



Approved Budget

Fiscal Year 2026-27

Covered California Board and Senior Executive Management

Covered California Board of Directors

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Jerry Fleming, Craig Cornett, Mayra Alvarez

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Executive Director's Message

Dear Covered California Board of Directors,

On behalf of Covered California, I am pleased to present the approved operating and capital budget for fiscal year (FY) 2026–27. This budget reflects a collaborative effort involving the Executive Director, Chief Deputy Executive Directors, Covered California's 19 divisions, and the Board's Finance Committee.

As Covered California prepares its budget for fiscal year 2026–27, it faces an increasingly uncertain and dynamic environment. The enhanced federal advance premium tax credits (APTC) expired on December 31, 2025. These credits had significantly expanded access to affordable health care and enabled hundreds of thousands of consumers to enroll in Covered California. With their expiration, consumers are now confronted with higher premiums and tougher decisions about maintaining their coverage.

Covered California is also responding to H.R. 1 and federal final rules adopted in 2025, which will limit eligibility and enrollment opportunities, impose new administrative burdens on consumers, and increase costs. At the same time, as Covered California releases its Approved FY 2026–27 budget, California is considering additional investments to counter some of the negative impacts of federal policy.

Covered California will closely monitor state budget discussions. It is important to note that any proposed increases in state funding for affordability have not been considered in the Covered California budget enrollment forecasts. However, if the administration and legislature approve increased funds to improve affordability, we would expect a positive impact on future enrollment trends and an ability to help more individuals retain their health care coverage.

Consumers are managing not only higher health care costs, but also rising prices for gas, food, housing, and other necessities. Inflation has increased amid geopolitical instability, changes in tariff policy, and broader economic uncertainty. What is clear is that consumers are under growing financial pressure, and affordability remains a central concern, consistently ranking among the top issues in public surveys.

For many consumers, premium increases may mean giving up coverage altogether. Some will become uninsured, while others will make significant trade-offs to keep their health insurance. California has already demonstrated leadership in response, including through the California Premium Tax Credit program, which protects Covered California's lowest-income consumers from premium increases and preserves coverage for tens of thousands of Californians. Even so, Covered California is already seeing the effects of these federal policy changes. Preliminary effectuated enrollment declined from 1.914 million to 1.754 million between December 2025 and March 2026, and this decline is expected to continue as consumers cope with higher costs across the economy.

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 plans and providers that offer the best value. Guided by this mission, Covered California plays a critical role in delivering affordable, effective marketplace services. Meeting that responsibility is especially challenging—and especially important—in a time of such significant change. This budget includes the spending and investments needed to meet this moment, advances key strategic priorities focused on the consumers we serve, reduces overall spending, and supports affordability.

As a self-sustaining enterprise fund, Covered California finances its operations through a reasonable per-member-per-month assessment. As a result, declines in enrollment are expected to reduce revenues. In response, Covered California continues to identify ways to deliver marketplace services more efficiently and cost-effectively. The FY 2026–27 budget renews that focus and aims to deliver value to consumers through an effective, efficient service delivery model.

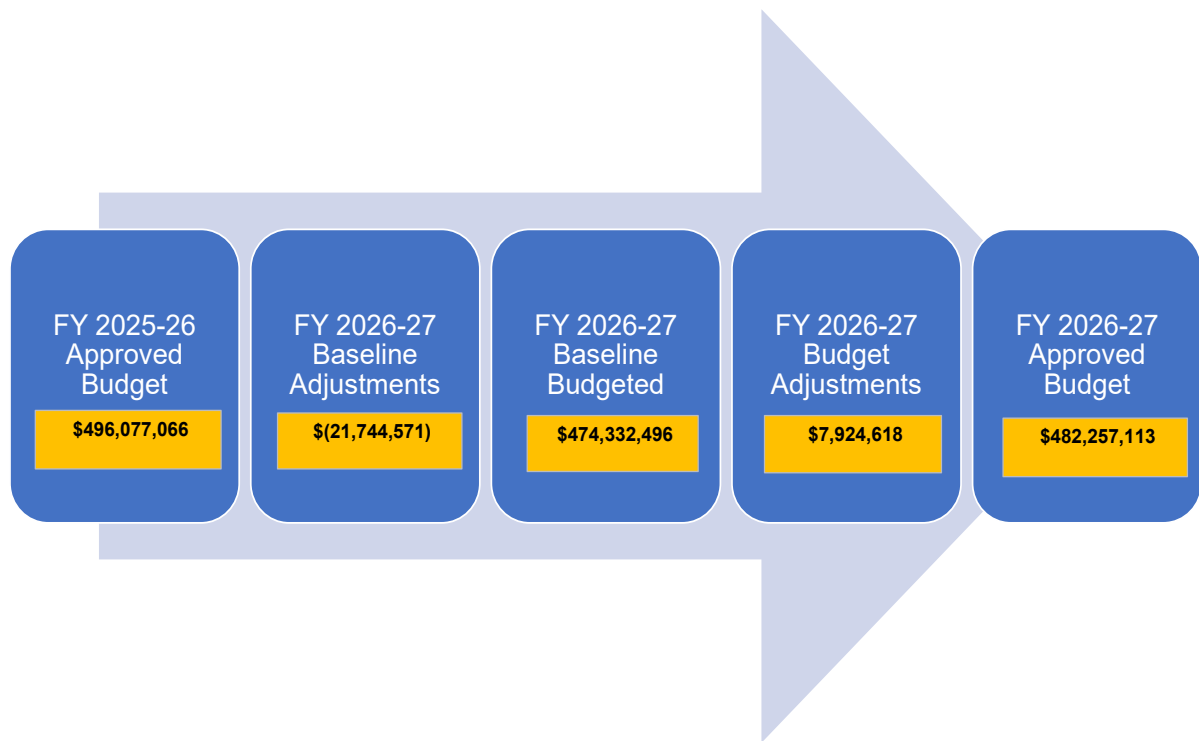
Considering the many factors shaping this year's budget, this proposal establishes a path forward that will:

- Keep Covered California on a strong financial footing.
- Take necessary short-term actions while ensuring revenues and expenditures remain balanced over the long term.
- Prioritize the needs of consumers, Covered California team members, and the broader California health care ecosystem.

We are confident this Approved budget will achieve these three goals.

For FY 2026–27, Covered California reduced its baseline budget by approximately \$21.7 million, bringing it to \$474.3 million. The baseline, which reflects the prior year's budget, was lowered through a rigorous review of each division's baseline throughout the budget cycle. This effort was driven by the continued recognition of favorable year-over-year budget variances and the use of an incremental budgeting approach.

Approved budget increases were limited to essential workload needs, adding \$7.9 million to the baseline. As a result, the approved budget totals \$482.3 million, down from \$496.1 million in FY 2025–26. The Approved budget maintains 1,506 authorized positions and includes no new staffing.



Covered California is well-positioned for this moment. Through responsible fiscal management and adherence to Government Finance Association (GFOA) best practices, it has maintained adequate working capital in its enterprise fund to mitigate risks and ensure stable services and fees. With approximately \$622 million in working capital, the organization is positioned to serve consumers effectively. Working capital represents the difference between total current assets and total current liabilities, representing the operating liquidity available to Covered California to fund operations. This strong fiscal position also supports temporarily lowering the individual market participation fee rate from 2.5% to 1.0% for plan year 2027, reducing administrative costs built into premiums and helping improve affordability for consumers at a critical time. The temporary reduction of the participation fee rate will be evaluated during each budget cycle. Covered California aims to maintain a reasonable participation fee at or below 3% going forward, and this approved budget supports this goal and trajectory. In addition, Covered California recommends lowering the Covered California for Small Business (CCSB) participation fee from 4.75% to 4.25% in plan year 2027.

This budget also marks the first year of Covered California's transition from an incremental budgeting approach to a strategic budgeting approach. This shift is intended to better align resources with organizational priorities, sharpen focus on outcomes, and strengthen the organization's ability to respond to economic and policy changes. It also reflects a broader emphasis on cost optimization—creating lasting efficiencies and redeploying resources to deliver the greatest value.

Covered California follows the GFOA budgeting best practices. Accordingly, its budget process:

- Incorporates a long-term perspective.

- Links resources to broad organizational goals.
- Focuses budget decisions on results and outcomes; and
- Involves and promotes effective communication with stakeholders.

Consistent with these best practices, Covered California looks beyond the current budget year to consider future implications. This long-term view enables the Board of Directors and executive leadership to assess how today's decisions may affect the organization's long-term fiscal sustainability and overall business strategy.

Covered California has conducted an annual study on participation fee rates and developed a long-term budget outlook, both of which are essential for its annual budget cycle. The GFOA recommends that all government organizations create and maintain a long-term financial plan that projects revenues, expenditures, fund balances, and external factors affecting operations for at least five years into the future.

Looking beyond fiscal year 2026–27, Covered California's five-year outlook anticipates continued enrollment declines driven by changes in federal policy. If enrollment trends decline toward a lower pre-pandemic baseline, Covered California will need to adjust its cost structure and service delivery model to maintain efficiency, effectiveness, and financial sustainability. With strong working capital and sufficient time for thoughtful planning, the organization is well-positioned to make these adjustments while safeguarding consumer outcomes.

In short, this approved budget is designed to address current challenges while preparing for the future. It takes prudent near-term action, supports affordability, and begins the longer-term transition needed to keep Covered California financially strong and mission-focused in a changing market.

Covered California is greatly appreciative of the support, leadership, and guidance of our Board, along with the support and engagement of the administration, legislature, and numerous partners and stakeholders essential to this work. We look forward to continuing that partnership as we navigate this period of change and position Covered California for long-term success.

Sincerely,

Jessica K. Altman
Executive Director

I. Introduction

Covered California's budget is a planning tool that aligns the services stakeholders expect with the resources available to deliver exchange services. It provides a detailed plan for the upcoming fiscal year while also supporting a long-term assessment of fiscal sustainability.

The approved budget for FY 2026-27 was developed in a challenging and uncertain environment. The expiration of the enhanced federal APTCs on December 31, 2025, policy changes under H.R. 1, federal final rule changes adopted in 2025, and an unpredictable economic outlook all add complexity to budgeting and business planning. In response, Covered California developed multiple budget scenarios and business plans and recognizes the need to remain flexible in FY 2026-27 and beyond.

Highlights of the FY 2026-27 Approved Budget

Comprehensive budget

Covered California has approved an operating and capital budget of \$482.3 million for the fiscal year 2026-27. This represents a decrease of \$13.8 million, or 2.8%, compared to the approved budget of \$496.1 million for fiscal year 2025-26 (**Table 1**). The budget maintains 1,506 authorized positions, which remains unchanged from the previous year. The baseline budget for FY 2026-27 was reduced by \$21.7 million, while approved budget augmentations amount to \$7.9 million.

Table 1
FY 2026-27 Approved Operating and Capital Expenditure Budget

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Fiscal Year 2026- 27	Fiscal Year 2026-27	% Change
	Approved Budget	Baseline Adjustments	Baseline Budget	Budget Changes	Approved Budget	FY 2025-26 vs. FY 2026-27
Positions	1506	0	1506	0	1506	0
Operating Expenditures						
Personnel Expenditures	\$204,324,952	\$(1,576,818)	\$202,748,135	\$403,123	\$203,151,257	-0.6%
Other Operating Expenditures	\$266,258,644	\$(19,825,363)	\$246,433,281	\$7,521,495	\$253,954,776	-4.6%
Subtotal	\$470,583,596	\$(21,402,181)	\$449,181,416	\$7,924,618	\$457,106,033	-2.9%
Allocated Expenditures						
Prorata/Supp. Pension/Other	\$18,667,470	\$4,657,610	\$23,325,080	\$-	\$23,325,080	25.0%
Total Operating Expenditures	\$489,251,066	\$(16,744,571)	\$472,506,496	\$7,924,618	\$480,431,113	-1.8%
Capital Investments						
Capital	\$6,826,000	\$(5,000,000)	\$1,826,000	\$-	\$1,826,000	-73.2%
Total - Capital Project Expenditures	\$6,826,000	\$(5,000,000)	\$1,826,000	\$-	\$1,826,000	-73.2%
Total Budgeted Expenditures	\$496,077,066	\$(21,744,571)	\$474,332,496	\$7,924,618	\$482,257,113	-2.8%

The FY 2026-27 approved budget includes ten budget change proposals associated with 8 Covered California divisions.

