,422	4.6%
Total Budgetary Basis	430,686,755	101.2%
GAAP Basis Conversion Adjustments	(5,067,908)	-1.2%
Total Comprehensive Basis	$ 425,618,847	100.0%

Fiscal Year 2023-24 Operating Expenses Summary

Operating Expenses

Covered California's FY 2023-24 operating expenses totaled $458.2 million. Two categories accounted for 83.0 percent of all operating expenses. Salaries, Wages, and Benefits comprised 46.5 percent of operating expenses, while Professional Services comprised 36.5 percent.

Figure 4: Fiscal Year 2023-24 Operating Expenses by Category (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.

- 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 FY. Of the total other operating expenses, equipment expenses accounted for $43.8 million, professional services represented $167.3 million, depreciation totaled $24.5 million, and amortization expenses amounted to $9.6 million.

- 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 reported an operating loss of $5.9 million for FY 2023-24, with operating revenues of $452.3 million and operating expenses totaling $458.2 million.

- 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 significantly impacted by OPEB, declining by $58.1 million compared to FY 2021-22. The annual OPEB expenses recognized vary each year due to changes in proportional allocation factors, actuarial estimates, and discount rates. 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, which led to a reduction in the OPEB liability and a corresponding decrease in OPEB expenses. In FY 2023-24, Covered California's proportionate share of the state's OPEB expenses was increased by $47.8 million.

Operating Expenses by Functional Area

Covered California's business model includes 19 divisions and a capital projects cost center. These divisions and the cost center can be categorized into five main functional areas within the organization. Each functional area represents a key operational capacity that specifically supports Covered California's mission to deliver affordable health care to Californians. In FY 2023-24, three functional areas accounted for roughly 70.8 percent of total operating and capital expenditures. These functional areas include Service Center, Ombuds, and Consumer Experience Functional Area, Marketing, Outreach and Sales, Communications, Program Integrity Functional Area, and Technology Functional Area.

Table 4 Fiscal Year 2023-24 Operating Expenses by Functional Area

Functional Area	Total Expenses	% of Total GAAP Expenses
Service Center, Ombuds, and Consumer E xperience Functional Area	$ 114,129,889	24.9%
Marketing, Outreach and Sales, Communications, Program Integrity Functional Area	110,078,280	24.0%
Technology Function al Area	100,475,226	21.9%
Plan Management/Policy/HE QT Functional Area	46,066,094	10.1%
Administration Functional Area	31,308,396	6.8%
State Shared	19,033,800	4.2%
Total Budgetary Basis	421,091,685	91.9%
GAAP Basis Conversion Adjustments	37,125,347	8.1%
Total Comprehensive Basis	$ 458,217,032	100.0%

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 FY. 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 2024-25

- Cash flows from operating activities for FY 2024-25 totaled $44.6 million, a decrease of $28.2 million over FY 2023-24's total of $72.8 million. The decrease in cash flows from operating activities was driven by both a reduction in the participation fee rate and an increase in employee compensation. In the second half of FY 2024-25, the participation fee was reduced from 3.25 to 2.25 percent, which decreased cash inflows from operating revenue compared to the prior year. The increase in employee cash outflows resulted from a general salary increase, a reduced vacancy rate (with the average number of positions filled rising by 68), and increased benefit costs.

- 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 interfund loan payable. For FY 2024-25, cash flows from noncapital financing activities represented a net outflow of $72,183.

- Cash flows from capital and related financing activities represented a net outflow of $38.4 million, consisting of $21.3 million in CalHEERS investments, $4.4 million in leases, and $12.7 million in software subscription payments (SBITAs). In FY 2024-25, Covered California renewed several contracts, the most significant of which was with Salesforce. Salesforce subscription services are integrated with Covered California's Small Business (CCSB) program and support the administration of agent and broker contracts.

- Cash flows from investing activities consist primarily of interest earned on Covered California's funds maintained in the State's SMIF. In FY 2024-25, interest income was $25.2 million, an increase of $6.9 million over FY 2023-24's total of $18.3 million. The increase in interest income was driven by both higher average cash balances and higher yields on those balances in FY 2024-25.

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 interfund loan payable. For FY 2023-24, cash flows from noncapital financing activities represented a net outflow of $301,361.

- 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.

Table 5: Condensed Statement of Cash Flows for Fiscal Years 2025, 2024, and 2023

CALIFORNIA HEALTH BENEFIT EXCHANGE
Management's Discussion and Analysis (Unaudited)
Statement of Cash Flows
June 30, 2025, 2024, and 2023

	FY 2024 / 2025	FY 2023 / 2024	FY 2022 / 2023	FY 24/25 - FY 23/24 (Difference)	FY 23/24 - FY 22/23 (Difference)
Cash Inflows From Operations	$ 443,724,507	$ 446,482,412	$ 416,538,928	$ (2,757,905)	$ 29,943,484
Cash Outflows From Operations	(399,136,709)	(373,644,249)	(341,433,661)	(25,492,460)	(32,210,588)
Cash Flows From Operating Activities	**44,587,798**	**72,838,163**	**75,105,267**	**(28,250,365)**	**(2,267,104)**
Cash Flows From Noncapital Financing Activities	72,183	(301,361)	(1,590,139)	373,544	1,288,778
Cash Flows From Investments in Capital Assets	(38,415,975)	(25,911,599)	(24,068,854)	(12,504,376)	(1,842,745)
Cash Flows From Investing Activities	25,249,107	18,310,404	7,469,812	6,938,703	10,840,592
Net Income/(Decrease) in Cash	**$ 31,493,113**	**$ 64,935,607**	**$ 56,916,086**	**$ (33,442,494)**	**$ 8,019,521**

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 FY and beyond. In the near term, considerable uncertainty arises from changes in federal law, shifts in federal policies, an uncertain macroeconomic environment, and the impending expiration of federal laws that have significantly increased access to affordable and high-quality health insurance through the marketplace. The uncertain events may result in material enrollment and revenue losses in the near term.

1. Federal Uncertainty and Legislative Changes

- **Potential Enrollment and Revenue Losses:** The American Rescue Plan Act (ARPA) and the Inflation Reduction Act have provided temporarily enhanced advanced premium tax credits (APTC), making health coverage available and more affordable for a wide segment of Californians. These expanded subsidies are scheduled to expire on December 31, 2025, unless Congress extends them. Covered California estimates that as many as 400,000 Californians could lose their marketplace coverage if the enhanced APTCs are not renewed.

  The end of enhanced APTCs would potentially reduce enrollment and premium volume, directly impacting Covered California's operating revenue. Contingency Planning: Covered California's budget and enrollment forecasts have incorporated the likely expiration of the enhanced APTCs, modeling material disenrollments and corresponding revenue declines.

- **H.R. 1 and New Federal Rules**: The landscape includes several changes, including the H.R. 1 "One Big Beautiful Bill" and the Final Rule Change, that will require Covered California to adjust eligibility systems (CalHEERS), increase investments in consumer outreach, or refine plan management and compliance strategies. Additionally, these federal changes will disrupt enrollment, potentially leading to enrollment losses for Covered California. In turn, there is an uncertain impact on operating revenues, as enrollment losses will translate into revenue declines. However, these enrollment losses will also impact the enrollment mix and potentially result in premium increases, which will offset some of the revenue losses occurring from the volume declines.

- **Dedicated Contingency Funds:** To address potential unknowns arising from the federal environment, Covered California set aside $20 million in its approved FY 2025-26 budget to allow rapid and targeted responses, such as technology upgrades or urgent consumer outreach and support.

2. Macroeconomic and Labor Market Uncertainty

- **Labor Market Trends:** As of the latest published data (August 2025), California's labor market remains soft. The unemployment rate is 5.5 percent, and nonfarm payrolls rose by 3,800 in August 2025; however, the state recognized job losses in five of the past eight months. Growth continues to be led by private education and health services, as well as by government, while several employment sectors, including technology-related industries in Information and professional and business services, remain weak on a year-over-year basis. The unemployment rate increased from approximately 3.8 percent in August 2022 to 5.3 percent between March and May 2025, and to 5.5 percent by August 2025.

- **Enrollment Trends Tied to Labor Market Trends:** Fluctuations in employment affect both new enrollments and disenrollments. If a recession or ongoing weakness in the labor market persists:

    - Laid-off workers losing employer-sponsored coverage may enroll in Covered California, thereby increasing enrollment.

    - Conversely, affected individuals enrolled in Covered California whose incomes drop below the eligibility threshold may transition to Medi-Cal, reducing exchange enrollments.

3. Financial Sustainability: Participation Fee Rate Adjustment

Due to federal uncertainties regarding the extension of the enhanced federal advanced APTCs and additional federal changes resulting from H.R. 1/Final Rule changes, Covered California increased its participation fee rate from 2.25 percent to 2.50 percent for plan year 2026. As Covered California prepares its FY 2026-27 budget, it will produce its annual participation fee rate study and long-term budget. It is anticipated that at that time, the uncertainty surrounding the enhanced federal APTCs may be resolved. After considering Covered California's forecasted enrollment trend, working capital position, revenue trends, trends in operational and capital expenses, and future goals and objectives, a new participation fee rate for plan year 2027 will be proposed.

4. Covered California's Budget Process

Starting in FY 2026-27, Covered California will transition from an incremental budgeting process to a strategic budgeting process. It is recognized that this transition will represent an evolutionary process and will occur over several budget cycles.