- **Policy Eligibility and Research** requested \$4.0 in funding for the competitive procurement of the Health Evidence Initiative database. It is assumed there will be an overlap, as the contract may be transferred to a new vendor with both vendors operating simultaneously for a period. Therefore, they have requested additional funding for FY 2026-27.
- **Communications** requested \$1.2 million in additional funding for public relations. The public relations contract was amended, and the Board approved an increase in funding totaling \$1.2 million in August 2024, but the revised contract value was not budgeted in FY 2025-26; therefore, it was added to the FY 2026-27 approved budget.
- **Executive Office** requested \$500,000 for strategic planning that will occur throughout FY 2026-27.
- **Data & Insights Office** requested \$974,753 to establish the office. The Data & Insights Office will design and implement Covered California's enterprise data strategy and governance capabilities. The request includes \$571,630 for training, travel, and other operating expenditures. Additionally, 8 staff were transferred from other Covered California Divisions to establish the Office. These positions were reclassified into higher-paying research and information technology classifications, which will increase salaries and benefit expenditures by \$403,123.
- **Service Center** requested \$679,140 in funding to support the increased cost of conducting hearings and the adjudication process for individual market consumers.
- **Marketing** requested \$225,000 in additional funding to support advertising efficacy analysis. The additional funding will enable the Marketing Division to adjust spending effectively by audience and channel, provide robust data on recommended marketing spend, and enhance overall efficiency and impact.
- **Outreach and Sales** requested \$180,725 in additional funding to transition to a new vendor. Additionally, \$75,000 in funding is requested to integrate connectivity with benefit platforms for CCSB's key insurance agents and general agents.
- **Office of Legal Affairs** requested \$90,000 for pre-litigation software.

Reader's Guide to the Budget Detail

The following chapters provide more detailed budget information on the topics summarized above.

Chapter II outlines Covered California's budgeted operating and capital expenditures for the upcoming fiscal year. It breaks down funding across five functional areas and 19 business units. The chapter also explains how the prior year's budget was adjusted to

create the FY 2026-27 baseline budget and identifies the approved increases and decreases for the current budget year. Together, the baseline budget and current-year changes make up the approved budget.

Chapter III summarizes the financial results for FY 2025-26 to date. It includes the first nine months of operations, from July 2025 through March 2026. Operating revenue, non-operating revenue, and operating expenditures are presented based on transactions completed to date. It also identifies changes in fund balance for the first nine periods.

Chapter IV presents Covered California's enrollment forecast beginning in FY 2026-27 and continuing through FY 2031-32. The chapter describes the forecasting methodology and key assumptions and presents three scenarios: Base, Low, and High. These scenarios help Covered California develop its financial strategy under a range of enrollment and fiscal conditions.

Chapter V presents Covered California's long-term budget assessment and fiscal sustainability analysis. This analysis evaluates changes in carrier premiums, Covered California's operating and capital expenditures, and the carrier participation fee rate. Pro forma financial statements are used to assess Covered California's budgetary financial position over the forecast period, including interperiod equity and changes in working capital and fund balance. The Base, Low, and High enrollment scenarios are analyzed to determine the participation fee rate needed to achieve breakeven under various assumptions and assess Covered California's financial condition.

II. Covered California's Fiscal Year 2026-27 Approved Operating and Capital Budgets

The approved budget for FY 2026-27 represents a significant shift for Covered California. We are transitioning away from an incremental budgeting approach that relies on adjustments based on the previous year's approved budget and adopting a more strategic budgeting method. This change reflects our commitment to transitioning from year-to-year modifications to a comprehensive, multi-year financial planning framework that aligns our investments with the organization's long-term goals and vision.

The aim of this new strategic budgeting approach is not merely to cut costs but to allocate resources more effectively in line with our revenue levels, ensuring inter-period equity. While funding for some initiatives may be reduced or eliminated, other areas may receive increased investments to enhance efficiency or address critical needs.

The outcomes of this strategic budgeting method will enable Covered California to:

- a) Align the baseline budget more closely with actual expenditures and the timing of those expenditures to ensure an accurate participation fee rate and responsible management of the fund balance.
- b) Identify essential, core activities and establish true baseline costs.
- c) Demonstrate Covered California's commitment to operating as an effective, efficient, and cost-conscious organization.
- d) Stress-test the budget to ensure readiness to respond to potential revenue downturns while minimizing operational disruption.
- e) Inform planning and decision-making for the next budget development cycle.
- f) Assess actual staffing needs and prioritize Other Operating Expenditure line items.
- g) Identify adjustments and reductions that better align budgets with core activities, priorities, goals, and objectives.

The following program-level detail for Covered California's FY 2026-27 approved operating and capital budgets provides information on expenditures and staffing levels overall and for each of Covered California's six functional areas and 20 budget units, comparing the FY 2025-26 budget to the FY 2026-27 approved budget. We evaluate these changes by expenditure category, focusing on personnel, other operating, and capital investment expenditures.

We then provide program details for the functional area and budget unit. Each section starts in the functional area and is followed by individual budget unit summaries. **Table 7** presents each budget unit's functional area. Each budget unit summary includes a brief description of the budget unit and presents its key objectives for FY 2026-27 and

any significant changes in its budget from the prior budget year. The descriptions explain any material increases in expenditure and staffing included in the approved budget.

The budget unit's operating expenditures are categorized as follows: Personnel Services, which includes salaries and benefits, and Other Operating Expenditures, which includes contract-related expenditures and all other operational expenditures. Allocated expenditures refer to shared enterprise costs across the state. These expenditures are allocated to each program and are presented as a separate line item within each budget unit's program summary. During the budget process, state shared expenditures are allocated based on each business unit's share of the total budget. State-shared expenditures are first allocated based on each business unit's share of the baseline budget, and then again based on each business unit's share of the final approved budget.

Capital project expenditures are presented separately and are detailed in a Capital Investments budget unit.

Covered California's FY 2026-27 Baseline Budget

The FY 2026-27 baseline budget totals \$474.3 million, which is \$21.7 million less than the FY 2025-26 approved budget of \$496.1 million (**Table 2**). Covered California's annual budget process commences with establishing a baseline budget. The baseline budget represents the prior year's budget adjusted to more closely align with long-term goals and objectives, historical expenditure trends, anticipated needs, inflation, one-time expenditures from the prior year that are eliminated in the current budget year, adjustments to personnel expenditures related to negotiated labor agreements, benefit adjustments, and vacancy rate assumptions.

Changes to Baseline Expenditures

Covered California's FY 2026-27 baseline budget decreased by \$21.7 million in FY 2026-27, a net change from \$496.1 million to \$474.3 million. This decrease is primarily due to a \$19.8 million decline in other operating expenditures, a \$1.6 million decline in personnel-related expenditures, and a \$5.0 million decline in capital investments. These decreases were offset by a \$4.6 million increase in state-shared expenditures (**Table 2**).

Baseline Other Operating Expenditures

OOE includes all contract and operational expenses, such as paid media, CalHEERS, IT enterprise services, the service center surge vendor, Navigators, Covered California for Small Business, administration, sales and administrative support, and IT contractors. FY 2026-27 baseline other operating expenditures (OOE) total \$246.4 million. This is \$19.8 million less than the approved FY 2025-26 other operating expenditures (**Table 2**).

Baseline Personnel Expenditures

The FY 2026-27 baseline budget for personnel expenditures totals \$202.8 million,

representing a \$1.6 million decrease from the FY 2025-26 approved budget. The decrease results from the combined effects of scheduled salary increases, planned retirement cash-outs for accrued vacation, and adjustments, including an ongoing 3.0% reduction to the 2025 Personal Leave Program, which reduced general salaries starting July 1, 2025 (**Table 2**).

A significant adjustment was the removal of funding for the 3.0% general salary increase, which was incorporated into the FY 2025-26 budget. That salary increase was deferred until July 1, 2027. Instead, effective July 1, 2025, in response to the state budget deficit, the Department of Human Resources (CalHR) implemented a Personal Leave Program 2025.

Total permanent staffing in FY 2026-27 remains unchanged from the previous year, totaling 1,506 authorized positions. The assumed vacancy rate is 5.0%.

Baseline State Shared Expenditures

Additionally, state-shared expenditures increased by \$4.7 million in FY 2026-27, from \$18.7 million to \$23.3 million.

Baseline Capital Expenditures

For FY 2026-27, baseline capital investment expenditures were reduced by \$5 million, which resulted in a baseline total of \$1.8 million. The \$5 million decrease is due to deferred and/or reduced tenant improvements at Fresno and Expo Headquarters' locations. The remaining \$1.8 million will support enterprise-wide equipment refresh and digital workspace solutions.

Fiscal Year 2026-27 Approved Budget Changes and Approved Budget

The FY 2026-27 approved budget increases funding by \$7.9 million above the baseline. This includes \$403,123 in additional personnel expenditures and \$7.5 million in other operating expenditures. With these augmentations, the FY 2026-27 approved budget totals \$482.3 million (**Tables 2 & 4**).

The approved FY 2026-27 budget allocates \$254 million to other operating expenditures, \$12.3 million less than the FY 2025-26 budget. It includes \$203.2 million in personnel expenditures, a decrease of \$1.2 million from the FY 2025-26 budget. Additionally, state-shared expenditures will increase to \$23.3 million, up \$4.7 million from the approved FY 2025-26 budget. Capital expenditures remain at the baseline level of \$1.8 million (**Table 2**).

Table 2
Covered California's FY 2026-27 Approved Budget

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference
	<u>Approved Budget</u>	<u>Baseline Adjustments</u>	<u>Baseline Budget</u>	<u>Budget Changes</u>	<u>Approved Budget</u>	<u>FY 2025-26 vs FY 2026-27</u>
Positions	1506	0	1506	0	1506	0
Operating Expenditures						
Personnel Expenditures	\$204,324,952	\$(1,576,818)	\$202,748,135	\$403,123	\$203,151,257	\$(1,173,695)
Other Operating Expenditures	<u>\$266,258,644</u>	<u>\$(19,825,363)</u>	<u>\$246,433,281</u>	<u>\$7,521,495</u>	<u>\$253,954,776</u>	<u>\$(12,303,868)</u>
Subtotal	\$470,583,596	\$(21,402,181)	\$449,181,416	\$7,924,618	\$457,106,033	\$(13,477,563)
Allocated Expenditures						
Prorata/Supp. Pension/Other	<u>\$18,667,470</u>	<u>\$4,657,610</u>	<u>\$23,325,080</u>	<u>\$-</u>	<u>\$23,325,080</u>	<u>\$4,657,610</u>
Total Operating Expenditures	\$489,251,066	\$(16,744,571)	\$472,506,496	\$7,924,618	\$480,431,113	\$(8,819,953)
Capital Investments						
Capital	<u>\$6,826,000</u>	<u>\$(5,000,000)</u>	<u>\$1,826,000</u>	<u>\$-</u>	<u>\$1,826,000</u>	<u>\$(5,000,000)</u>
Total - Capital Project Expenditures	<u>\$6,826,000</u>	<u>\$(5,000,000)</u>	<u>\$1,826,000</u>	<u>\$-</u>	<u>\$1,826,000</u>	<u>\$(5,000,000)</u>
Total Budgeted Expenditures	<u>\$496,077,066</u>	<u>\$(21,744,571)</u>	<u>\$474,332,496</u>	<u>\$7,924,618</u>	<u>\$482,257,113</u>	<u>\$(13,819,953)</u>

Staffing Changes

The FY 2026-27 approved budget remains unchanged at 1,506 authorized positions but includes redirections for vacancies between divisions to support essential, core activities (Table 5).

Table 3
FY 2026-27 Approved Budget Changes: Staff and Personnel Expenditures

Division	FY 25-26 Positions	FY 26-27 Positions	Personnel Count Difference FY 2025-26 vs FY 2026-27
Plan Management Division	34	34	0
Policy, Eligibility, and Research Division	70	70	0
Marketing Division	38	38	0
Outreach and Sales Division	68	68	0
Program Integrity Division	64	64	0
Communications and Public Relations Division	22	22	0
External Affairs	14	14	0
Service Center	805	797	-8
Ombuds Office	14	14	0
Data Insight Office	0	8	8
Information Technology	114	116	2
CalHEERS	0	0	0
Executive Office	15	15	0
Equal Employment Opportunity Office	6	6	0
Office Of Legal Affairs	25	25	0
Health Equity Quality Transformation	24	24	0
Financial Management Division	55	55	0
Business Services Branch	43	43	0
Human Resource Branch	58	56	-2
Covered California University	37	37	0
Total	1,506	1,506	0

Table 4
FY 2026-27 Approved Other Operating Expenditure Budget Augmentations

Division	Description Amount	Amount
Policy, Eligibility, and Research	This augmentation is related to a competitive procurement of the Health Evidence Initiative database. The \$4 million will support a potential overlap period during which two contractors may be compensated while transitioning from one to the other.	\$4,000,000
Communications	The public relations contract was amended, and the Board approved an increase in funding totaling \$1.2 million in August 2024, but the revised contract value was not budgeted in FY 2025-26; therefore, it was added to the FY 2026-27 approved budget.	\$1,200,000
Service Center	California Department of Social Services. Increase in costs to support the conducting of the adjudication process and hearings for Individual Market consumers.	\$679,140
Data and Insights Office (OOE-Only)	This funding supports contracts, software licensing, training, travel, and other general expenses for the new division.	\$571,630
Executive Office	Strategic planning that will occur throughout FY 2026-27.	\$500,000
Marketing	The additional funding will augment an ongoing advertising efficacy analysis, allowing Covered California to consistently evaluate and optimize investments made in Marketing	\$225,000
Outreach and Sales	Additional funding to transition to a new vendor for the enrollment and billing system. It is anticipated that the new vendor will increase costs by roughly 15%.	\$180,725
Outreach and Sales	Support the integration of connectivity with benefit platforms for CCSB's insurance agents and general agents	\$75,000
Office of Legal Affairs	Prelitigation software needed to support e-discovery obligations	\$90,000
Data and Insight Office Establishment and Position Reclassification	The Data and Insights Office created 8 positions that had previously been vacant and were transferred from other divisions. These positions were reclassified, resulting in increased salaries and benefits costs.	\$302,133
Data and Insight Office Establishment and Position Reclassification	One position was transferred to the Information Technology division to support the Data and Insights Office and reclassified. The increased costs relate to reclassifying a lower-paying classification to a higher-paying classification.	\$100,990
Total		\$7,924,618

Table 5
Functional Budget Area Key to Covered California Budget Units

Functional Area	Budget Unit
Plan Management, Eligibility, and Health Transformation	Plan Management
	Policy, Eligibility and Research
	Health Equity and Quality Transformation
Marketing, Outreach/Sales, and Other	Marketing
	Outreach and Sales
	Program Integrity
	Communications and Public Relations
Service Center and Consumer Experience	Service Center
	Ombuds Office
Technology	CalHEERS
	Information Technology
	Data and Insights Office
Administration	Business Services
	Financial Management
	Human Resources
	Office of Legal Affairs
	Covered California University
	External Affairs and Community Engagement
	Executive Office
	Equal Employment Opportunity Office
Capital Projects	Capital Investments

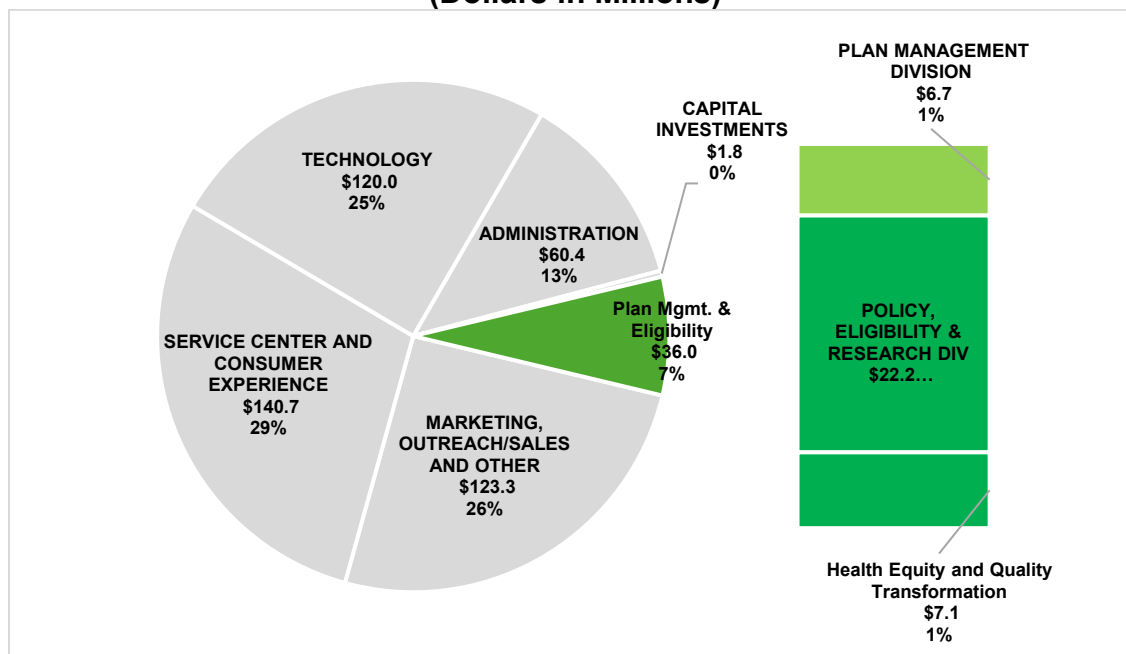
Plan Management, Eligibility, and Health Transformation

The Plan Management, Eligibility, and Health Transformation functional area includes the Plan Management Division; the Policy, Eligibility, and Research Division; and the Health Equity and Quality Transformation Division. The approved budget for FY 2026-27 totals \$36.0 million.

Plan Management, Eligibility, and Health Transformation: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Difference Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
	Approved Budget	Baseline Budget	Approved Budget		
Positions	128	128	128	0	0
Personnel Expenditures	\$20,681,390	\$19,627,185	\$19,627,185	\$-	\$(1,054,205)
Other Operating Expenditures	\$13,398,795	\$10,403,295	\$14,403,295	\$4,000,000	\$(2,995,500)
Subtotal	\$34,080,185	\$30,030,480	\$34,030,480	\$4,000,000	\$(4,049,705)
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$1,529,834	\$1,770,550	\$1,963,195	\$192,645	\$240,717
Total Operating Expenditures	\$35,610,019	\$31,801,031	\$35,993,675	\$4,192,645	\$(3,808,988)

Plan Management, Eligibility, and Health Transformation FY 2026-27 Expenditure Budget: \$36.0 (Dollars in Millions)



Plan Management Division

Budget Unit Description

The purpose of the Plan Management Division is to enhance the cost, quality, and accessibility of health care for consumers. This is achieved by selecting and negotiating with health insurance carriers contracted by Covered California and ensuring they are accountable for providing quality health care. The division aims to foster improvements in care delivery for the benefit of all Californians. The approved budget for fiscal year 2026-27 amounts to \$6.7 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	34	34	34	0	0
Personnel Expenditures	\$5,504,071	\$5,240,528	\$5,240,528	\$-	\$(263,543)
Other Operating Expenditures	\$1,505,261	\$1,095,261	\$1,095,261	\$-	\$(410,000)
Subtotal	\$7,009,332	\$6,335,789	\$6,335,789	\$-	\$(673,543)
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$316,735	\$375,454	\$368,278	\$(7,176)	\$58,720
Total Operating Expenditures	\$7,326,067	\$6,711,244	\$6,704,068	\$(7,176)	\$(614,823)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Plan Management Division's baseline budget decreased by \$614,823 compared to the approved budget for FY 2025-26.

Plan Management Division's authorized staffing levels remain unchanged at 34 positions from the prior fiscal year. Personnel expenditures decreased by \$263,543, reflecting the combined effect of the deferred 3.0% general salary increase, scheduled merit salary increases and other adjustments.¹

Other Operating Expenditures decreased by \$410,000, due to reductions in the Health Program Consultant Pool, to align with actual expenditure trends.

Shared expenditures (Pro Rata, Supplemental Pension, and Department of General Services (DGS)) allocated to the Plan Management Division increased by \$58,720, bringing the baseline total to \$375,454.

¹ The Director of Plan Management is an exempt position. It will have a monthly salary in FY 2026-27 of \$20,107. This information is reported in compliance with Government Code 100503, Section 2(A).

FY 2026-27 Approved Budget Adjustments

The state shared expenditure allocation is reduced by \$7,176 for FY 2026-27, bringing the approved FY 2026-27 budget total to \$368,278.

Key Objectives for FY 2026-27

The Plan Management Division is focusing on the following core areas in FY 2026-27:

- Negotiate, maintain oversight, and ensure accountability of the contracted health and dental plan issuers, as well as consider applications for new health and dental plan issuers.
- Enforce Qualified Health Plan (QHP) and Qualified Dental Plan (QDP) contracts and implement changes targeted to promote affordability, quality, and access to care.
- Implement the state's Gender Affirming Care defrayal benefit, aligning rates and payments so Covered California enrollees continue to receive required gender-affirming care despite federal funding changes.
- Administer and work with internal and external stakeholders to develop the California Enhanced Affordability Program, including benefit designs, premium subsidies, reconciliation, obtaining Board approval, and facilitating timely payments.
- Ensure and collaborate on technical readiness activities with Issuers for new system implementations, updates, etc.
- Coordinate operational communication between the Issuers and other Covered California divisions.

In addition to core division functions and ongoing initiatives listed above, the Plan Management Division, in collaboration with the Equity & Quality Transformation Division, anticipates these key objectives for the upcoming fiscal year:

- Collaborate in a Cost and Affordability Working Group to create a shared, self-service set of data and tools that consistently measure and monitor affordability and costs across all plans.
- Continually build upon lessons learned from health and dental plan issuer contracting experience, continue engaging with external stakeholders, and increase alignment with other purchasers to improve the value and quality of care delivered to individual market consumers and Californians in general.
- Monitor contractual requirements in the QHP issuer contracts for the current contract term, including implementation of the Quality Transformation Initiative program to drive quality performance improvements from QHP Issuers, and requirements from contract attachments focused on behavioral health innovation, addressing health equity, and the promotion of advanced primary care, as guided by Covered California's vision for health care in 2030.

- Work with contracted QHP issuers, aligned purchasers, and other interested stakeholders to ensure Covered California enrollees, and Californians in general, receive the best possible health care.
- Continue to improve the use of IHA's Symphony Provider Directory to streamline monthly provider directory updates and facilitate the development of Primary Care Physician selection functionality for enrollees.
- Increase access to high quality, diverse providers who practice with cultural humility.
- Increase access to and quality of behavioral health care.

Policy, Eligibility, and Research Division

Budget Unit Description

The Policy, Eligibility, and Research Division is responsible for developing, implementing, and evaluating innovative policies and programs aimed at increasing health insurance coverage and affordability. This division also supports department, federal, and state initiatives to lower health care costs and reduce health disparities. It does this by leveraging team expertise, data, research, and user-friendly consumer tools. The approved budget for fiscal year 2026-27 totals \$22.2 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	70	70	70	0	0
Personnel Expenditures	\$10,506,513	\$10,230,001	\$10,230,001	\$-	\$(276,512)
Other Operating Expenditures	\$8,666,500	\$6,749,000	\$10,749,000	\$4,000,000	\$(1,917,500)
Subtotal	\$19,173,013	\$16,979,001	\$20,979,001	\$4,000,000	\$(2,194,012)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$860,114	\$1,000,410	\$1,207,836	\$207,427	\$140,296
Total Operating Expenditures	\$20,033,127	\$17,979,411	\$22,186,838	\$4,207,427	\$(2,053,716)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Policy, Eligibility, and Research Division's baseline budget decreased by \$2.1 million compared to the approved budget for FY 2025-26.

Policy, Eligibility, and Research Division's authorized staffing levels remain unchanged at 70 positions from the prior fiscal year. Personnel expenditures decreased by \$276,512, reflecting the combined effect of the deferred 3.0% general salary increase, scheduled merit salary increases and other adjustments. ².

Other operating expenditures decreased by \$1.9 million, reflecting reductions across several activities. This decrease includes reducing the Healthcare Evidence Initiative by \$150,000, the Health Program Consulting Pool by \$200,000, Translated Materials by \$200,000, the Consumer Research Consulting Pool by \$1.1 million, the APTC Affordability by \$250,000, along with a \$17,500 reduction in student assistant and general expense costs.

² The Policy, Eligibility and Research Division Director is an exempt position. It will have a monthly salary in FY 2026-27 of \$21,139. This information is reported in compliance with Government Code 100503, Section 2(A).

Shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the Policy, Eligibility, and Research Division have been increased by \$140,296, bringing the baseline total to \$1.0 million.

FY 2026-27 Approved Budget Adjustments

Funding for the Policy, Eligibility, and Research Division increased by \$4.2 million above the FY 2026-27 baseline, reflecting an additional \$4 million to support a one-time allocation to ensure a smooth vendor transition and to increase ongoing support for the Healthcare Evidence Initiative (HEI). The \$4 million will support a projected maximum annual increase of \$970,000 in the ongoing cost of services, as well as a potential overlap period during which two contractors may be compensated while transitioning from one to another during FY 2026-27.

The state shared expenditure allocation was further increased by \$207,427, bringing the FY 2026-27 approved budget total to \$1.2 million.

Key Objectives for FY 2026-27

The Policy, Eligibility, and Research Division will focus on the following core areas in FY 2026-27:

- Develop, implement, and evaluate strategies to improve affordability and increase the number of Californians who have coverage.
- Facilitate automatic coverage transitions to increase understanding of subsidy eligibility and increase coverage.
- Apply best-in-class consumer research and human centered design methods to increase the efficiency and delight of applying and maintaining enrollment.
- Use evidence-based choice architecture techniques to help assist consumers in choosing the health and dental plans that offer them the best value.
- Achieve and maintain compliance with eligibility and enrollment regulations in ways that minimize burden and maximize trust in Covered California.
- Provide data, analytics, and expertise to support Covered California and statewide efforts to lower health care costs and reduce disparities.
- Build and use evidence to empower decision makers and foster innovation in how to deliver affordable coverage and quality care by bringing data analytics and rigorous evaluation to Covered California's strategic initiatives.
- Craft and implement learning agendas that support a culture of innovation, evidence, and continuous improvement by bringing data analytics and rigorous evaluation to Covered California strategic initiatives.

Health Equity and Quality Transformation Division

Budget Unit Description

The Health Equity and Quality Transformation Division (EQT), under the leadership of the chief medical officer, supports Covered California's mission to improve health care quality, lower costs, and reduce health disparities.