5. San Diego Building Lease

Effective August 28, 2025, Covered California entered into a new lease agreement providing office space to staff located in the San Diego area.

BASIC FINANCIAL STATEMENTS

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CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Statement of Net Position
June 30, 2025 and 2024

Assets and Deferred Outflows of Resources	**FY 2024 / 2025**	**FY 2023 / 2024**
Current Assets:		
Cash	$ 84,608,727	$ 93,893,613
Cash Equivalents	578,991,000	538,213,000
Receivables:		
Enrollment Fees (Net of Allowance for Cancelled Enrollments)	33,788,102	39,883,677
Other Receivables	11,967,243	6,534,564
Total Receivables	**45,755,345**	**46,418,241**
Other Current Assets	5,968,214	5,792,332
Total Current Assets	**715,323,286**	**684,317,186**
Noncurrent Assets:		
Depreciable Capital Assets	505,098,965	482,694,117
Less Accumulated Depreciation	(401,478,506)	(381,081,542)
Right of Use Assets (Lease Assets)	39,545,013	46,655,874
Less Accumulated Amortization	(13,112,625)	(15,555,944)
Right of Use Assets (SBITA Assets)	30,499,376	9,623,190
Less Accumulated Amortization	(13,652,123)	(4,256,583)
Capital Assets, Net	**146,900,100**	**138,079,112**
Total Assets	**862,223,386**	**822,396,298**
Deferred Outflows of Resources		
Deferred Outflows of Resources - Pension	57,457,925	84,521,323
Deferred Outflows of Resources - OPEB	64,904,000	50,575,000
Total Deferred Outflows of Resources	**122,361,925**	**135,096,323**
Total Assets and Deferred Outflows of Resources	**$ 984,585,311**	**$ 957,492,621**

See accompanying notes to the financial statements.

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Statement of Net Position (Continued)
June 30, 2025 and 2024

Liabilities and Deferred Inflows of Resources	**FY 2024 / 2025**	**FY 2023 / 2024**
Current Liabilities:		
Accounts Payable	$ 74,330,120	$ 78,709,700
Accrued Liabilities	339,255	335,393
Unearned Revenue	2,683,834	2,286,494
Interfund Loan Payable	-	1,062,788
Compensated Absences - Current Portion	5,511,397	12,099,822
Lease Liability - Current Portion	4,604,511	4,425,590
SBITA Liability - Current Portion	11,304,956	2,690,660
Total Current Liabilities	**98,774,073**	**101,610,447**
Noncurrent Liabilities:		
Compensated Absences - Noncurrent Portion	15,803,869	7,641,746
Other Liabilities	6,214,709	5,827,936
Net Other Postemployment Benefits	371,967,000	342,458,000
Net Pension Liability	211,115,112	236,658,283
Lease Liability - Noncurrent Portion	23,118,141	27,722,652
SBITA Liability - Noncurrent Portion	4,897,854	2,555,667
Total Noncurrent Liabilities	**633,116,685**	**622,864,284**
Total Liabilities	**731,890,758**	**724,474,731**
Deferred Inflows of Resources		
Deferred Inflows of Resources - Pension	2,053,026	3,675,190
Deferred Inflows of Resources - OPEB	64,853,000	86,992,000
Total Deferred Inflows of Resources	**66,906,026**	**90,667,190**
Total Liabilities and Deferred Inflows of Resources	**$ 798,796,784**	**$ 815,141,921**
Net Position		
Net Investment in Capital Assets	$ 101,676,846	$ 93,755,526
Unrestricted	84,111,681	48,595,174
Total Net Position	**$ 185,788,527**	**$ 142,350,700**

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, 2025 and 2024

	FY 2024 / 2025	FY 2023 / 2024
Operating Revenues:		
Enrollment Fees-Individual	$ 405,609,954	$ 419,814,224
Enrollment Fees-CCSB	36,738,732	32,528,771
Total Operating Revenues	**442,348,686**	**452,342,995**
Operating Expenses:		
Salaries, Wages, Benefits	174,117,995	213,024,498
Operating Expenses and Equipment	45,363,207	43,785,236
Professional Services	168,713,972	167,263,989
Depreciation Expense	20,541,547	24,522,988
Amortization Expense	16,882,126	9,620,322
Total Operating Expenses	**425,618,847**	**458,217,033**
Operating Income (Loss)	**16,729,839**	**(5,874,038)**
Nonoperating Revenues and Expenses:		
Interest Income	25,573,017	20,635,109
Other Income	1,134,971	2,638,872
Loss on Disposal of Assets	-	(13,064)
Total Nonoperating Revenues and Expenses	**26,707,988**	**23,260,917**
Change in Net Position	**43,437,827**	**17,386,879**
Total Net Position – Beginning of Year	142,350,700	124,963,821
Total Net Position – End of Year	**$ 185,788,527**	**$ 142,350,700**

See accompanying notes to the financial statements.

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2025 and 2024

	FY 2024 / 2025	FY 2023 / 2024
Cash Flows From Operating Activities:		
Receipts from Enrollment Fees	$ 443,724,507	$ 446,482,412
Payments to Employees and for Employee Benefits	(178,922,946)	(157,007,686)
Payments to Suppliers	(220,213,762)	(216,636,563)
Net Cash Provided by Operating Activities	**44,587,799**	**72,838,163**
Cash Flows From Noncapital (Used in) Financing Activities:		
Repayment of SB 84 Interfund Loan	(1,062,788)	(3,016,957)
Other Income (Expenses)	1,134,971	2,715,596
Net Cash Provided by (used in) Noncapital Financing Activities	**72,183**	**(301,361)**
Cash Flows From Capital and Related Financing Activities:		
Acquisition of Capital Assets	(21,251,639)	(18,233,329)
Principal Payment on Leases	(4,425,590)	(4,250,896)
Principal Payment on SBITAs	(12,738,746)	(3,427,374)
Net Cash Used in Capital and Related Financing Activites	**(38,415,975)**	**(25,911,599)**
Cash Flows From Investing Activities:		
Interest Income	25,249,107	18,310,404
Net Cash Provided by Investing Activities	**25,249,107**	**18,310,404**
Net Increase in Cash and Cash Equivalents	**31,493,114**	**64,935,607**
Cash and Cash Equivalents – Beginning of Year	**632,106,613**	**567,171,006**
Cash and Cash Equivalents – End of Year	**$ 663,599,727**	**$ 632,106,613**

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, 2025 and 2024

	2025	2024
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ 16,729,839	$ (5,874,038)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activites:		
Depreciation and Amortization:	37,423,672	34,143,310
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	986,806	(6,099,143)
Decrease in Other Assets	(175,882)	(354,081)
Decrease in Pension Obligations	(101,937)	(2,272,615)
Increase (Decrease) in OPEB Obligations	(6,959,000)	47,783,000
Increase (Decrease) in Accounts Payable	(5,677,372)	83,472
Increase (Decrease) in Accrued Liabilities	3,862	(846,417)
Increase in Unearned Revenue	397,340	155,739
Increase in Compensated Absences	1,573,698	869,470
Increase in Other Liabilities	386,773	5,249,466
Net Cash Provided by Operating Activities	**$ 44,587,799**	**$ 72,838,163**
Supplemental Disclosure of Non-Cash Activities:		
Carrying Value of Items Disposed	$ -	$ 13,064
Capital Asset Purchases Included in Accounts Payable	1,297,793	6,929,017
Acquisition of Right to Use Lease Assets	-	16,684,088
Acquisition of Right to Use SBITA Assets	$ 23,695,229	$ 4,711,374

See accompanying notes to the financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

1.1 Reporting Entity

Established on September 30, 2010, Covered California, formerly known as the California Health Benefit Exchange, was created in response to the Patient Protection and Affordable Care Act, which was signed into law by President Obama in March 2010. It operates as an independent state agency and does not receive any funding 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. 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.

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.

Because Covered California is an independent public entity, it must maintain a prudent reserve, also known as 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 marketplace services. Covered California imposes a charge on qualified health plan carriers to fund its operations and maintain a reasonable level of working capital. 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. Covered California is classified as a related organization. This means that the primary government (State of California) is accountable for appointing a voting majority of Covered California's governing board, but the State of California is not financially accountable. Covered California is required to prepare a comprehensive set of financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB) statements, specifically GASB Statement 34. These financial statements are created using the accrual basis of accounting and the economic resources measurement focus, which is similar to the approach taken by private enterprises in their financial statements.

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 Implemented by Covered California July 1, 2024

1.3.1 GASB Statement No. 101 Compensated Absences

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022 and is effective for FYs 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 have typically 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. This statement did not have a material impact to the financial statements. We will apply the statement as appropriate in the future.

1.3.2 GASB Statement No. 102 Certain Risk Disclosures

GASB Statement No. 102, *Certain Risk Disclosures*, requires state and local governments to disclose vulnerabilities to risks from certain concentrations or constraints. Concentration is a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation that’s imposed by an external part or by a formal action of a government’s highest level of decision-making authority.

Concentration or Constraint:

Covered California generates approximately 92 percent of its operating revenue by charging health plan carriers a participation fee. This fee is based on a percentage of the premiums that these carriers charge consumers. The operating revenue of Covered California depends on enrollment numbers, carrier premiums, and the participation fee itself, which is legally limited to a "reasonable" rate. Changes in enrollment are influenced by economic conditions and federal and state policies that affect affordability. Premiums are determined by factors such as pricing, utilization, and both the actual and perceived risk pool being covered.

CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Events that May Cause a Substantial Impact:

Covered California's individual medical market enrollment has increased to approximately 1.9 million members. This growth over the past three years has been primarily driven by the COVID-19 pandemic and specific government policies implemented to help individuals maintain or obtain healthcare coverage.

The Patient Protection and Affordable Care Act (ACA; P.L. 111-148, as amended) established the APTC to help eligible households lower their payments toward premiums for qualified health plans offered through health insurance exchanges. The American Rescue Plan Act of 2021 (ARPA; P.L. 117-2) expanded both the population eligible for PTCs and the amount of the PTC for tax years 2021 and 2022. The FY 2022 budget reconciliation law (P.L. 117-169), commonly referred to as the Inflation Reduction Act, extended the ARPA provision for three additional tax years, 2023 through 2025.

In general, the enhanced APTC provision allowed more households to become eligible for the credit and provided larger subsidies to all eligible households, compared with ACA-only rules. The enhanced APTCs resulted in Covered California enrollment gains, as more individuals took advantage of the affordable health care coverage.

The enhanced Advanced Premium Tax Credits (APTCs) are set to expire on December 31, 2025, unless Congress takes action to extend them. If these credits expire, Covered California is projected to lose up to 400,000 enrollees. This loss of enrollment is expected to lead to a decrease in operating revenue.

Actions Taken to Mitigate the Risk:

As part of Covered California's annual budget process, the organization creates a long-term budget and conducts a fiscal sustainability analysis. This exercise forecasts revenues, expenses, and changes in net position for the current budget year and the following five years. Additionally, it incorporates risks to stress-test Covered California’s financial situation over time. The latest long-term budget and fiscal sustainability analysis evaluated the variations in projected enrollment losses due to the expiration of the enhanced federal Advanced Premium Tax Credits (APTCs). The long-term budget and fiscal sustainability analysis also considers possible interventions that may be necessary should projected outcomes indicate the need for financial strategy changes.

Covered California regularly updates its assumptions and generates a monthly enrollment forecast throughout the FY. This ongoing process aims to evaluate any differences from projected expectations in a timely manner and to determine if adjustments to operational expenses are needed.

1.4 Effect of Future Governmental Accounting Standards (GASB) Pronouncements on Covered California beginning July 1, 2025

1.4.1 GASB Statement No. 103 Financial Reporting Model Improvements

GASB Statement No. 103, *Financial Reporting Model* Improvements, was issued in April 2024, and is effective for FYs 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 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.

1.4.2 GASB Statement No. 104 Disclosure of Certain Capital Assets

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

1.4.3 GASB Statement No. 105 Subsequent Events

GASB Statement No. 105, *Subsequent Events* was issued in December 2025, and effective for FY's beginning after June 15, 2026, and all reporting periods thereafter. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed.

This Statement clarifies the subsequent events that constitute recognized and non-recognized events and establishes specific note disclosure requirements for non-recognized events.

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 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 FY are recognized as investment income reported for that FY. 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 straight-line method over the estimated useful life ranging from 2 to 20 years. Amortization 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 or amortization 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 June 2012.

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.

Covered California follows GASB 96 *Accounting for Subscription Based Information Technology Agreements (SBITAs)*. For right to use 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 must be 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 Statement No. 87 *Leases*, and at June 30, 2025 is the lessee for three noncancelable building leases. Covered California recognizes both the lease liabilities and intangible right-to-use (ROU) lease assets 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 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, *Subscription-Based Information Technology Arrangements*. 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 represent amounts owed by Covered California that are due to carriers, agents, suppliers, employees, and other parties.

2.8 Compensated Absences

Covered California adopted GASB 101, *Compensated Absences*, effective beginning July 1, 2024, and ongoing. GASB 101 requires governments to include sick leave liability in their compensated absence balances unless those balances convert to pension benefits at retirement. Prior to GASB 101, sick leave balances were not included in compensated absence liabilities. Sick leave benefits are defined and administered by the State of California for Covered California staff. Staff may choose to elect sick leave over annual leave on an annual basis during the State's open enrollment period. Staff electing sick leave may accrue a total of 96 hours per year. Sick leave is not cashable and is forfeited should employees leave the state. Staff who do not leave may convert unused sick leave into pension benefits at retirement. Since sick leave can be converted to pension benefits at retirement, California Public Employees' Retirement System (CalPERS) includes that estimate in their calculation of total pension liability. Because sick leave is not cashable or convertible to other leave types that are cashable (vacation or annual leave), and the portion that is convertible at retirement is already calculated in CalPERS pension liability, there remains no liability to Covered California for unpaid sick leave. As such, Covered California does not recognize unpaid sick leave in its compensated absence liability.

For compensated absences that reflect vested unpaid vacation, annual leave, and other paid leave programs other than sick leave, the financial statements report both the current and noncurrent liabilities. 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 its 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 FY 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 FY 2017-18. A loan payable over the term was established and is now fully satisfied as of June 30, 2025.

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 reflect differences between estimated and actual investment earnings, changes in actuarial assumptions, 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's deferred inflow of resources is related to pensions and other OPEB amounts.

4.1 Deferred outflows of resources consist of the following transactions:

4.1.1 Net Pension Liability

All Covered California civil service 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, 2024, and June 30, 2023, for the reporting dates as of June 30, 2025, and June 30, 2024, 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 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 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 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 earnings, 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 represent 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.

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 percent of the premium due by each enrollee in FY 2023-24 and the first half of FY 2024-25. The participation fee was lowered to 2.25 percent in the second half of FY 2024-25. The CCSB participation fee was 5.20 percent of the premium due by each enrollee in both FY 2023-24 and FY 2024-25.

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 marketplace. 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. Enrollment becomes effectuated when a consumer both enrolls in a Covered California plan and makes their first payment. Effectuated enrollment is recognized by healthcare premium payments 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, 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.

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 are 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 FY. 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.

7.2.3 Non-Operating Expenses

Non-Operating Expenses include loss on disposal of capital assets where a capital asset is sold or otherwise deemed obsolete, or is destroyed and is disposed of and retired from use for less than its fair market value.

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.

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 2024/2025	FY 2023/2024
Cash in State Treasury	$ 84,608,727	$ 93,893,613
Surplus Money Investment Fund	578,991,000	538,213,000
Total Cash and Cash Equivalents	**$ 663,599,727**	**$ 632,106,613**

As of FY 2024-25 and FY 2023-24, 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, 2025 and 2024, the allocation of the deposits held by Covered California in the SMIF, of which Covered California's estimated share was .32503 percent and .302298 percent, respectively. The State of California's SMIF invested balance totals are listed below:

	FY 2024/2025	FY 2023/2024
U.S. Treasury Securities	$ 98,135,545,937	$ 101,329,456,154
Federal Agency Debt	41,384,664,037	40,491,383,681
Supranational Debentures	3,985,672,458	2,970,189,533
Certificates of Deposit	16,250,000,000	15,450,015,000
Commercial Paper	11,878,071,792	11,683,558,042
Bonds	952,811,187	693,227,690
Time Deposits	5,281,000,000	5,060,000,000
AB 55 and General Fund Loans	262,742,740	362,908,000
	$ 178,130,508,151	**$ 178,040,738,100**

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, 2025, and 2024, 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 4.411 percent for the year ended June 30, 2025, and 3.927 percent for the year ended June 30, 2024.

On June 30, 2025, and 2024, the average weighted maturity of PMIA investments was approximately 248 days and 217 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 is 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, 2025, and June 30, 2024.

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, 2025. 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. For FY

2024-25 the allocation to Covered California was $11.2 million. In FY 2023-24, the first year the State Controller's Office provided the allocation to Covered California, the allocation was $10.1 million. This entry increased cash by $11.2 million and $10.1 million for FY 2024-25 and FY 2024-23, respectively, and posted the offsetting liability for payroll amounts due at the end of the period but not yet paid.

2.2 Receivables

For FY 2024-25, receivables include participation fees owed by health insurance carriers for the individual market at $33.8 million, abatements recorded at $0.5 million, and interest income earned from the SMIF at $11.4 million. For FY 2023-24, receivables comprise $39.9 million from health insurance carriers for participation fees in the individual market, $0.4 million in abatements, and $6.1 million due from the SMIF.

2.3 Capital Assets

Covered California's Capital assets net of depreciation and amortization equaled $146,900,100 at June 30, 2025.