In collaboration with stakeholders, public purchasing partners, and other state agencies, the EQT Division offers expertise and analysis while ensuring health plan issuers are held accountable. This is done to guarantee that Covered California enrollees and all Californians receive high-quality, equitable healthcare that enhances their overall health. The EQT Division is structured into three teams: Population Care, Quality Improvement, and Health Informatics and Clinical. The approved budget for fiscal year 2026-27 is \$7.1 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	24	24	24	0	0
Personnel Expenditures	\$4,670,806	\$4,156,655	\$4,156,655	\$-	\$(514,151)
Other Operating Expenditures	\$3,227,034	\$2,559,034	\$2,559,034	\$-	\$(668,000)
Subtotal	\$7,897,840	\$6,715,689	\$6,715,689	\$-	\$(1,182,151)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$352,985	\$394,686	\$387,080	\$(7,606)	\$41,702
Total Operating Expenditures	\$8,250,825	\$7,110,376	\$7,102,769	\$(7,606)	\$(1,140,449)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Health Equity Quality Transformation Division's baseline budget decreased by \$1.1 million compared to the approved budget for FY 2025-26.

Health Equity Quality Transformation Division's authorized staffing levels remain unchanged at 24 positions from the prior fiscal year. Personnel expenditures decreased by \$514,151, reflecting the combined effect of the deferred 3.0% general salary increase, scheduled merit salary increases and other adjustments ³.

³ The Health Equity and Quality Transformation Division has two exempt positions. They include the Chief Medical Officer, Director with a monthly salary in FY 2026-27 of \$40,325 and the Director, Equity & Quality Transformation with a monthly salary in FY 2026-27 of \$16,256. This information is reported in compliance with Government Code 100503, Section 2(A).

Other operating expenditures decreased by \$668,000, resulting from a combination of both increases and reductions in various costs. Notable increases included \$305,000 for Cal Hospital Compare, \$258,000 for the Health Program Consulting Pool, \$424,000 for the Quality Transformation Initiative's Population Health Investments, and \$280,000 for PHACT interventions. These increases were offset by reductions in expenses, including the elimination of \$75,000 for Translation Services, \$75,000 for the California Advanced Primary Care Roadmap, \$10,000 for Clinical Leaders meetings, and \$1,775,000 for QTI Population Health Investments.

Shared expenditures (Pro Rata and Department of General Services (DGS) allocated to the Health Equity Quality Transformation Division increased by \$41,702 for a baseline total of \$394,686

FY 2026-27 Approved Budget Adjustments

The state shared expenditure allocation decreased by \$7,606, bringing the approved FY 2026-27 budget total to \$387,080.

Key Objectives for FY 2026-27

The Health Equity and Quality Transformation Division will focus on the following core areas in FY 2026-27:

- Working with the Plan Management Division, continue to hold contracted health plan issuers accountable for new and continuing requirements in Attachment 1, Attachment 2, and Attachment 4, including disparities reduction, behavioral health, value-based payments to support advanced primary care, data exchange, and initiatives to address affordability and cost.
- Continue administration of the Quality Transformation Initiative (QTI), a program that ties QHP issuer performance on a parsimonious core set of quality measures to significant financial incentives to spur improved performance. EQT will implement health equity accountability requirements, taking effect in the 2026-2028 QHP Issuer contract, with contracted plans accountable for quality measured by racial and ethnic subpopulations for certain measures.
- Evaluate second year Population Health Investments (Beyond Covered Grocery Support Program, Beyond Covered Child Savings Account Program, Equity and Practice Transformation Program, and the first-year implementation of the Health Professions Pathways Program) funded by QTI quality payments and evaluate potential new investments for 2027.
- In conjunction with Plan Management Division, hold dental plan issuers accountable for Attachments 1 and 2 contractual requirements, including priorities in care delivery and Healthcare Evidence Initiative data submission.
- Track health plan, primary care, and behavioral health spend and share learnings with sister state agencies as part of holistic efforts to understand the cost of care

- Measure and track continuity of care and overall member engagement in care as part of continued promotion of primary care as the foundation of a high functioning delivery system, in alignment with contracted health plan issuers, purchasers, and other key private and public stakeholders.
- Continue to improve demographic data collection to support and expand disparities initiatives, facilitate sharing of disparities reduction intervention learnings among contracted health plans, and implement QTI health equity measurement.
- Continue the development and implementation of a comprehensive framework to efficiently and effectively utilize the variety of existing data sources, such as the Quality Rating System, the Healthcare Evidence Initiative, and other Qualified Health Plan direct submissions, to enhance QHP issuer accountability for quality and health equity performance while reducing administrative burden.
- Develop and implement an approach to continued healthcare quality measurement, including in the areas of childhood health measures, in the context of CMS changes to quality measure programs.
- Continue to advance and expand public reporting and interactive dashboards on plan performance using available data to share learnings from the qualified health and dental plan issuer contract Attachment 1 requirements with a focus on cost, quality, and health disparities.
- In partnership with CalPERS and DHCS and building on the success of the inaugural annual Clinical Leaders' Summit, convening clinical, quality, and equity health plan leaders to collaboratively identify solutions and strategies to address challenges in healthcare delivery.
- In partnership with the California Department of Public Health, DHCS, CalPERS, health plans, provider organizations, and other healthcare and community organizations, build upon the early infrastructure of the Public Health for All Californians Together (PHACT) Coalition to ensure a durable infrastructure to support health and access to preventive services for all Californians, despite federal changes.
- Continue to strengthen alignment with Medi-Cal and CalPERS through continued collaboration on priority areas, including disparities, common measures for financial incentives, behavioral health, value-based payments, and population health management, as well as with OHCA and DMHC.

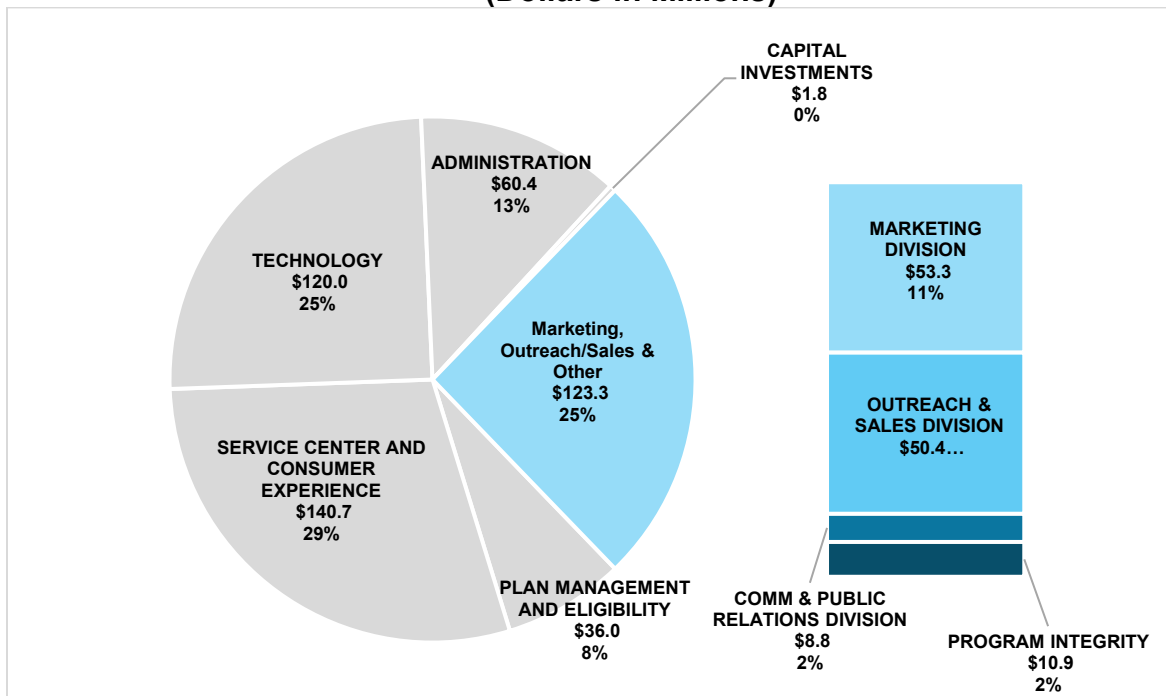
Marketing, Outreach/Sales, and Other

Marketing, Outreach/Sales, and Other functional area includes the following divisions: Marketing, Outreach and Sales, Communications and Public Relations, and Program Integrity. The approved budget for FY 2026-27 totals \$123.3 million.

Marketing, Outreach/Sales, and Other: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	192	192	192	0	0
Personnel Expenditures	\$29,005,032	\$28,448,987	\$28,448,987	\$-	\$(556,045)
Other Operating Expenditures	\$89,947,722	\$86,508,017	\$88,188,742	\$1,680,725	\$(3,439,705)
Subtotal	\$118,952,754	\$114,957,004	\$116,637,729	\$1,680,725	\$(3,995,750)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$5,270,272	\$6,696,482	\$6,661,519	\$(34,964)	\$1,426,210
Total Operating Expenditures	\$124,223,026	\$121,653,487	\$123,299,248	\$1,645,761	\$(2,569,539)

Marketing, Outreach/Sales, and Other FY 2026-27 Expenditures Budget: \$123.3 (Dollars in Millions)



Marketing Division

Budget Unit Description

The Marketing Division of Covered California plays a crucial role in building and maintaining trust in the brand. This aligns with the organization's mission and vision to connect all Californians to comprehensive, affordable health coverage. The Marketing team focuses on driving membership growth and retention through close collaboration with outreach partner divisions. By leveraging data-driven insights, they aim to understand and effectively engage diverse audiences.

Our multicultural advertising and consumer communications efforts engage, educate, and support Californians throughout their health coverage decision-making journey—from awareness to understanding, enrollment, and sustained coverage. We work to efficiently and effectively deploy marketing resources to reach Californians and build trust, leveraging an integrated mix of paid and owned channels to deliver relevant, timely, and culturally responsive communications. The approved budget for FY 2026-27 totals \$53.3 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	38	38	38	0	0
Personnel Expenditures	\$6,066,025	\$5,844,145	\$5,844,145	\$-	\$(221,880)
Other Operating Expenditures	\$46,022,050	\$44,319,845	\$44,544,845	\$225,000	\$(1,702,205)
Subtotal	\$52,088,075	\$50,163,990	\$50,388,990	\$225,000	\$(1,924,085)
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$2,295,237	\$2,909,679	\$2,865,613	\$(44,067)	\$614,442
Total Operating Expenditures	\$54,383,312	\$53,073,670	\$53,254,603	\$180,933	\$(1,309,642)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Marketing Division's baseline budget decreased by \$1.3 million compared to the approved budget for FY 2025-26.

Marketing Division's authorized staffing levels remain unchanged at 38 positions from the prior fiscal year. Personnel expenditures decreased by \$221,880, reflecting the

combined effect of the removal of the deferred 3.0% general salary increase, scheduled merit salary increases, and other adjustments⁴.

Other operating expenditures decreased by \$1.7 million. This reduction includes a \$1,000,000 reduction in advertising and marketing consulting, \$498,605 less for voter registration printing and fulfillment services, a \$120,000 decrease in the Consumer Research Pool, and an \$83,600 reduction in printing collateral materials with the Office of State Publishing.

Shared expenditures (Pro Rata, Supplemental Pension, and Department of General Services (DGS)) allocated to the Marketing Division increased by \$614,442, bringing the baseline total to \$2.9 million.

FY 2026-27 Approved Budget Adjustments

The division requested \$225,000 in additional funding to augment a contract for analyzing advertising efficacy. This will enable consistent evaluation and optimization of marketing investments. It will enable the Marketing Division to adjust spending effectively by audience and channel, provide robust data in response to board inquiries, and enhance overall efficiency and impact.

Covered California's mission is to increase the number of insured Californians, improve healthcare quality, lower costs, and reduce disparities through a competitive marketplace. The Marketing Division's paid media program is designed to support this mission by raising awareness, creating positive brand recognition among uninsured individuals and broader audiences, and guiding consumers from awareness to enrollment and retention through a statewide, multilingual, cross-platform strategy.

By optimizing and right-sizing media budgets across channels, segments, and geographic regions, this funding will maximize the reach and effectiveness of these efforts, improve cost-effectiveness, and strengthen the analytical foundation for decisions that advance Covered California's goals in enrollment, retention, and equity.

The state shared expenditure allocation decreased by \$44,067, bringing the approved FY 2026-27 budget total to \$2.9 million.

Key Objectives for FY 2026-27

The Marketing Division will focus on the following core areas in FY 2026-27:

- Continue to build brand trust, positioning Covered California as an advocate for Californians with empathy and strength through our *For the Love of Californians* – a culture-first brand platform designed with cultural relevance and linguistic inclusivity at its core, enhancing outreach to hard-to-reach populations across the state.

⁴ The Director of the Marketing Division is an exempt position. It will have a monthly salary in FY 2026-27 of \$18,985. This information is reported in compliance with Government Code 100503, Section 2(A).