Table 6: Capital Assets at June 30, 2025

Changes in Capital Assets for the Fiscal Year Ended June 30, 2025:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Depreciable Assets-Development Costs:				
Internally Developed Software	$ 398,214,743	$ 22,265,398	$ -	$ 420,480,141
Hardware	23,392,012	-	-	23,392,012
Licenses and Purchased Software	42,074,654	18,105	-	42,092,759
Total Depreciable Assets Development Costs	**463,681,409**	**22,283,503**	**-**	**485,964,912**
Depreciable Capital Assets:				
Office Furniture and Equipment	10,681,573	265,928	(144,583)	10,802,918
Leasehold Improvements	8,331,135	-	-	8,331,135
Total Depreciable Capital Assets	**482,694,117**	**22,549,431**	**(144,583)**	**505,098,965**
Less Accumulated Depreciation:				
Asset Development Costs	(364,965,609)	(19,366,502)	-	(384,332,111)
Office Furniture and Equipment	(10,209,983)	(370,498)	144,583	(10,435,898)
Leasehold Improvements	(5,905,950)	(804,547)	-	(6,710,497)
Total Accumulated Depreciation	**(381,081,542)**	**(20,541,547)**	**144,583**	**(401,478,506)**
Total Capital Assets, Net	**101,612,575**	**2,007,884**	**-**	**103,620,459**
Right of Use Assets (Lease Assets), Amortized:				
Right of Use Assets	46,655,874	-	(7,110,861)	39,545,013
Less Accumulated Amortization:	(15,555,944)	(4,667,543)	7,110,861	(13,112,625)
Total Right of Use Assets, Amortized, Net	**31,099,930**	**(4,667,543)**	**-**	**26,432,388**
Right of Use Assets (SBITA), Amortized:				
Right of Use Assets	9,623,190	23,695,229	(2,819,043)	30,499,376
Less Accumulated Amortization:	(4,256,583)	(12,214,583)	2,819,043	(13,652,123)
Total Right of Use Assets, Amortized, Net	**5,366,607**	**11,480,646**	**-**	**16,847,253**
Total Capital Assets, Net	**$ 138,079,112**	**$ 8,820,987**	**$ -**	**$ 146,900,100**

CalHEERS application development costs incurred during FY 2024-25 were $22.3 million, and during FY 2023-24, they were $25.2 million, a decrease year over year of $2.9 million due to a reduction in change orders from 257 in FY 2023-24 to 194 in FY 2024-25, or 63 total. Depreciation of the intangible assets began on October 1, 2013, and totaled $19.4 million and $23 million for FYs 2024-25 and 2023-24, respectively.

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

Table 7: 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**

2.4 Leases

Covered California follows GASB Statement No. 87 *Leases*, and at June 30, 2025 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 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 is 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.

On June 30, 2025, and 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 8: Lease Terms, Conditions, and Values as of June 30, 2025

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 6/30/2025	$18,095,450	$7,907,801	$429,137
Asset Amortization Method	Straight line	Straight line	Straight line
Liability as of 06/30/2025	$18,895,981	$8,373,341	$453,329
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

Table 9: 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

Table 10: The changes in the lease liability for the year ending June 30, 2025, and June 30, 2024, are as follows:

The changes in the lease liability for the year ended June 30, 2025, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Building leases liability	$ 32,148,242	$ -	$ 4,425,590	$ 27,722,652	$ 4,604,511

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

Table 11: The future payments of lease principal and interest as of June 30, 2025, are as follows:

Fiscal Year Ending June 30,	Future Minimum Lease Payments Principal		Interest		Total	
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		4,892,645		135,840		5,028,485
Thereafter		3,522,871		46,350		3,569,221
Total	**$**	**27,722,652**	**$**	**1,648,174**	**$**	**29,370,826**

2.5 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 FYs 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.

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, 2025, and June 30, 2024, are as follows:

Table 12: The changes in the SBITA liability for the year ended June 30, 2025, and June 30, 2024, are as follows:

The changes in the SBITA liability for the year ended June 30, 2025, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
SBITA liability	$ 5,246,327	$ 23,695,229	$ 12,738,746	$ 16,202,810	$ 11,304,956

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

Table 13: The future payments of SBITA principal and interest as of June 30, 2025, are as follows:

	Future Payments		
Year ended June 30,	**Principal**	**Interest**	**Total**
2026	$ 11,304,956	$ 204,420	$ 11,509,376
2027	4,846,775	24,494	4,871,269
2028	25,230	670	25,900
2029	25,848	52	25,900
Total	**$ 16,202,809**	**$ 229,636**	**$ 16,432,445**

2.6 Accounts Payable

Accounts payable represent amounts owed by Covered California that are due to carriers, agents, suppliers, employees, and other parties. The accounts payable totals were $74.3 million as of June 30, 2025, and $78.7 million as of June 30, 2024. These amounts include outstanding CCSB passthrough payables.

2.7 Compensated Absences

Effective July 1, 2024, Covered California adopted GASB 101, however, because sick leave is not cashable or convertible to other leave types that are cashable (vacation or annual leave), and the portion that is convertible at retirement is already calculated in CalPERS pension liability, there is no liability to Covered California for unpaid sick leave. As such, Covered California does not recognize unpaid sick leave in its compensated absence liability.

For compensated absences that reflect vested unpaid vacation, annual leave, and other paid leave programs other than sick leave, the financial statements report both the current and noncurrent liabilities. 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 from 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, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year (Estimated)
Compensated Absences Liability Total	$ 19,741,568	$ 6,052,961	$ 4,479,264	$ 21,315,266	$ 5,511,397

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 the State of California

During the year ended June 30, 2018, the State enacted a pension borrowing plan, as part of its 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 FY 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 FY 2017-18. A loan payable over the term was established and was fully paid in FY 2024-25.

Table 14: Balances to the Interfund Loan Payable for Fiscal Years Ended June 30, 2025 and 2024:

	Balance at July 1, 2024	Additions	Reductions	Balance at June 30, 2025	Due Within One Year
Loan payable SMIF (SB84)	$ 1,062,788	$ -	$ 1,062,788	$ -	$ -

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

Table 15: 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 service 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, 2024, and June 30, 2023, for the reporting dates as of June 30, 2025, and June 30, 2024, 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.

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 16: Valuation and Measurement Dates

	2025	2024
Valuation date (VD)	June 30, 2023	June 30, 2022
Measurement date (MD)	June 30, 2024	June 30, 2023
Measurement period (MP)	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

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, 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.

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 be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined 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, 2024, the active employee contribution rate for State Miscellaneous was 26.31 percent, State Industrial 15.52 percent, State Safety 18.92 percent. For the Plan measurement periods ended June 30, 2023, the active employee contribution rate for State Miscellaneous was 32.00 percent, State Industrial 21.00 percent, and State Safety 22.75 percent.

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, 2024, measurement date, CalPERS utilized a discount rate of 6.90 percent, which includes the plan's administrative expenses. For the June 30, 2023, measurement date, CalPERS utilized a discount rate of 6.90 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, 2024, measurement period and June 30, 2023, measurement period Covered California's calculated percentage for all three subgroups were as follows:

Table 17: Covered California's Proportionate Share Percentages

Subgroup	Calculated Percentage June 30, 2024 Measurement Period	Calculated Percentage June 30, 2023 Measurement Period
Miscellaneous	0.608676%	0.615879%
State Safety	0.000057%	0.000000%
State Industrial	0.000000%	0.000000%

Covered California’s net pension liability for its proportionate share of the State’s net pension liability for the Miscellaneous sub-group was $236,658,283 at the start of the July 1, 2023 measurement period and $211,115,112 for the three sub-groups at the end of the measurement period, June 30, 2024, respectively. Covered California’s share of the state’s net pension liability for the Miscellaneous sub-groups was $235,122,651 at the start of the measurement period, July 1, 2022, and $236,658,283 at the end of the measurement period, June 30, 2023, respectively.

For the measurement periods, June 30, 2024, and 2023 (the measurement date), Covered California incurred a non-cash pension expense of $28,973,443 and $29,973,996, respectively.

As of the measurement date of June 30, 2024, and 2023, Covered California had deferred outflows and deferred inflows of resources related to pensions as follows:

Table 18: Deferred Outflows and Deferred Inflows of Resources Related to Pensions

	2024	2023
Deferred Outflows of Resources		
Pension Contributions Subsequent to Measurement Date	$ 29,075,380	$ 32,245,933
Difference between Expected and Actual Experiences	11,378,047	11,340,903
Change in Assumptions	6,862,049	12,284,098
Net Difference In Projected and Actual Earnings on Pension Plan Investment	10,142,449	28,650,389
Total	**$ 57,457,925**	**$ 84,521,323**
Deferred Inflows of Resources		
Difference between Expected and Actual Experiences	$ 2,053,026	$ 3,675,190
Total	**$ 2,053,026**	**$ 3,675,190**

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 19: Future Pension Expense

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of resources
2025	$ 8,100,305
2026	21,252,844
2027	(190,680)
2028	(2,832,950)
Total	**$ 26,329,519**

4.8 Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The total pension liability as of the June 2024 measurement date was based on an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures. 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. Unless noted, the calculations were based on the following actuarial methods and assumptions:

Table 20: 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 2024 and 2.30% for June 2023
Salary Increases:	For both measurement dates, varies by entry age and service
Payroll Growth:	2.80 % for June 2024 and June 2023
Investment Rate of Return:	6.8 % for June 2024, 6.90 % for June 2023
Retirement Age:	For June 2024 and June 2023 measurement dates, the probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality Rate Table:	For June 2024 and June 2023 measurement dates, 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.

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 the long-term expected real rate of return by asset class for June 30, 2024, and June 30, 2023, 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.

Table 21: Long-Term Expected Real Rate of Return by Asset Class June 30, 2024, and June 30, 2023

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%)	(0.59%)
	100.00%	

4.8.1 Changes in Assumption

There are no changes in assumptions for the June 30, 2024, measurement date. The accounting discount rate was the 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 Actuarial Assumptions. The accounting discount rate was 7.15 percent for measurement dates 2017 through 2021.

4.8.2 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, 2024, 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 22: Net Pension Liability at June 30, 2024

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous Plan	$320,407,810	$211,115,112	$119,887,674

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 23: Net Pension Liability at June 30, 2023

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous Plan	$343,384,116	$236,658,283	$147,553,760

4.9 Pension Plan Fiduciary Net Position

The fiduciary net position for each plan, as shown in the accounting valuation report from CalPERS, may differ from the plan's assets reported in the funding actuarial valuation report. This discrepancy can arise from several factors, as the accounting valuation report includes items such as deficiency reserves and fiduciary self-insurance as part of its assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation report

5. Other Postemployment Benefits (OPEB)

Covered California has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). 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 FY. 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 24: OPEB Valuation and Measurement Dates

	2025	2024
Valuation date (VD)	June 30, 2024	June 30, 2023
Measurement date (MD)	June 30, 2024	June 30, 2023
Measurement period (MP)	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

5.2 Plan Description, Benefits Provided, and Employees Covered

Postretirement healthcare benefits are 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 post-retirement healthcare plan is sponsored by the State, it is considered a single-employer plan. Prior to FY 2017-18, 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 2018-19), 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 FY 2021-22. Following the recovery from COVID-19, the suspension of OPEB prefunding was renegotiated. Employees resumed pre-funding of OPEB in FY 2021-22.

Employer contributions for health premiums during the FY 2024-25 and FY 2023-24 maintained the 100/90 percent contribution formula established pursuant to Government 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 2024-25, and 2023-24 were respectively $983, and $883 for a single enrollee, $1,890, and $1,699 for an enrollee and one dependent, and $2,366, and $2,124 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 $ 20,084,000 for postretirement health and dental benefits for retired members and prefunding for the year ended June 30, 2025, and $17,659,000 for the year ended June 30, 2024.

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

Covered California reported a liability of $371,967,000 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, 2025, and $342,458,000 for the year ended June 30, 2024. 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. On June 30, 2025, Covered California’s combined proportionate share, based on its attributable bargaining units or valuation groups’ contributions for the measurement period June 30, 2024 (measurement date) was 1.061636 percent and 0.0.966650 percent at June 30, 2023.

For the measurement period, June 30, 2024 (the measurement date), Covered California incurred a non-cash OPEB expense of $13,125,000. For the measurement period, June 30, 2023 (the measurement date), Covered California incurred a non-cash credit to OPEB expense in the amount of $64,912,000 respectively.

As of the measurement date of June 30, 2024, and 2023, Covered California had deferred outflows and deferred inflows of resources related to OPEB as follows:

Table 25: Deferred Outflows and Deferred Inflows of Resources Related to OPEB at June 30, 2024 and June 30, 2023 Measurement Dates

	2024	2023
Deferred Outflows of Resources		
OPEB Contributions Subsequent to Measurement Date	$ 20,084,000	$ 17,569,000
Difference between Expected and Actual Experiences	28,588,000	12,586,000
Change in Assumptions	16,232,000	18,879,000
Net Difference In Projected and Actual Earnings on OPEB Plan Investment	-	1,541,000
Total	**$ 64,904,000**	**$ 50,575,000**
Deferred Inflows of Resources		
Difference between Expected and Actual Experiences	$ 18,174,000	$ 28,797,000
Change in Assumptions	46,475,000	58,195,000
Net Difference In Projected and Actual Earnings on Pension Plan Investment	204,000	-
Total	**$ 64,853,000**	**$ 86,992,000**

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:

Table 26: Future OPEB Deferred Outflows / (Inflows) of Resources

Measurement Period ended June 30:	Deferred Outflows of Resources
2025	$ (6,229,000)
2026	(6,329,000)
2027	(6,910,000)
2028	(5,647,000)
2029	(750,000)
Thereafter	5,833,000
	$ (20,032,000)

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 2025 OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2024. 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.

The following actuarial methods and assumptions were used:

Table 27 Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

Valuation Date:	For the 2025 report, June 30, 2024. For the 2024 report, June 30, 2023.
Measurement Date:	For the 2025 report, June 30, 2024. For the 2024 report, June 30, 2023.
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.

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 3.97 % for June 30, 2024 and 3.86 % for June 30, 2023.
Inflation:	For both periods, 2.30 %.
Salary increases:	For both periods, varies by entry age and service.
Investment rate of return:	For 2025 and 2024, 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:	Pre-Medicare coverage: Actual rates for 2024, increasing to 7.00 % in 2026, grading down to 4.50 % from 2031 to 2039, and 4.25 % for 2039 and later years. Post-Medicare coverage: Actual rates for 2025, increasing to rates ranging from 7.00 % to 8.01 % in 2026, grading down to 4.50 % from 2035 to 2039, and 4.25 % for 2040 and later years. Dental coverage: 0.00 % for 2025, 2.00 % for 2026, 3.00 % for 2027, 4.00 % for 2028, and 4.25 % for 2029 and later years. 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.
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 2024-25 Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2024, and June 30, 2023 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, 2024, total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.97 percent as of June 30, 2024, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.00 percent when prefunding assets are available to pay benefits. Bond AA Index rate of 3.86 percent as of June 30, 2023, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.00 percent when prefunding assets are available to pay benefits. 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, 2024, on the SCO website, at www.SCO.ca.gov.

5.7 FY 2023-24 Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2024 and June 30, 2023 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, 2024, total OPEB liability consists of the 20-year Municipal G.O. Bond AA Index rate of 3.86 percent as of June 30, 2023, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.00 percent 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 2025 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, 2024, on the SCO website, at www.SCO.ca.gov.

5.8 FY 2024-25 OPEB Liability and Expense

In FY 2024-25, Covered California experienced an increase in Net OPEB Liability of 8.6 percent over FY 2023-24.

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 OPEB liability and expense in the opposite direction from FY 2023-24-year end estimates. In FY 2024-25, the State’s OPEB liabilities increased by 8.4 percent and reflected a larger than anticipated increase. The following factors impacted FY

2024-25 OPEB liability and expense amounts (the following are on a state macro level and do not represent Covered California's share) and:

- Demographic experience slightly decreased the expected actuarial liabilities by 1.33 percent or $1.28 billion.

- During the year, unfavorable healthcare claims experience and plan design changes increased the expected total OPEB liability by approximately 5.14 percent or $4.93 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 2024 (used in last year's actuarial valuation) and the actual trend rate for 2024 (used to update average per member claim costs) and the actual trend rate for the 2025 premium increases. During plan year end June 30, 2024, average per member claim costs were slightly higher than assumed, after considering the migration to the PERS Platinum and PERS Gold healthcare plans.

- 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 2.61 percent or $2.50 billion.

- Changing the GASB Statements No. 74 and 75 blended discount rate as of June 30, 2023, which ranged from 3.86 percent to 4.38 percent, to the blended discount rate as of June 30, 2024, which ranges from 3.97 percent to 4.50 percent, decreased the total OPEB liability by 1.67 percent or $1.6 billion.

In FY 2024-25, Covered California's GASB 75 Net OPEB Liability increased from $342.5million to $372.0 million, or $29.5 million.

Table 28: Covered California's Proportionate Share of the State's Net OPEB Liability

	FY 2024-25	FY 2023-24	Change
Net Other Post Employment Benefits (OPEB)	$ 371,967,000	$ 342,458,000	$ 29,509,000

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 for June 30, 2024 the discount rate ranged from 3.97 percent to 4.50 percent, and for June 30, 2023, ranged from 3.86 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 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.

5.9 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 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 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 29 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)	$ 342,458,000	$ 279,595,000	$ 62,863,000

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.

5.10 FY 2024-25 Changes in Assumptions

For the period June 30, 2024 (measurement period) the following change was made: the GASB Statements No. 74 and 75 blended discount rate as of June 30,2023, which ranged from 3.86 percent to 4.38 percent, to the blended discount rate as of June 30, 2024, which ranges from 3.97 percent to 4.50 percent.

5.11 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, 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.

5.12 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 percent of scale MP-2020. For June 2021, the table includes 15 years of mortality improvements using Society of Actuaries Scale 90 percent 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.

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 2024 and 2023 measurement periods are summarized in the following table.

Table 30: Long-Term Expected Real Rate of Return by Asset Class and Assumed Allocation for June 30, 2024, and June 30, 2023 Measurement Dates:

Asset Class	Target Asset Allocation	Real Return Years 1-5	Real Retrun Years 6-20
Global Equity	49.00 %	4.40 %	4.50 %
Fixed Income	23.00	(1.00)	2.20
Treasury Inflation-Protected Securities	5.00	(1.80)	1.30
Real Estate Investment Trusts	20.00	3.00	3.90
Commodities	3.00	0.80	1.20
Total	**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, 2024, 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%
$ 437,381,949	$ 371,967,000	$ 318,781,258

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 presents the net OPEB liability of Covered California as of June 30, 2024, 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%
$ 313,862,068	$ 371,967,000	$ 445,881,442

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

5.15 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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

Pension and Other Post Employment Benefits (OPEB)

Table 31: Schedule of Covered California's Proportionate Share of the Net Pension Liability

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

Fiscal Year	2016	2017	2018	2019	2020
Measurement Period	2015	2016	2017	2018	2019
Covered California's Proportion of the Net Pension Liability	0.428616%	0.500055%	0.481857%	0.517062%	0.541209%
Covered California's Proportionate Share of the Net Pension Liability	$121,049,500	$165,589,315	$176,047,944	$162,432,133	$182,041,545
Covered California's Covered Payroll	$45,608,536	$55,957,084	$55,854,234	$63,362,515	$69,890,529
Covered California's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	265.41%	295.92%	315.19%	256.35%	260.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	66.81%	66.42%	71.83%	71.34%

Fiscal Year	2021	2022	2023	2024	2025
Measurement Period	2020	2021	2022	2023	2024
Covered California's Proportion of the Net Pension Liability	0.581853%	0.601058%	0.621918%	0.615879%	0.608676%
Covered California's Proportionate Share of the Net Pension Liability	$202,261,884	$133,973,158	$235,140,336	$236,658,283	$211,115,112
Covered California's Covered Payroll	$79,013,423	$77,593,021	$91,605,865	$95,381,104	$101,595,093
Covered California's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	255.98%	172.66%	256.66%	248.12%	207.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.51%	82.39%	71.63%	72.46%	76.04%

(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.