- Develop go-to-market plans for open and special enrollment that reach and engage California's diverse populations – including Hispanic, Asian American, Black/African American, and LGBTQ+ communities – while expanding our focus to growth audiences such as gig economy workers, 26-year-old age-outs, and early retirees.
- Evolve our media planning and targeting approach to integrate geographic and audience-based strategies, connecting not only on language, but also on life stage, employment status, behavioral context, and coverage need. This includes strategic use of paid channels such as broadcast, streaming video, radio, out-of-home, print, paid social, search, and influencer partnerships to deliver tailored messages that drive enrollment and retention actions.
- Develop and deploy messaging to address market dynamics, including the Shortened Open Enrollment period (SOEP) window, and the requirement for existing members to actively renew to ensure consumers are aware of the policy changes and take timely action to secure coverage.
- Conduct research projects to gain insights about members, uninsured Californians, and specialized populations, including those most affected by H.R.1-related policy changes. Projects will include brand health tracking, ad recall tracking, message testing, creative concept testing, audience-based marketing, and other research areas to drive improved program efficacy.
- Develop tailored member communication strategies to provide our enrollees the most up-to-date information – from policy changes to plan benefits, encouraging utilization and member retention – so they can make informed decisions, feel valued and supported.
- Continue advancing a unified customer journey approach—developed in collaboration with PERD, CCIT, and other partner divisions—as we build toward a more seamless, integrated consumer experience across programs.
- Deliver more personalized, timely communications tailored to the unique circumstances of each population, ultimately increasing awareness of Covered California as a viable health coverage option.

Outreach and Sales Division

Budget Unit Description

The Outreach and Sales Division aims to educate, empower, and support Covered California's network of 15,000 certified sales partners. These partners play a crucial role in informing and increasing the number of eligible individuals enrolled in affordable, quality health care coverage. The division is responsible for managing contracts, ensuring compliance with regulations, and implementing policies for all sales channel partner programs, which helps maintain program integrity and protect consumers.

Sales channel partners include independent insurance agents as well as the Navigator program, a statewide partnership with community organizations that have experience in reaching and assisting California's diverse populations and have proven success enrolling consumers in health care programs.

The division also manages the Covered California for Small Business (CCSB) program, which helps small businesses secure high-quality, ACA-compliant healthcare coverage that meets the needs of both the business and its employees. The approved budget for the fiscal year 2026-27 is \$50.4 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference Between FY 2026- 27 Baseline and Approved FY 2026- 27 Budget	Difference Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
	Approved Budget	Baseline Budget	Approved Budget		
Positions	68	68	68	0	0
Personnel Expenditures	\$10,190,123	\$10,623,575	\$10,623,575	\$-	\$433,452
Other Operating Expenditures	\$38,107,672	\$36,782,672	\$37,038,397	\$255,725	\$(1,325,000)
Subtotal	\$48,297,795	\$47,406,247	\$47,661,972	\$255,725	\$(891,548)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$2,137,149	\$2,758,466	\$2,719,264	\$(39,202)	\$621,317
Total Operating Expenditures	\$50,434,944	\$50,164,712	\$50,381,235	\$216,523	\$(270,232)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Outreach and Sales Division's baseline budget decreased by \$270,232 compared to the approved budget for FY 2025-26.

The Outreach and Sales Division's authorized staffing levels remain unchanged at 68 positions from the prior fiscal year. Personnel expenditures increased by \$433,452,

reflecting the combined effect of the deferred 3.0% general salary increase, scheduled merit salary increases, and other adjustments.

Other operating expenditures decreased by \$1.3 million, reflecting a net effect of both increases and reductions in costs. Specifically, expenses increased for the Agent Service Center by \$198,000, for CCSB Financial Management Operations by \$120,000, and for Pinnacle Sales and Marketing by \$492,000. However, these increases were offset by cost reductions in several areas: VML advertising decreased by \$130,000, the Navigator Program by \$1,325,000, ground efforts by \$350,000, interagency agreements with the California Department of Insurance and the State Controller's Office by \$34,000, and Print Store costs by \$250,000. Additionally, there was a \$46,000 reduction in general expenses related to travel and training.

Shared expenditures (Pro Rata, Supplemental Pension, and Department of General Services (DGS)) allocated to the Outreach and Sales Division have increased by \$621,317, bringing the baseline total to \$2.8 million.

FY 2026-27 Approved Budget Adjustments

Funding for the Outreach and Sales Division increased by \$216,523 above the baseline for FY 2026-27. Other Operating expenditures increased by \$255,725. Of this funding, \$180,725 will be used to support increased costs for its enrollment and billing system. In addition, an increase of \$75,000 will be used for technology to integrate connectivity with benefit platforms for CCSB's key insurance agency and general agency partners that maintain their own proprietary platforms.

The state shared expenditure allocation decreased by \$39,202, bringing the approved FY 2026-27 budget total to \$2.7 million.

Key Objectives for FY 2026-27

The Outreach and Sales Division will focus on the following core areas in the FY 2026-27 budget:

- Strengthen active outreach, communications, and education programs to more than 15,000 certified enrollers who provide personalized enrollment assistance to hundreds of thousands of Californians who seek their guidance each year as crucial connectors to coverage. Focus areas will include improving renewal and retention strategies, preparation for the implementation of federal changes, and continuing to empower users with self-service capabilities in the Enroller Portal.
- Ensure that our Navigator partners are equipped with the necessary tools and resources to conduct effective outreach, education, enrollment assistance, and post-enrollment services to Californians. The Navigator program will continue to deepen Covered California's reach into the underserved and underrepresented populations to broaden healthcare coverage accessibility, enhance health literacy, and nurture a community of well-informed and empowered healthcare consumers.

- Engage Californians through robust community interactions and outreach by fostering strong community connections, utilizing certified sales partners to reach out to Californians, and building relationships with local organizations, community leaders, and health advocates, to extend our outreach and increase the accessibility and understanding of health coverage options.
- Leverage the feedback from the Marketing, Outreach, and Enrollment Assistance Advisory Group for the 2025-2027 term to shape enrollment outreach strategies.
- Enforce and enhance consumer protection and program integrity practices to ensure that enrollment channel partners adhere to contract requirements.
- Further enhance Covered California for Small Business's enrollment and eligibility platform and processes. The improved capability will more efficiently and accurately onboard employer groups, employees, and covered dependents and increase the number of Californians who can access affordable and comprehensive health coverage. Covered California for Small Business will continue to support efforts to connect small business owners and their employees to affordable coverage, either in the small business or individual market.
- Covered California for Small Business will continue to support programs that further strengthen our relationship with enrollment channel partners in the small group insurance market.

Communications and Public Relations Division

Budget Unit Description

The Communications and Public Relations Division oversees a broad range of communications and public relations activities and campaigns. It provides creative services in video and graphic design and manages the content, as well as the user experience (UX) and user interface (UI) design strategies for CoveredCA.com, the organization's consumer-facing website.

The division aims to secure media coverage from national, state, and local outlets to raise awareness of Covered California and increase enrollment. It designs and implements annual statewide open enrollment campaigns and special-enrollment period media campaigns. Additionally, the division supports executive communications, crisis communications, and the writing and design of publications, briefs, and employee newsletters.

The approved budget for the fiscal year 2026-27 totals \$8.8 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	22	22	22	0	0
Personnel Expenditures	\$3,262,194	\$2,955,887	\$2,955,887	\$-	\$(306,307)
Other Operating Expenditures	\$4,390,000	\$4,152,500	\$5,352,500	\$1,200,000	\$(237,500)
Subtotal	\$7,652,194	\$7,108,387	\$8,308,387	\$1,200,000	\$(543,807)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$341,664	\$416,838	\$476,784	\$59,946	\$75,174
Total Operating Expenditures	\$7,993,858	\$7,525,225	\$8,785,172	\$1,259,946	\$(468,633)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Communications and Public Relations Division's baseline budget decreased by \$468,633 compared to the approved budget for FY 2025-26.

Communications and Public Relations Division's authorized staffing levels remain unchanged at 22 positions from the prior fiscal year. Personnel expenditures decreased by \$306,307, reflecting the combined effect of the deferred 3.0% general salary increase, scheduled merit salary increases and other adjustments.⁵

Other operating expenditures decreased by \$237,500. This decrease reflected the net impact of various line item increases and reductions. Travel costs rose by \$30,000; however, this increase was offset by a \$20,000 reduction in video equipment expenses, an \$87,500 decrease in costs for the communications public relations firm, a \$150,000 cut in expenses for the "Back to Basics" program, and a \$10,000 reduction in general expenses.

State shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the Communications and Public Relations Division increased by \$75,174, bringing the baseline total to \$416,838.

FY 2026-27 Approved Budget Adjustments

Funding for the Communications and Public Relations Division has increased by \$1.3 million above the baseline.

Other operating expenditures were increased by \$1.2 million to raise the budgeted funding for Covered California's Public Relations Firm, Allison & Partners LLC, up to the contracted amount. This will enable Covered California to address the changing media landscape, evolving consumer expectations, and to reach deeper into communities and regions. It will also help us respond to federal healthcare policy changes. This investment will support essential communications activities, including proactive media relations, consumer education campaigns, and planning for several significant federal policy changes regarding eligibility and a shorter open enrollment period.

The state shared expenditure allocation increased by \$59,946 for FY 2026-27, bringing the FY 2026-27 approved budget total to \$476,784.

⁵ The Communications and Public Relations Division has two exempt positions. The Director, Communications & Public Relations with a monthly salary in FY 2026-27 of \$19,247 and the Deputy Director, Communications & Public Relations with a monthly salary in FY 2026-27 of \$13,152. This information is reported in compliance with Government Code 100503, Section 2(A).

Key Objectives for FY 2026-27

Communications and Public Relations will focus on the following core areas in FY 2026-27:

- Enhance the way we share innovative work Covered California is doing by improving internal and external information sharing. Leverage relationships with reporters, producers, content creators, and other influencers to promote Covered California, broaden and deepen our reach to consumers, media, health leaders, and policymakers, both in California and nationally.
- Develop communications strategies and approaches to ensure consumers are aware of federal health care policy changes, including a shortened open enrollment period, and empowered with information and support to ensure they can access, enroll, and take advantage of the benefits of health care coverage that fits their needs and budget.
- Expand and improve our ability to reach and engage historically marginalized communities by developing multilingual, multicultural educational resources and culturally and linguistically relevant messaging and approaches.
- In partnership with other external-facing divisions like Marketing, External Affairs and Community Engagement, and Outreach and Sales, continue efforts towards developing more modernized, holistic, integrated communications strategies and approaches that reflect a shifting media environment and evolving consumer media consumption habits and behaviors, with a specific focus on the consumer journey.
- Using data-driven insights, we aim to enhance how we share information, resources, and best practices with consumers, stakeholders, and partners. We will design and build a new CoveredCA.com website, along with an organizational website, focusing on improvements in content, design, and layout. Our goal is to ensure that consumers have access to critical information in multiple languages and provide seamless pathways to resources and assistance with applying for health care coverage.

Program Integrity Division

Budget Unit Description

The Program Integrity Division plays a crucial role in ensuring the accuracy and alignment of enrollment data between Covered California and carrier systems. It also conducts testing and performance reviews of the CalHEERS system. This division helps manage risks across the organization, conducts internal and external audits, and supervises activities to detect fraud, waste, and abuse. By independently reviewing key business areas, it promotes compliance, accountability, effectiveness, and efficiency within Covered California's operations. The approved budget for the fiscal year 2026-2027 is \$10.9 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	64	64	64	0	0
Personnel Expenditures	\$9,486,690	\$9,025,380	\$9,025,380	\$-	\$(461,310)
Other Operating Expenditures	\$1,428,000	\$1,253,000	\$1,253,000	\$-	\$(175,000)
Subtotal	\$10,914,690	\$10,278,380	\$10,278,380	\$-	\$(636,310)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$496,222	\$611,499	\$599,858	\$(11,641)	\$115,278
Total Operating Expenditures	\$11,410,912	\$10,889,879	\$10,878,238	\$(11,641)	\$(521,032)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Program Integrity Division's baseline budget decreased by \$521,032 compared to the approved budget for FY 2025-26.

Program Integrity Division's authorized staffing levels remain unchanged at 64 positions from the prior fiscal year. Personnel expenditures decreased by \$461,310, reflecting the combined effect of the deferred 3.0% general salary increase, scheduled merit salary increases, and other adjustments.

Other operating expenditures decreased by \$175,000, which reflects reductions across several activities. This reduction includes a \$100,000 decrease in Programmatic Audits, a \$25,000 decrease in IFM Predictive Analytics, and a \$10,000 decrease in Logic Manager. Additionally, there was a \$30,000 reduction in general expenses and training costs.

State shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the Program Integrity Division have increased by \$115,278 for a baseline total of \$611,499.

FY 2026-27 Approved Budget Adjustments

The state shared expenditure allocation decreased by \$11,641, bringing the approved FY 2026-27 budget total to \$599,858.

Key Objectives for FY 2026-27

The Program Integrity Division will focus on the following core areas in FY 2026-27:

- Improve the accuracy of consumer information in CalHEERS and carrier systems to ensure efficient program operations, while maintaining trust with consumers and carriers.
- Optimize CalHEERS review processes to strengthen system performance, boost operational effectiveness, and improve the user experience.
- Enhance processes for detecting and addressing fraud, waste, and abuse to safeguard resources and uphold organizational credibility.
- Strengthen risk management processes to consistently address challenges and guide effective actions across the organization.
- Conduct independent audits and advisory engagements that bring value to the organization by providing objective assurance, actionable recommendations, and critical insights that improve operations and ensure compliance.
- Advance diversity, equity, and inclusion into the division's culture and operations to cultivate a positive and meaningful workplace.