Table 32: Schedule of Plan Contributions Pension Last 10 Years

	2016	2017	2018	2019	2020
Actuarially Determined Contribution	$ 14,066,553	$ 14,920,905	$ 35,345,764	$ 20,541,282	$ 24,348,721
Contributions in Relation to the Actuarially Determined Contribution	(14,066,553)	(14,920,905)	(35,345,764)	(20,541,282)	(24,348,721)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 45,608,536	$ 55,957,084	$ 55,854,234	$ 63,362,515	$ 69,890,529
Contributions as a Percentage of Covered-Employee Payroll	30.84%	26.66%	63.28%	32.42%	34.84%

	2021	2022	2023	2024	2025
Actuarially Determined Contribution	$ 22,791,722	$ 32,498,513	$ 30,219,987	$ 32,245,933	$ 29,075,380
Contributions in Relation to the Actuarially Determined Contribution	(22,791,722)	(32,498,513)	(30,219,987)	(32,245,933)	(29,075,380)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 79,013,423	$ 77,593,021	$ 91,605,865	$ 95,381,104	$ 101,593,500
Contributions as a Percentage of Covered-Employee Payroll	28.85%	41.88%	32.99%	33.81%	28.62%

Notes to Schedule:	
Valuation Date	June 30, 2023
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 Review of actuarial Assumptions
Mortality	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

Table 33: Schedule of Covered California’s Proportionate Share of Net OPEB Liability Last 7 Years

Fiscal Year	**2018**	**2019**	**2020**	**2021**
Measurement Period	2017	2018	2019	2020
Covered California's Proportion of the Net OPEB Liability	0.347280%	1.105186%	0.431673%	0.462595%
Covered California's Proportionate Share of the Net OPEB Liability	$308,148,000	$326,760,000	$338,695,000	$365,112,000
Covered California's Covered Payroll	$55,854,234	$86,743,694	$98,343,086	$112,986,169
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%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.47%	1.53%

Fiscal Year	**2022**	**2023**	**2024**	**2025**
Measurement Period	2021	2022	2023	2024
Covered California's Proportion of the Net OPEB Liability	0.520965%	0.449548%	0.539378%	0.5463809%
Covered California's Proportionate Share of the Net OPEB Liability	$379,189,000	$279,595,000	$342,458,000	$371,967,000
Covered California's Covered Payroll	$113,444,926	$123,931,109	$140,385,317	$134,192,572
Covered California's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	334.25%	225.61%	243.94%	277.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.75%	5.23%	7.30%	9.18%

Table 34: Schedule of Contributions -OPEB

SCHEDULE OF CONTRIBUTIONS – OPEB

Fiscal Year	2018	2019	2020	2021
Actuarially Determined Contribution	$ 7,401,000	$ 9,931,000	$ 12,077,000	$ 14,100,000
Contribution in Relation to the Actuarially Determined Contributions	(7,401,000)	(9,931,000)	(12,077,000)	(14,100,000)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 55,854,234	$ 86,743,694	$ 98,343,086	$ 112,986,169
Contributions as a percentage of covered-employee payroll	13.25%	11.45%	12.28%	12.48%

Fiscal Year	2022	2023	2024	2025
Actuarially Determined Contribution	$ 15,966,000	$ 16,888,000	$ 17,569,000	$ 20,084,000
Contribution in Relation to the Actuarially Determined Contributions	(15,966,000)	(16,888,000)	(17,569,000)	(20,084,000)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 113,444,926	$ 123,931,109	$ 140,385,317	$ 134,192,572
Contributions as a percentage of covered-employee payroll	14.07%	13.63%	12.51%	14.97%

Notes to Schedule:
Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year were from Actuarial Valuation dated June 2024.
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 2025, increasing to 7.00% in 2026, grading down to 4.50% from 2031 to 2039, and 4.25% for 2040 and later years.
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 percent 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, 224 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.

Fiscal Year 2024-25 Budget to Actual Results

In FY 2024-25, operating revenues exceeded budgeted revenues by $32.5 million. The favorable operating revenue variance was driven by higher-than-expected enrollment. While Covered California lowered the individual market participation fee rate from 3.25 percent to 2.25 percent for the second half of FY 2024-25, the favorable enrollment trend offset some of the expected reduction in operating revenue.

Budgeted operating expenditures totaled $474.4 million. Actual operating expenditures totaled $430.7 million, resulting in a favorable variance of $43.7 million in operating expenditures.

Actual personnel expenditures for the period were $10.2 million lower than what was forecasted in the budget. Spending on salaries was $4.0 million less than projected, while spending on benefits was $6.1 million below expectations. This favorable variance can be attributed to a higher-than-anticipated average vacancy rate, resulting in reduced salary and benefit expenditures. The budget had assumed a vacancy rate of 7.5 percent. The FY began with a vacancy rate of 9.8 percent and ended with a vacancy rate of 7.2 percent, averaging 8.0 percent for the budget period. Additionally, total expenditures for employee retirement decreased compared to the previous year, dropping by $2.3 million, despite the increase in filled positions and higher salary levels. The Budget Act required the application of the July 2023 supplemental pension payment toward the FY 2024-25 actuarially required contribution. Therefore, an adjustment was applied to the pension contribution, resulting in a 5.69 percentage point decline in the required contribution. This meant that Covered California's contribution rate declined from 32 percent to 26.31 percent. If this decrease in pension contributions had not occurred, overall personnel expenditures would have been much closer to the budget projection.

Covered California recognized an overall Other Operating and Capital Expenditures favorable budget variance of $31.4 million, with 20 of the 20 divisions/cost centers recognizing favorable other operating expenditure budget variances. Among the five functional areas, the Technology functional area accounted for 72.9 percent of the total $31.4 million favorable expenditure budget variance, accounting for $22.9 million.

The combination of the favorable operating revenue variance and the favorable operating expenditure variance resulted in a favorable operating income variance of $75.2 million.

Non-operating revenue exceeded the budget due to higher-than-expected investment yields in the state's surplus money investment fund and a higher-than-expected average daily investment balance.

Table 35: Fiscal Year 2024-25 Budget to Actual Comparison Schedule Non-GAAP

	FY 2024-25 Budget	FY 2024-25 Actual	FY 2024-25 Variance
Total Individual Market Member Months	20,635,059	22,231,206	1,596,146
Authorized / Average Filled Positions	1,494	1,374	(120)
Operating Revenue			
Individual Market Revenue (Med./ Dental)	$ 377,490,109	$ 406,033,444	$ (377,490,109)
CCSB (Medical, Dental, COBRA)	33,377,567	36,315,251	2,937,684
Total Operating Revenue	**410,867,676**	**442,348,694**	**31,481,018**
Operating Expenditures			
Plan Management	34,443,212	37,762,410	3,319,198
Marketing, Outreach and Sales, Program Integrity	117,610,465	110,118,861	(7,491,604)
Service Center and Consumer Experience	139,075,944	131,000,346	(8,075,598)
Technology	120,996,790	97,827,253	(23,169,538)
Administration	57,452,314	53,579,422	(3,872,892)
Capital Investments	4,825,000	398,465	(4,426,535)
Total Operating Expenditures	**474,403,725**	**430,686,755**	**(43,716,970)**
Operating Income / (Loss)	**(63,536,049)**	**11,661,939**	**84,793,056**
Non-Operating Income	18,811,926	27,792,504	8,980,578
Change in Fund Balance	**$ (44,724,123)**	**$ 39,454,443**	**$ 93,773,633**

Budgetary Basis Results Compared to Comprehensive Basis

For FY 2024-25, Covered California's fund balance on a budgetary basis increased by $39.5 million in FY 2024-25. The change in net position under GAAP for FY 2024-25 was a net increase of $43.3 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.

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)

Table 36: Fiscal Year 2024-25 Reconciliation of Budgetary Accounting Change in Fund Balance to Annual Comprehensive Change in Net Position

		FY 2024-25
Budgetary Change in Fund Balance	**$**	**39,454,443**
Pension expense (GASB 68)		101,937
OPEB (GASB 75)		6,959,000
Capital Asset Purchases		22,549,431
Depreciation Expense		(20,541,546)
Compensated Absences		(1,573,698)
Other GAAP Adjustments, Net		(3,511,740)
Comprehensive Change in Net Position	**$**	**43,437,827**

Fiscal Year 2023-24 Budget to Actual Results

Total operating income equaled $455.8 million in FY 2023-24, or $3.8 million less than the budgeted total of $459.5 million. Of the total FY 2023-24 operating revenue, $423.2 million was associated with the individual market, and $32.5 million was associated with Covered California for Small Business (CCSB).