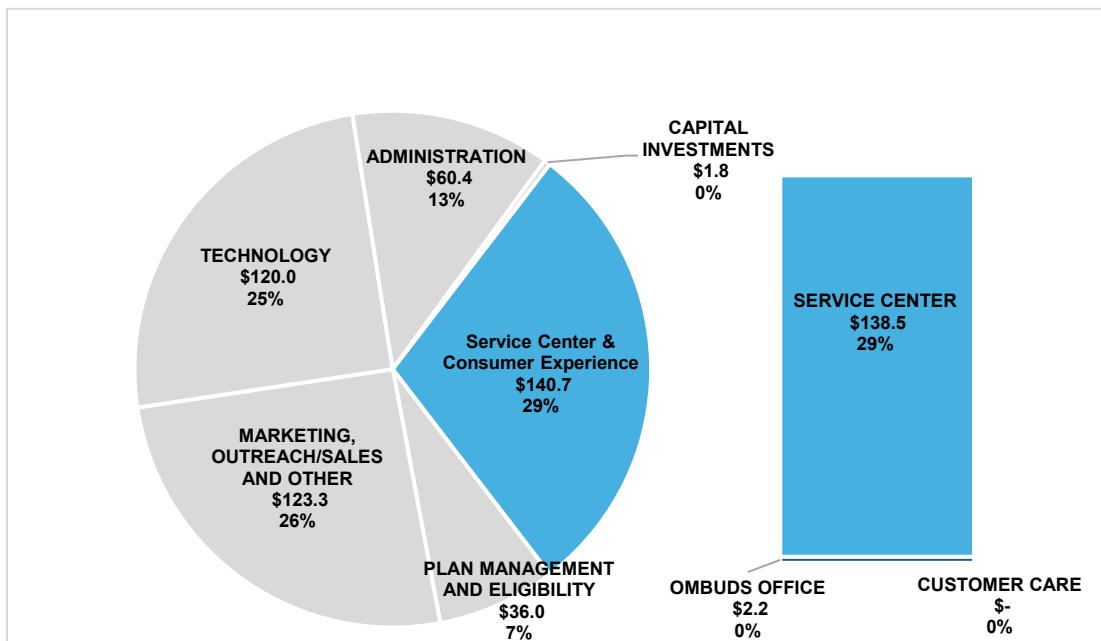
Service Center and Consumer Experience

Service Center and Consumer Experience functional area include the following divisions: Service Center and the Ombuds Office. The approved budget for FY 2026-27 totals \$140.7 million.

Service Center and Consumer Experience: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	819	811	811	0	-8
Personnel Expenditures	\$89,146,441	\$88,457,542	\$88,457,542	\$-	\$(688,900)
Other Operating Expenditures	\$46,319,811	\$43,819,811	\$44,498,951	\$679,140	\$(2,500,000)
Subtotal	\$135,466,252	\$132,277,353	\$132,956,493	\$679,140	\$(3,188,900)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$6,165,513	\$7,866,229	\$7,754,894	\$(111,335)	\$1,700,716
Total Operating Expenditures	\$141,631,765	\$140,143,581	\$140,711,386	\$567,805	\$(1,488,183)

Service Center and Consumer Experience FY 2026-27 Expenditure Budget: \$140.7 (Dollars in Millions)



Service Center

Budget Unit Description

The Service Center provides comprehensive pre- and post-enrollment education and support to Covered California consumers by responding to consumer inquiries, enrolling consumers in health plans, and promptly resolving challenges that prevent them from receiving health and dental benefits. These efforts ensure consumers receive the right care at the right time at an affordable price, retain coverage, and are satisfied with Covered California products and services. The Service Center consists of the following office operational branches:

1. Sacramento Contact Center Operations Branch
2. Fresno Contact Center Operations Branch
3. Internal Compliance and Support Branch
4. Consumer Relations and Resolution Branch
5. Resource Planning and Management Branch
6. Strategic Innovation and Implementation Branch

The approved budget for FY 2026-27 totals \$138.5 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Difference Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
	Approved Budget	Baseline Budget	Approved Budget		
Positions	805	797	797	0	-8
Personnel Expenditures	\$86,962,190	\$86,415,473	\$86,415,473	\$-	\$(546,717)
Other Operating Expenditures	<u>\$46,285,811</u>	<u>\$43,785,811</u>	<u>\$44,464,951</u>	<u>\$679,140</u>	<u>\$(2,500,000)</u>
Subtotal	\$133,248,001	\$130,201,284	\$130,880,424	\$679,140	\$(3,046,717)
Allocated Expenditures					
Prorata/Supp. Pension/Other	<u>\$6,064,392</u>	<u>\$7,742,423</u>	<u>\$7,633,440</u>	<u>\$(108,984)</u>	<u>\$1,678,031</u>
Total Operating Expenditures	<u>\$139,312,393</u>	<u>\$137,943,708</u>	<u>\$138,513,864</u>	<u>\$570,156</u>	<u>\$(1,368,686)</u>

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Service Center Division's baseline budget decreased by \$1.4 million compared to the approved budget for FY 2025-26.

Service Center's authorized staffing levels decreased by 8 positions, bringing the total to 797 positions compared to the prior fiscal year. These positions were reallocated to establish the Data and Insights Division. Personnel expenditures decreased by \$546,717, reflecting the combined effect of the deferred 3.0% general salary increase, scheduled merit salary increases and other adjustments.⁶

Other operating expenditures decreased by \$2.5 million, reflecting reductions across various activities. This decrease includes a \$1.87 million reduction in contracted services from TTEC, a \$550,000 reduction from Language Line, and an \$80,000 reduction in general expenses and training costs.

Shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the Service Center Division have increased by \$1.7 for a baseline total of \$7.7 million.

FY 2026-27 Approved Budget Adjustments

Funding for the Service Center has increased by \$570,156 above the baseline amount. Other Operating Expenditures increased by \$679,140. This additional funding will help manage a higher volume of appeals through an ongoing contract with the Department of Social Services. This agency acts as the designated appeals entity for Covered California and handles all eligibility appeals for both subsidized and non-subsidized individual market programs.

The state shared expenditure allocation decreased by \$108,984, bringing the approved FY 2026-27 budget total to \$7.6 million.

Key Objectives for FY 2026-27 Budget

The Service Center Division will continue its core focus on effectively responding to as many consumer inquiries as possible by leveraging all available planning tools and resources. Through February 2026 in FY 2025-26, the Service Center provided personal assistance over 1.5 million times to consumers. There were over 1 million additional occasions of consumers being served through responses provided by the Integrated Voice Response automated response system that addresses consumers' issues with recorded messages.

For FY 2025-26, consumers registered a very high level of satisfaction in the services provided, stating they were satisfied over 95% of the time. The Service Center's goal is to maintain the rate at which consumers who complete calls are "very satisfied" at or above the 85% mark in the coming year. Additional key deliverables for the upcoming FY 2026-27 are:

⁶ The Service Center Division Director is an exempt position. It will have a monthly salary in FY 2026-27 of \$19,300. This information is reported in compliance with Government Code 100503, Section 2(A).

- **Open-Enrollment Support:** The Service Center anticipates nearly 500 thousand consumer contacts during open enrollment through inbound calls, outbound enrollment campaigns, and live chat interactions. The forecast is projected to be lower than FY 2025-26 volumes due to a shortened Open Enrollment period. The division's goal is to meet key performance objectives, improve the consumer experience, and enable more consumers to access affordable care. In the very high call volume period of open enrollment, Covered California has always "staffed up" and, at the same time, recognized that it is not possible to meet daily service goals in a fiscally sound manner. With the surge in staffing capacity, the Service Center anticipates providing prompt assistance to our consumers.
- **Special-Enrollment Support:** Early projections anticipate over 1.7 million consumer contacts during the special-enrollment period, which is forecasted to be comparable to FY 2025-26 volumes. Funding should allow the Service Center to have resources where most needed to effectively handle consumer contacts while maintaining a reasonable abandonment rate. There remains a degree of uncertainty in planning for the coming year, including the unknown impact related to Marketplace Rule changes.
- **Ancillary Service Center Functions:** In addition to inbound phone and live chat support, the Service Center is responsible for the processing of enrollment verification documents, Licensed Insurance Agent call center overflow support, appeals, escalations, large-scale complex enrollment related projects, processing of State exemptions, and subsidy tax disputes. The funding for additional inbound phone and live chat allows the Service Center to repurpose existing staff to support these ancillary programs during critical periods.
- **Service Center Support Functions:** The Service Center also provides support to the consumer-facing branches, focusing on efficiencies, quality, and improving consumer and staff experiences. This is achieved through vendor management, Information Technology enhancement projects, evaluating consumer-facing workloads to identify trends, best practices, administrative support, staffing, and scheduling in an efficient, cost-effective manner while ensuring the Service Center meets consumer demand and provides exceptional quality service.

Ombuds Office

Budget Unit Description

The Ombuds Office is made up of two units. The Ombuds Affairs Unit offers consumers an objective, unbiased, and accessible resource when other resolution or customer service options have been exhausted. The Appeals Fulfillment Unit acts as an independent resource to implement decisions made by Administrative Law Judges in eligibility-determination appeal cases. Together, these units identify systemic challenges and promote solutions to prevent recurring issues, thereby enhancing the experience for Covered California consumers. The approved budget for FY 2026-27 is \$2.2 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	14	14	14	0	0
Personnel Expenditures	\$2,184,251	\$2,042,068	\$2,042,068	\$-	\$(142,183)
Other Operating Expenditures	\$34,000	\$34,000	\$34,000	\$-	\$-
Subtotal	\$2,218,251	\$2,076,068	\$2,076,068	\$-	\$(142,183)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$101,120	\$123,805	\$121,454	\$(2,351)	\$22,685
Total Operating Expenditures	\$2,319,371	\$2,199,874	\$2,197,522	\$(2,351)	\$(119,498)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Ombuds Office's baseline budget decreased by \$119,498 compared to the approved budget for FY 2025-26.

The Ombuds Office's authorized staffing levels remain unchanged at 14 positions from the prior fiscal year. Personnel expenditures decreased by \$142,183, reflecting the combined effect of the deferred 3.0% general salary increase, scheduled merit salary increases, and other adjustments ⁷.

Other operating expenditures were unchanged at \$34,000.

State shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the Ombuds Division increased by \$22,685 for a baseline total of \$123,805.

⁷ The Ombud's Office Director is an exempt position. It will have a monthly salary in FY 2026-27 of \$15,719. This information is reported in compliance with Government Code 100503, Section 2(A).

FY 2026-27 Approved Budget Adjustments

The state shared expenditure allocation decreased by \$2,351, bringing the FY 2026-27 approved budget total to \$121,454.

Key Objectives for FY 2026-27

The Ombuds Office will focus on the following core areas in FY 2026-27:

- Conclude the pilot informal root cause analysis process by finalizing policies and procedures, defining key subject matter areas, and identifying data sets to review potential systemic issues.
- Provide independent and objective insights to the organization by analyzing data collected from consumers and the appeals implementation process.
- Continue to build a seamless consumer support system by strengthening relationships and coordination with internal and external consumer resources.
- Build a culture that fosters growth and development by implementing innovative approaches to completing operational functions and supporting staff effectiveness.

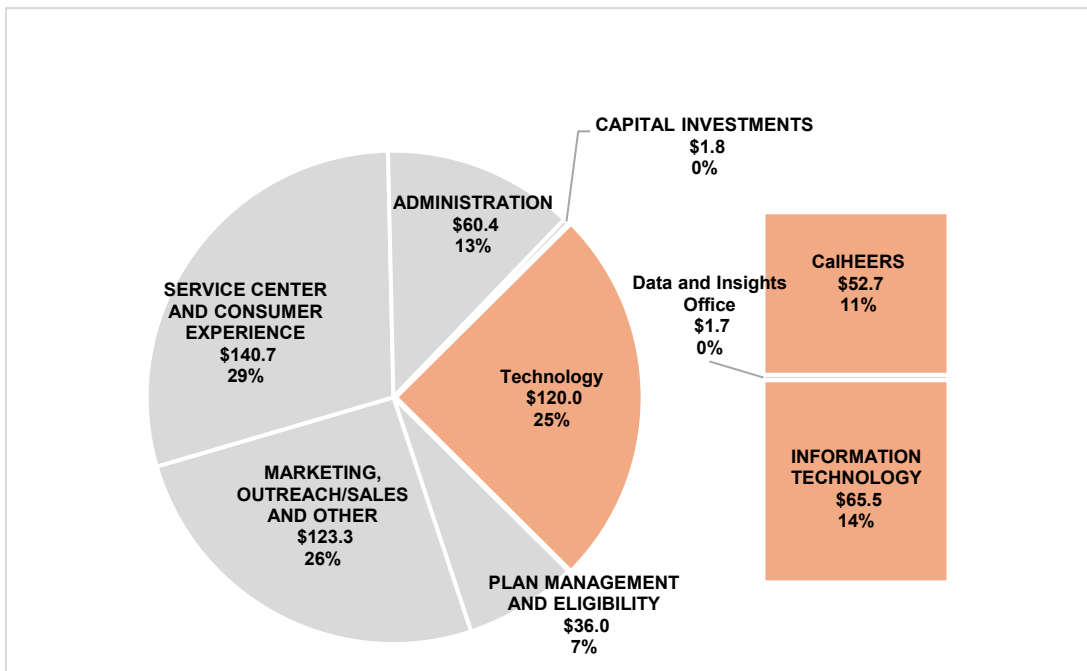
Technology

The Technology functional area includes the Information Technology (IT) Division and the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) consumer enrollment system. The FY 2026-27 approved budget totals \$120 million.

Technology: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	114	124	124	0	10
Personnel Expenditures	\$22,569,634	\$23,000,673	\$23,403,796	\$403,123	\$431,039
Other Operating Expenditures	\$100,953,418	\$92,371,273	\$92,942,903	\$571,630	\$(8,582,145)
Subtotal	\$123,523,052	\$115,371,946	\$116,346,699	\$974,753	\$(8,151,106)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$3,064,070	\$3,655,313	\$3,639,578	\$(15,735)	\$591,243
Total Operating Expenditures	\$126,587,122	\$119,027,259	\$119,986,277	\$959,018	\$(7,559,863)

Technology FY 2026-27 Expenditure Budget: \$120 Million (Dollars in Millions)



CalHEERS

Budget Unit Description

The California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) is the state's integrated platform for determining eligibility and enrollment in health coverage. It connects millions of Californians to affordable healthcare options through Medi-Cal and Covered California. CalHEERS facilitates streamlined applications, determines eligibility for subsidies, allows for plan comparison shopping, manages enrollment, and supports ongoing retention of coverage.

CalHEERS is co-sponsored by Covered California and the California Department of Health Care Services (DHCS). The California Health and Human Services Agency's Office of Technology and Solutions Integration (OTSI) provides program and contract management on behalf of the co-sponsors, including oversight of Deloitte Consulting, the system integrator responsible for CalHEERS platform development, maintenance, and operations.

Together, these partners ensure that CalHEERS remains a stable, compliant, and consumer-centered system that supports California's coverage, affordability, and health equity goals. The approved budget for FY 2026-27 totals \$52.7 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Difference Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	Approved Budget	Baseline Budget	Approved Budget		
Personnel Expenditures	\$-	0	0	0	0
Other Operating Expenditures	\$-	\$-	\$-	\$-	\$-
CDSS SAWS	\$1,750,000	\$450,000	\$450,000	\$-	\$(1,300,000)
OSI	\$52,630,168	\$52,262,523	\$52,262,523	\$-	\$(367,645)
Total Other Operating Expenditures	\$54,380,168	\$52,712,523	\$52,712,523	\$-	\$(1,667,645)
Subtotal	\$54,380,168	\$52,712,523	\$52,712,523	\$-	\$(1,667,645)
	\$-	\$-	\$-	\$-	\$-
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$-	\$-	\$-	\$-	\$-
Total Operating Expenditures	\$54,380,168	\$52,712,523	\$52,712,523	\$-	\$(1,667,645)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The CalHEERS Division's baseline budget, which includes only Other Operating Expenditures, has decreased by \$1.7 million. This change reflects a combination of both increases and decreases in various costs.

Specifically, costs increased for the following areas: OTSI change requests by \$244,375; OTSI salaries and operating expenses by \$332,271; OTSI System Integrator Services by \$576,548; and OTSI interagency and support contracts by \$3,479,161. These increases were offset by reductions in costs for CDSS-SAWS by \$1,300,000 and for System and Integrator Mail Support Services by \$5,000,000.

FY 2026-27 Approved Budget Adjustments

The CalHEERS business unit is not allocated a portion of the state shared expenditures.

Key Objectives for FY 2026-27

CalHEERS will focus on the following key initiatives in FY 2026-27:

1. **Implement federal rule changes (H.R.1) and support a successful shortened Open Enrollment.** Update eligibility, verification, and enrollment functions to comply with the 2025 Marketplace Integrity and Affordability Final Rule, including updates to lawful presence and income verification. Prepare the platform and operations for the shortened Open Enrollment Period (November 1–December 31, 2026) for Plan Year 2027 so consumers can enroll and renew coverage without disruption.
2. **Support CalHEERS System Integrator procurement and any resulting transition with minimal disruption to consumers.** Complete the competitive procurement, selection, and onboarding of the CalHEERS system integrator. If a new vendor is selected, execute a structured transition including knowledge transfer, parallel operations, and cutover planning, in partnership with DHCS and OTSI, to maintain system performance, protect data, and avoid service interruptions for consumers, assisters, and plans.
3. **Strengthen CalHEERS governance and operations across sponsors and partners.** Implement recommendations from the Governance, Operational Readiness, and Efficiency Assessment (GoREA) to clarify roles and responsibilities, improve decision-making and change management processes, and strengthen financial controls and invoice review across Covered California, DHCS, and OTSI. The goal is a jointly more predictable, transparent, and efficiently managed CalHEERS roadmap.
4. **Enhance consumer experience and retention, with a focus on the shortened Open Enrollment.** Use human-centered design, A/B testing, and journey analytics to simplify the CalHEERS portal, reduce friction in key flows (apply, renew, report a change), and support consumers in completing coverage

actions. Expand Salesforce Marketing Cloud for personalized, event-triggered outreach (e.g., renewals, data matching issues, payment gaps) to improve retention and reduce coverage gaps during and after the shortened Open Enrollment.

5. **Expand intelligent document processing (IDP) to reduce manual work and speed determinations.** Extend the artificial intelligence–driven Intelligent Document Processing (IDP) solution to support more document types and scenarios, allowing consumer-uploaded documents to be validated in real time. This will reduce manual verification workload in the Service Center and shorten the time from document submission to eligibility determination.
6. **Reduce duplicate cases and improve data integrity.** In collaboration with the Policy, Eligibility, and Research Division (PERD) and other program partners, we will implement earlier detection of duplicate cases, provide clearer user warnings, and enhance account discovery within the application process. These improvements aim to reduce the creation of duplicate cases, support more accurate reporting, and decrease the administrative burden on sponsors and plans.
7. **Improve the administrative portal for Service Center staff and enrollers.** Deliver Phase 2 of the CalHEERS administrative portal redesign, building on the Phase 1 case overview enhancements (delivered April 2026). The focus will be on consolidating key case information, simplifying navigation, and improving search so Service Center staff, counties, and enrollment partners can resolve cases faster and reduce average call handle times.
8. **Expand paperless communication and reduce print and postage costs (Go Green Phases 2 and 3).** Build on Go Green Phase 1 digital communication defaults by extending paperless options to Authorized Representatives, automating returned mail handling via the USPS National Change of Address (NCOA) service, and suppressing physical mail for clearly invalid addresses. These enhancements will maintain compliance with notice requirements while lowering ongoing printing and postage costs for Covered California and the State.
9. **Improve Medi-Cal to Covered California transitions through facilitated enrollment.** Enhance SB 260 portal experiences and implement facilitated plan selection for consumers denied Medi-Cal but eligible for marketplace coverage. This work aims to reduce churn and gaps in coverage by making transitions from Medi-Cal to Covered California simpler, more automatic, and easier to complete in a single session.
10. **Continue enhancing integrated eligibility, enrollment, and retention.** Maintain CalHEERS as an easy-to-navigate, integrated solution that adapts quickly to policy changes and sponsor priorities. Deliver consumer-centric features that support accurate, timely eligibility determinations and renewals, enabling access to affordable, high-quality healthcare for millions of Californians.

11. **Optimize Service Center operations and staff experience.** Enhance Service Center call handling and telephony integration, and advance the Service Center innovation roadmap (e.g., improved scripting, task automation, and better visibility into consumer history). These efforts will help reduce handle times, improve first-contact resolution, and support a better experience for both consumers and frontline staff.
12. **Enable primary care provider (PCP) selection within the CalHEERS portal.** Build on the Integrated Healthcare Association (IHA) provider directory foundation to add more meaningful data fields (e.g., accepting new patients, languages, location details) and enable consumers to search for and select a preferred primary care provider (PCP) during enrollment and renewal. This will support continuity of care, better consumer choice, and stronger alignment with DHCS and Covered California quality and equity goals.

Information Technology Division

Budget Unit Description

The Information Technology Division (ITD) serves as Covered California's partner in technology, applied innovation, and information security. ITD is responsible for acquiring, designing, developing, maintaining, and supporting the systems and tools that facilitate eligibility determination, consumer plan shopping and enrollment, retention, and daily operations across the entire organization.

- Operating and enhancing the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), which supports millions of Medi-Cal and Covered California consumers.
- Delivering technology solutions that execute the enterprise strategic plan, modernize business processes, and support applied innovation.
- Providing program and project management services that ensure major initiatives are delivered on time, within budget, and aligned with business priorities.

ITD also leads enterprise technology strategy, governance, and financial stewardship, including IT budget development, consumption modeling, and spend optimization, so that technology investments are transparent, prioritized, and tied to measurable business outcomes.

The division's Enterprise Architecture function aligns technology and data roadmaps with business strategy and security requirements, helping Covered California modernize platforms, reduce technical debt, and manage costs and risks across systems and channels.

ITD delivers services focusing on Technology Strategy and Portfolio Management, Technology Operations and Service Delivery, Employee Experience, Consumer Experience, Data Management and Engineering, and the Information Security Office, working together to provide reliable, secure, and consumer-centered technology services for Covered California staff, partners, and consumers. The approved budget for FY 2026-27 totals \$65.5 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	114	116	116	0	2
Personnel Expenditures	\$22,569,634	\$22,225,282	\$22,326,272	\$100,990	\$(344,352)
Other Operating Expenditures	\$46,573,250	\$39,658,750	\$39,658,750	\$-	\$(6,914,500)
Subtotal	\$69,142,884	\$61,884,032	\$61,985,022	\$100,990	\$(7,258,852)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$3,064,070	\$3,608,317	\$3,543,950	\$(64,368)	\$544,248
Total Operating Expenditures	\$72,206,954	\$65,492,349	\$65,528,971	\$36,622	\$(6,714,605)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Information Technology Division's baseline budget decreased by \$6.7 million compared to the approved budget for FY 2025-26.

Baseline personnel expenditures decreased by \$344,352 reflecting the combined effect of the deferred 3.0% general salary increase, retiree cash out of accrued vacation, scheduled merit salary increases and other adjustments⁸.

Other operating expenses decreased by \$6.9 million, reflecting a combination of both increases and reductions. Costs rose by \$540,000 for endpoint hardware and management, and by \$220,000 for Desktop Application Development and PCAP Business Analyst Services. However, these increases were more than offset by various reductions in services, including data management, licensing, network support, project management consulting services, and memberships, totaling \$7.7 million.

Shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the Information Technology Division increased by \$544,248, bringing the baseline total to \$3.6 million.

FY 2026-27 Approved Budget Adjustments

Funding for the Information Technology Division has increased by \$36,662 above the baseline amount.

One position is dedicated to supporting the Data and Insights Office and reclassified. The additional \$100,990 in personnel expenditures relates to reclassifying a lower-paying classification to a higher-paying classification.

⁸ The Chief Technology Officer is an exempt position. It will have a monthly salary in FY 2026-27 of \$28,344. This information is reported in compliance with Government Code 100503, Section 2(A).

The state shared expenditure allocation decreased by \$64,368, bringing the FY 2026-27 approved budget total to \$3.5 million.

Key Objectives for FY 2026-27

In FY 2026–27, the Information Technology Division will focus on initiatives that directly support affordability, coverage, retention, consumer experience, operational efficiency, and security, including:

1. Enterprise-Wide Information Security and Risk Management

Strengthen Covered California's brand, consumer trust, and regulatory compliance by operating a comprehensive security and risk program that:

- Reduces the likelihood and impact of cyber incidents.
- Improves continuous monitoring and third-party risk management.
- Enhances identity and access governance, data loss prevention, and incident response.

2. Hybrid Work and Digital Workplace Solutions

Enable a productive, secure, and equitable hybrid workforce by providing modern devices, collaboration tools, AV/meeting solutions, and network services that:

- Reduce downtime and support smooth collaboration across locations.
- Improve staff engagement, responsiveness, and service quality to consumers and partners.

3. Consumer, Assister/Agent, and Employee Experience

Improve consumer satisfaction, enrollment/retention, and staff effectiveness by:

- Creating a more unified view of consumer interactions across web, contact center, and assisted channels.
- Applying human-centered design to simplify key journeys and reduce friction.
- Enhancing tools and workflows that support assisters, agents, and employees.

4. Data Strategy, Governance, and Platform Modernization

Support evidence-based decisions and policy agility by:

- Strengthening data governance and data literacy so teams can trust and use data consistently.
- Modernizing data platforms (e.g., modern integration patterns, migration off legacy databases, improved public data publishing) to provide secure, scalable analytics capabilities for operations, outreach, and policy.

5. Enterprise Architecture and Technology Roadmaps

Ensure technology roadmaps and investments directly support enterprise strategy by maturing Enterprise Architecture to:

- Define and maintain standards and roadmaps across systems and data.