FY 2023-24 individual market participation fee revenue totaled $423.2 million, which was $10.1 million less than budgeted. Total member months equaled 20,398,718, or 554,471 less than the budgeted total of 20,953,189. The unfavorable enrollment variance was the result of less-than-expected Medi-Cal unwind transitions. In addition to the volume variance, price was also a factor. The budget assumed that the average per-member-per month (PMPM) gross premium would equal $632.35; however, the actual gross premium PMPM was $628.07. This differential resulted in an unfavorable PMPM participation fee revenue variance of $4.28, or 0.68 percent. FY 2023-24 CCSB operating revenue totaled $32.5 million, which was $6.3 million greater than the budgeted total of $26.2 million. The CCSB favorable revenue budget variance was driven by both volume and price.

Covered California recognized a $34.0 million, or 7.5 percent, favorable expenditure budget variance in FY 2023-24. The overall budget variance was split between personnel, other operating expenditures, state shared enterprise expenditures, and capital investments. During FY 2023-24, personnel expenditures were $10.1 million less than budgeted, other operating expenditures were $23.9 million less than budgeted, state shared enterprise expenditures were $77,214 less than budgeted.

The $10.1 million favorable personnel expenditure budget variance was the result of the net effect of a higher than budgeted vacancy rate and a higher than budgeted benefit rate. The budget assumed a vacancy rate of 7.5 percent, while the actual vacancy rate averaged 11.5 percent during FY 2023-24. The budgeted benefit rate was 55.5 percent, while the actual benefit rate was 60.2 percent.

Covered California's Other Operating and Capital Expenditures achieved a favorable budget variance of $23.9 million, with 19 out of 20 divisions/cost centers reporting favorable variances in other operating expenditures. Among the five functional areas, Plan Management accounted for 2.8 percent of the overall favorable budget variance, Marketing, Outreach and Sales, and Program Integrity accounted for 21.4 percent, Service Center and Consumer Experience accounted for 15.8 percent, Technology accounted for 21.2 percent, and Administration accounted for 38.9 percent.

Table 37: Fiscal Year 2023-24 Budget to Actual Comparison Schedule 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**

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)

Table 38: Fiscal Year 2023-24 Reconciliation of Budgetary Accounting Change in Fund Balance to Annual Comprehensive Change in Net Position

		FY 2023-24
Budgetary Change in Fund Balance	**$**	**55,596,162**
Pension expense (GASB 68)		2,271,937
OPEB (GASB 75)		(47,783,000)
Capital Asset Purchases		25,149,281
Depreciation Expense		(24,522,988)
Compensated Absences		(869,471)
Other GAAP Adjustments, Net		7,544,280
Comprehensive Change in Net Position	**$**	**17,386,201**

Table 39: Fiscal Year 2024-25 Reconciliation of Covered California's Budgetary Basis Salaries, Wages, and Benefits Expenditures with Annual Comprehensive Salaries, Wages and Benefits Expense

		FY 2024-25
Budgetary Basis Salaries and Wages Expenditures	**$**	**180,697,997**
GAAP Adjustments		
GAAP Adjustments Not Related to Pension or OPEB		480,936
OPEB Expense		(6,959,000)
Pension Expense		(101,937)
Comprehensive Basis Salaries and Wages Expense	**$**	**174,117,995**

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)

Table 40: Fiscal Year 2023-24 Reconciliation of Covered California's Budgetary Basis Salaries, Wages, and Benefits Expenditures with Annual Comprehensive Basis Salaries, Wages and Benefits Expense

		FY 2023-24
Budgetary Basis Salaries and Wages Expenditures	**$**	**170,209,213**
GAAP Adjustments		
GAAP Adjustments Not Related to Pension or OPEB		(2,695,099)
OPEB Expense		47,783,000
Pension Expense		(2,272,615)
Comprehensive Basis Salaries and Wages Expense	**$**	**213,024,499**

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: TREND IN NET POSITION AND YEAR-OVER-YEAR CHANGE

10 Year Historical Trend

FY	Beginning Net Position	Ending Net Position	Change
FY 2015-16	$ 390,153,814	$ 440,941,942	$ 50,788,128
FY 2016-17	$ 440,941,942	$ 380,540,135	$ (60,401,807)
FY 2017-18	$ 380,540,135	$ 94,705,339	$ (285,834,796)
FY 2018-19	$ 94,705,339	$ 82,136,000	$ (12,569,339)
FY 2019-20	$ 82,136,000	$ 60,718,435	$ (21,417,565)
FY 2020-21	$ 60,718,435	$ (14,686,182)	$ (75,404,617)
FY 2021-22	$ (14,686,182)	$ 18,065,676	$ 32,751,858
FY 2022-23	$ 18,065,676	$ 124,963,821	$ 106,898,145
FY 2023-24	$ 124,963,821	$ 142,350,700	$ 17,386,879
FY 2024-25	$ 142,350,700	$ 185,622,369	$ 43,271,669

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)

STAT TABLE 2: COVERED CALIFORNIA AUTHORIZED POSITIONS BY FISCAL YEAR

10 Year Historical Trend

FY	Authorized Positions
FY 2015-16	1,344
FY 2016-17	1,399
FY 2017-18	1,323
FY 2018-19	1,373
FY 2019-20	1,399
FY 2020-21	1,420
FY 2021-22	1,440
FY 2022-23	1,467
FY 2023-24	1,475
FY 2024-25	1,494

STAT. TABLE 3: TREND IN OPERATING INCOME (LOSS)

10 Year Historical Tend

FY	Operating Income	Operating Expenditures	Operating Income / (Loss)
FY 2015-16	$ 224,124,047	$ 357,075,624	$ (132,951,577)
FY 2016-17	$ 263,241,195	$ 326,299,656	$ (63,058,461)
FY 2017-18	$ 334,843,603	$ 335,782,995	$ (939,392)
FY 2018-19	$ 371,428,067	$ 391,642,355	$ (20,214,288)
FY 2019-20	$ 366,323,257	$ 394,955,980	$ (28,632,723)
FY 2020-21	$ 376,410,007	$ 454,060,842	$ (77,650,835)
FY 2021-22	$ 407,357,082	$ 379,587,740	$ 27,769,342
FY 2022-23	$ 417,340,164	$ 322,076,927	$ 95,263,237
FY 2023-24	$ 452,342,995	$ 458,217,712	$ (5,874,717)
FY 2024-25	$ 442,348,686	$ 425,785,005	$ 16,563,681

STAT. TABLE 4: TREND IN ACTUAL OPERATING AND CAPITAL EXPENSES

10 Year Historical Trend

FY	Operating & Capital Expenses
FY 2015-16	$357,075,624
FY 2016-17	$626,299,656
FY 2017-18	$335,782,995
FY 2018-19	$391,642,355
FY 2019-20	$394,955,980
FY 2020-21	$454,060,842
FY 2021-22	$379,587,740
FY 2022-23	$322,076,927
FY 2023-24	$458,217,712
FY 2024-25	$425,785,005

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)

STAT. TABLE 5: OPERATING REVENUE, BY TYPE, BY FISCAL YEAR

10 Year Historical Trend

FY	Individual Market	CCSB	Total Operating Revenue
FY 2015-16	$217,956,554	$6,167,493	$224,124,047
FY 2016-17	$255,984,302	$7,256,893	$263,241,195
FY 2017-18	$324,035,211	$10,808,392	$334,843,603
FY 2018-19	$356,693,687	$14,734,380	$371,428,067
FY 2019-20	$350,638,441	$15,684,816	$366,323,257
FY 2020-21	$355,690,379	$20,719,628	$376,410,007
FY 2021-22	$379,760,436	$27,596,646	$407,357,082
FY 2022-23	$387,632,996	$29,707,168	$417,340,164
FY 2023-24	$419,814,224	$32,528,771	$452,342,995
FY 2024-25	$405,609,954	$36,738,732	$442,348,686

STAT. TABLE 6: TREND IN COVERED CALIFORNIA PARTICIPATION FEE RATE-INDIVIDUAL MARKET AND CCSB

10 Year Historical Trend

Rate Year	Individual Market Participation Fee Rate	CCSB Participation Fee Rate
2016	3.43%	5.20%
2017	4.00%	5.20%
2018	4.00%	5.20%
2019	3.75%	5.20%
2020	3.50%	5.20%
2021	3.25%	5.20%
2022	3.25%	5.20%
2023	3.25%	5.20%
2024	3.25%	5.20%
2025	2.25%	5.20%

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)

STAT. TABLE 7: INDIVIDUAL MARKET EFFECTUATED ENROLLMENT BY FY AND MONTH- TOTAL FY MEMBER MONTHS AND AVERAGE MONTHLY ENROLLMENT

Individual Market Effectuated Enrollment by Month, Total FY Member Months and

Month/FY	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
July	1,309,196	1,330,583	1,331,427	1,362,715	1,337,888
August	1,288,185	1,319,717	1,321,261	1,353,381	1,325,271
September	1,269,191	1,308,908	1,311,734	1,341,408	1,307,593
October	1,242,510	1,299,154	1,295,995	1,326,601	1,291,779
November	1,226,941	1,287,879	1,276,836	1,308,490	1,268,634
December	1,205,100	1,264,666	1,242,161	1,289,521	1,243,525
January	1,237,676	1,292,811	1,336,271	1,353,606	1,343,658
February	1,290,311	1,337,522	1,378,810	1,406,739	1,498,167
March	1,387,567	1,389,610	1,419,119	1,391,853	1,487,114
April	1,378,699	1,372,709	1,409,816	1,377,147	1,513,495
May	1,360,186	1,350,790	1,396,259	1,364,561	1,531,671
June	1,344,921	1,340,792	1,384,585	1,348,735	1,537,957
Total Member Months	**15,540,483**	**15,895,141**	**16,104,274**	**16,224,757**	**16,686,752**
Average Monthly Enrollment	**1,295,040**	**1,324,595**	**1,342,023**	**1,352,063**	**1,390,563**

Month/FY	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25
July	1,549,004	1,611,768	1,697,412	1,664,176	1,781,486
August	1,561,679	1,639,062	1,692,577	1,663,938	1,790,545
September	1,562,658	1,668,155	1,665,388	1,665,864	1,803,955
October	1,526,396	1,685,252	1,654,985	1,662,553	1,780,241
November	1,501,529	1,680,565	1,645,895	1,658,248	1,772,965
December	1,479,296	1,669,802	1,630,137	1,645,471	1,765,461
January	1,504,658	1,690,038	1,640,377	1,690,885	1,854,929
February	1,561,548	1,728,111	1,679,856	1,744,238	1,940,139
March	1,557,402	1,711,683	1,674,801	1,734,887	1,934,563
April	1,553,553	1,704,651	1,670,656	1,745,443	1,939,616
May	1,568,900	1,701,242	1,664,834	1,756,035	1,933,879
June	1,586,769	1,698,183	1,664,298	1,766,980	1,933,426
Total Member Months	**18,513,392**	**20,188,512**	**19,981,216**	**20,398,718**	**22,231,206**
Average Monthly Enrollment	**1,542,783**	**1,682,376**	**1,665,101**	**1,699,893**	**1,852,600**

STAT. TABLE 8: CALIFORNIA'S UNINSURED[1] RATE

Year	CA Estimated Population (DOF)	Uninsured Counts	1-Year ACS Estimates
2015	38,810,306	3,317,505	8.5%
2016	39,036,749	2,884,972	7.4%
2017	39,273,915	2,840,093	7.2%
2018	39,429,439	2,823,030	7.2%
2019	39,503,656	3,072,397	7.8%
2020	39,535,623	1-Year American Community Survey (ACS) Not Released	
2021	39,229,543	2,764,220	7.0%
2022	39,149,809	2,540,431	6.5%
2023	39,123,861	2,497,980	6.4%
2024	39,172,742	2,311,192	5.9%

[1] Health Insurance Coverage in the United States: 2023,

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)

STAT. TABLE 9: INDIVIDUAL MARKET MEDICAL PLAN EFFECTUATED ENROLLMENT, DISTRIBUTION BY INCOME AS PERCENT OF THE FEDERAL POVERTY LEVEL (FPL) - FY 2024-25

Income as Percent of the Federal Poverty Level	Effectuated Member Months	Average Monthly Effectuated Enrollment	Percent of Total Effectuated Member Months
0% to 150% FPL	3,240,377	270,031	15%
150% to 200% FPL	6,068,103	505,675	27%
200% < 400% FPL	9,180,364	765,030	41%
Below 400 % of FPL	**18,488,844**	**1,540,737**	**83%**
400% to 600% FPL	1,777,541	148,128	8%
Over 600% FPL	977,369	81,447	4%
FPL Unavailable	313	26	0%
Unsubsidized	987,139	82,262	4%
Total	**22,231,206**	**1,852,601**	**100.00%**

STAT. TABLE 10: INDIVIDUAL MARKET MEDICAL PLAN EFFECTUATED ENROLLMENT BY RACE- FY 2024-25

Race	Effectuated Member Months	Average Monthly Effectuated Enrollment	Percent of Total Effectuated Member Months
White	5,862,279	488,523	26%
Latino	5,350,009	445,834	24%
Asian/Pacific Islander	4,496,292	374,691	20%
Not Reported	4,157,437	346,453	19%
Other	1,325,979	110,498	6%
Black or African American	475,075	39,590	2%
Multiple	514,216	42,851	2%
American Indian/Alaska Native	49,919	4,160	0%
Total	**22,231,206**	**1,852,601**	**100.00%**

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)

STAT. TABLE 11: INDIVIDUAL MARKET MEDICAL PLAN EFFECTUATED ENROLLMENT BY METAL TIER-FY 2024-25

Metal Tier	Effectuated Member Months	Average Monthly Effectuated Enrollment	Percent of Total Effectuated Member Months
Minimum Coverage	156,104	13,009	1%
Bronze HDHP	1,037,437	86,453	5%
Bronze	4,182,890	348,574	19%
Bronze Subtotal	**5,220,327**	**435,027**	**23%**
Silver 70	2,332,771	194,398	10%
Silver Enhanced 73	4,547,647	378,971	20%
Silver Enhanced 87	5,028,925	419,077	23%
Silver Enhanced 94	2,569,794	214,150	12%
Silver Subtotal	**14,479,172**	**1,206,598**	**65%**
Gold	1,607,556	133,963	7%
Platinum	768,082	64,007	3%
Total	**22,231,206**	**1,852,601**	**100%**

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)

STAT. TABLE 12: INDIVIDUAL MARKET MEDICAL PLAN EFFECTUATED ENROLLMENT BY HEALTH PLAN CARRIER- FY 2024-25

Carrier	Effectuated Member Months	Average Monthly Effectuated Enrollment	Percent of Total Effectuated Member Months
Kaiser	7,364,055	613,671	33%
Blue Shield	5,637,667	469,806	25%
Anthem	2,804,421	233,702	13%
LA Care	2,490,127	207,511	11%
Health Net	1,578,878	131,573	7%
Molina	735,197	61,266	3%
SHARP	363,479	30,290	2%
Valley Health	308,745	25,729	1%
Western	225,204	18,767	1%
Inland Empire	442,902	36,909	2%
Aetna	238,483	19,874	1%
Chinese Community	42,048	3,504	0%
Total	**22,231,206**	**1,852,601**	**100%**

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)

STAT. TABLE 13: INDIVIDUAL MARKET MEDICAL PLAN EFFECTUATED ENROLLMENT BY REGION- FY 2024-25

Region	Effectuated Member Months	Average Monthly Effectuated Enrollment	Percent of Effecuated Member Months
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	815,063	67,922	4%
Marin, Napa, Solano, and Sonoma counties	732,934	61,078	3%
Sacramento, Placer, El Dorado, and Yolo counties	1,207,510	100,626	5%
San Francisco County	446,802	37,234	2%
Contra Costa County	679,515	56,626	3%
Alameda County	944,813	78,734	4%
Santa Clara County	904,086	75,341	4%
San Mateo County	387,974	32,331	2%
Monterey, San Benito, and Santa Cruz counties	382,851	31,904	2%
San Joaquin, Stanislaus, Merced, Mariposa, and Tulare counties	1,087,573	90,631	5%
Fresno, Kings, and Madera counties	582,662	48,555	3%
San Luis Obispo, Santa Barbara, and Ventura counties	1,006,218	83,852	5%
Mono, Inyo, and Imperial counties	177,459	14,788	1%
Kern County	343,335	28,611	2%
Los Angeles County (northeast)	2,983,152	248,596	13%
Los Angeles County (southwest)	3,649,624	304,135	16%
San Bernardino and Riverside counties	2,124,882	177,074	10%
Orange County	2,115,030	176,253	10%
San Diego County	1,659,723	138,310	7%
Total	**22,231,206**	**1,852,601**	**100%**

CALIFORNIA HEALTH BENEFIT EXCHANGE
(COVERED CALIFORNIA)

STAT. TABLE 14: CALIFORNIA'S UNEMPLOYMENT RATE BY YEAR AND MONTH

Month	Year										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Jan	6.80	5.70	5.30	4.40	4.30	4.30	8.70	5.20	4.40	5.10	5.40
Feb	6.70	5.60	5.10	4.30	4.30	4.40	8.60	4.80	4.50	5.10	5.40
Mar	6.60	5.60	5.00	4.30	4.20	5.50	8.50	4.50	4.50	5.10	5.30
Apr	6.50	5.50	5.00	4.20	4.10	16.10	8.40	4.30	4.50	5.20	5.30
May	6.40	5.50	4.90	4.20	4.00	15.80	8.00	4.10	4.60	5.20	5.30
Jun	6.30	5.50	4.80	4.20	4.00	13.80	7.90	4.00	4.60	5.30	5.40
Jul	6.10	5.50	4.80	4.20	4.00	13.10	7.40	3.90	4.70	5.40	5.50
Aug	6.00	5.50	4.80	4.20	4.00	11.80	7.00	3.80	4.80	5.40	5.50
Sep	5.90	5.50	4.70	4.20	4.00	9.90	6.50	4.00	4.90	5.50	
Oct	5.80	5.50	4.60	4.30	4.00	9.30	6.10	4.20	5.00	5.50	
Nov	5.80	5.40	4.50	4.30	4.10	9.00	5.70	4.30	5.10	5.50	
Dec	5.70	5.40	4.50	4.30	4.10	9.00	5.40	4.40	5.10	5.50	