- Guide modernization decisions that improve effectiveness, agility, security, and long-term value.
6. **Business Relationship Office, Governance, and Portfolio Management**
Position IT as a trusted, outcome-driven partner by standing up the Business Relationship Management (BRM) Office to:
- Manage IT brand and communications, demand forecasting, capacity planning, contracts, and financials.
 - Begin to apply a product mindset and standardize business engagement and portfolio governance (BRM, project intake, and early OKR/KPI practices) so technology work is transparent, prioritized, and visibly tied to business outcomes.
7. **CalHEERS Oversight and Modernization**
Maintain stable, compliant operations of CalHEERS while advancing targeted modernization to:
- Support intelligent document verification, remote identity proofing, provider directory, and Service Center call handling improvements that reduce manual work and improve consumer experience.
 - Strengthen system integrator procurement, governance, and invoice review processes—working closely with OTSI, DHCS, and other sponsors to optimize cost, quality, and risk management.
8. **CoveredCA.com Website Redesign and Content Management Modernization**
In support of Enterprise Strategy Initiative 4.1.2, partner with Communications and Public Relations to:
- Redesign CoveredCA.com into a modern, multilingual, consumer-centered experience that helps Californians understand their coverage options and connect with enrollment assistance.
 - Implement an enterprise content management system that allows staff to quickly publish and update content, ensuring the site can support the first shortened Open Enrollment Period in fall 2026 with timely, accurate information.
9. **IT Workforce Journey, Leadership, and DEI**
Build a high-performing, inclusive IT workforce by:
- Promoting Diversity, Equity, and Inclusion (DEI) within ITD and across Covered California.
 - Beginning to standardize the IT Workforce Journey (onboarding, performance management, development, and people processes) and launching a

continuous leadership and management development program that strengthens engagement, retention, and leadership capability.

10. Innovation, Generative AI, and Human-Centered Design

Use innovation and AI to free capacity and enhance experiences by:

- Expanding the responsible use of generative AI and other innovative technologies to reduce manual work and support staff creativity.
- Applying human-centered design, A/B testing, and journey analytics so improvements are prioritized, piloted, and validated based on measurable impact for consumers and employees.

11. Cloud, Automation, and Proactive Service Delivery

Improve reliability, scalability, and customer satisfaction by:

- Accelerating the transition to cloud-based solutions and automation.
- Strengthening proactive, self-service-oriented support models that anticipate needs and reduce time-to-resolution for staff and consumers.

12. Service Center, HR, and Enterprise Business Partnerships

Deepen partnerships with the Service Center, Human Resources, Finance, Administrative Services, and other divisions to:

- Cost-effectively enhance key platforms (e.g., Amazon Connect, Salesforce, Workday, contract lifecycle management, workflow automation).
- Ensure technology roadmaps and investments are aligned with enterprise strategies, budget constraints, and FY 2026–27 program priorities, improving both outcomes and stewardship.

13. ITD Business Plan and Strategic Planning Dashboard

Improve ITD visibility, accountability, and decision-making by:

- Maintaining a comprehensive IT Business Plan and an interactive dashboard that unifies CIO goals, IT initiatives, and deliverables into a single planning and reporting platform.
- Providing real-time insight into initiative status, resource allocation, milestone progress, quarterly commitments, and backlog prioritization so leaders can identify risks early and make data-driven tradeoffs.
- Streamlining reporting to executive leadership, the Board, and cross-divisional stakeholders while keeping all staff informed and engaged in ITD's strategic direction.

14. Employee Engagement and Belonging Action Plan

Strengthen organizational health and performance by:

- Continuing to execute and evolve the IT-wide Employee Engagement and Belonging Action Plan, informed by survey results, leadership listening sessions, and confidential feedback channels.

- Focusing on measurable improvements in psychological safety, trust, communication, supervisor effectiveness, and recognition.
- Partnering with the Office of Culture, Inclusion, and Engagement to deliver targeted workshops and track progress so staff see visible follow-through on their feedback and feel connected to ITD's mission.

Data and Insights Office

Budget Unit Description

The Data and Insights Office is a new division that will design and implement Covered California's enterprise data strategy and governance capabilities. In its initial phase, the division will define its operating model and roadmap, onboard staff, establish governance councils and action committees, set core enterprise data metrics, and begin delivering solutions that enhance data-driven decision-making across Covered California. The approved budget for FY 2026-27 totals \$1.7 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Difference Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
	Approved Budget	Baseline Budget	Approved Budget		
Positions	0	8	8	0	8
Personnel Expenditures	\$-	\$775,391	\$1,077,524	\$302,133	\$775,391
Other Operating Expenditures	\$-	\$-	\$571,630	\$571,630	\$-
Subtotal	\$-	\$775,391	\$1,649,154	\$873,763	\$775,391
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$-	\$46,995	\$95,628	\$48,633	\$46,995
Total Operating Expenditures	\$-	\$822,387	\$1,744,782	\$922,395	\$822,387

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Data and Insights Office's FY 2026-27 baseline budget is \$822,387. Eight authorized positions are established with positions redirected from Service Center.

Baseline state shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the Data and Insights Office total \$46,995.

FY 2026-27 Approved Budget Adjustments

Funding for the Data and Insights Office increased by \$922,395 above the FY 2026-27 baseline, reflecting a total approved budget of \$1.7 million. Personnel expenditures increased by \$302,133, totaling \$1.1 million. This additional funding will support the reclassification of the 8 positions redirected from Service Center to stand up the core staffing needs in the Data and Insights Office.

Other Operating expenditures in the approved budget totaled \$571,630, allowing the new division to provide equipment, software, and a virtual machine in support of the technical environment needed. In addition, other operating expenses include travel support, conference expenses, basic licenses, and subscriptions.

The state shared expenditure allocation increased by \$48,633, bringing the FY 2026-27 approved budget total to \$95,628.

Key Objectives for FY 2026-27

The Data and Insights Office will focus on the following key initiatives in FY 2026-27:

- Define the division's operating model and roadmap.
- Establish an enterprise data governance council and action committees.
- Design the organization structure and recruit initial division staff.
- Identify and implement a core set of enterprise key metrics and dashboards.
- Launch priority data use cases that demonstrate value and inform decisions.
- Lead the implementation of organizational data strategies to foster data literacy and deploy insight-based decision support processes.

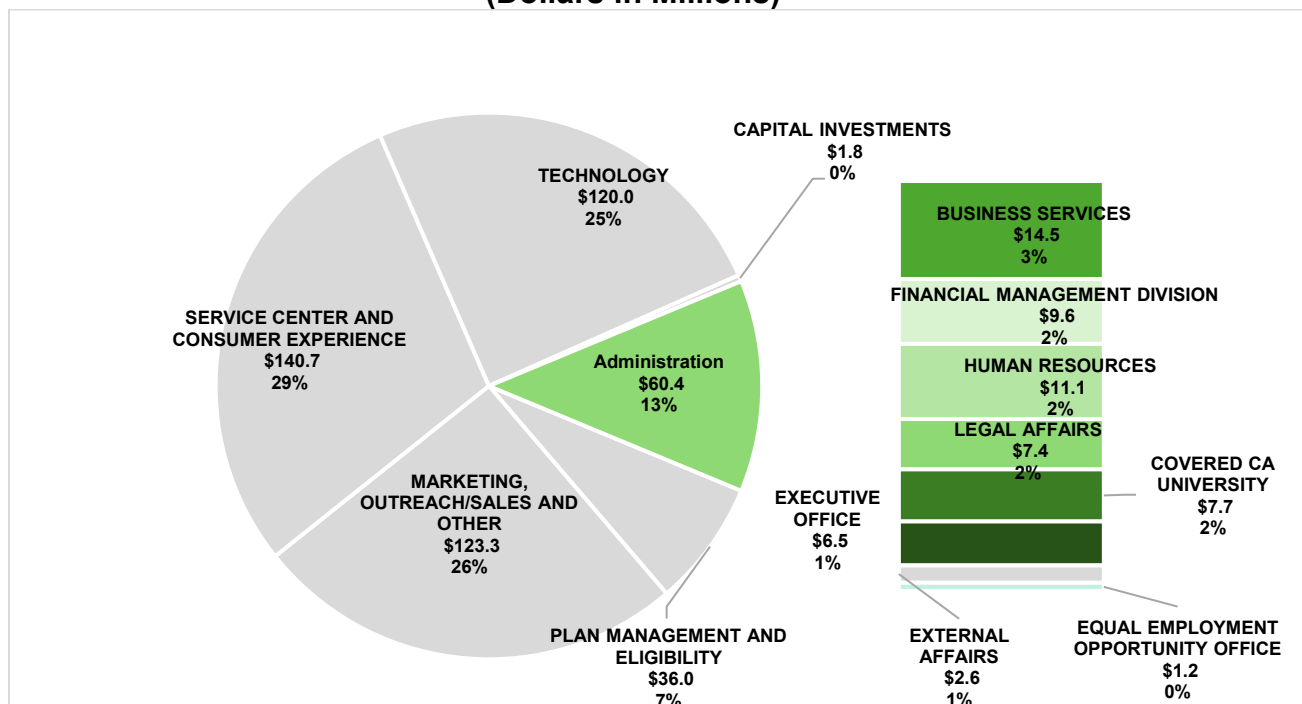
Administration

The Administration functional area includes the following program areas: the Business Services Branch, the Financial Management Division, the Human Resources Branch, the Office of Legal Affairs, Covered California University, External Affairs and Community Engagement, the Executive Office, and the Equal Employment Opportunity Office. The approved budget for FY 2026-27 is \$60.4 million.

Administration: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference Between FY 2026- 27 Baseline and Approved FY 2026- 27 Budget	Difference Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
	Approved Budget	Baseline Budget	Approved Budget		
Positions	253	251	251	0	-2
Personnel Expenditures	\$42,922,455	\$43,213,748	\$43,213,748	\$-	\$291,293
Other Operating Expenditures	\$15,638,898	\$13,330,885	\$13,920,885	\$590,000	\$(2,308,013)
Subtotal	\$58,561,353	\$56,544,633	\$57,134,633	\$590,000	\$(2,016,720)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$2,637,782	\$3,336,505	\$3,305,895	\$(30,611)	\$698,724
Total Operating Expenditures	\$61,199,135	\$59,881,138	\$60,440,527	\$559,389	\$(1,317,997)

Administration FY 2026-27 Expenditure Budget: \$60.4 (Dollars in Millions)



Business Services Branch

Budget Unit Description

The Business Services Branch is responsible for providing guidance and consultation on contract and purchasing services; carrying out health, safety, and wellness services; providing central support functions for administrative programs enterprise-wide; ensuring facilities are well maintained and secure; and managing our physical resources through facilities operations. The approved budget for FY 2026-27 totals \$14.5 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Difference Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
	Approved Budget	Baseline Budget	Approved Budget		
Positions	43	43	43	0	0
Personnel Expenditures	\$6,265,181	\$6,094,774	\$6,094,774	\$-	\$(170,407)
Other Operating Expenditures	\$7,844,448	\$7,572,434	\$7,572,434	\$-	\$(272,014)
Subtotal	\$14,109,629	\$13,667,208	\$13,667,208	\$-	\$(442,421)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$630,647	\$801,640	\$786,161	\$(15,480)	\$170,993
Total Operating Expenditures	\$14,740,276	\$14,468,849	\$14,453,369	\$(15,480)	\$(271,427)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Business Services Branch baseline budget decreased by \$271,427 compared to the approved budget for FY 2025-26.

Business Services Branch's authorized staffing levels remain unchanged at 43 positions from the prior FY. Personnel expenditures decreased by \$170,407, reflecting the combined effect of the removal of the deferred 3.0% general salary increase, scheduled merit salary increases and other adjustments.

Other Operating Expenditures decreased by \$272,014, reflecting the net of increases and reductions. Costs increased for facility leases by \$183,986. These increases were offset by the reduction of costs for miscellaneous tenant improvements by \$54,000, copy machine services by \$55,000, health and safety services by \$25,000, student assistant costs of \$30,000, architectural services of \$75,000, office furniture of \$155,000, along with a \$62,000 reduction in general expense and training costs.

Baseline state shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the Business Services Branch increased by \$170,993 for a baseline total of \$801,640.

FY 2026-27 Approved Budget Adjustments

The state shared expenditure allocation decreased by \$15,480, bringing FY 2026-27 approved budget total to \$786,161.

Key Objectives for FY 2026-27

The Business Services Branch will focus on the following core areas in FY 2026-27:

- Continue the enhancement of physical worksites with dynamic workplace elements to fully support teams while working onsite. Complete “future of work” initiatives for redesigning the Expo location and evaluating tenant improvements. This is a multi-year project.
- Execute implementation strategies for achieving BSB 2026-27 milestones by monitoring, evaluating, and adjusting strategic initiatives within the plan to complete objectives and address new challenges and organizational concerns, such as:
 - Enhance contractor onboarding and separation procedures to ensure full compliance with CMS ARC-AMPE standards.
 - Revise the Covered California Administrative Manual to make it more user-friendly while ensuring alignment with current policies, procedures, and regulatory requirements.
 - Finalize and implement all required corrective actions stemming from internal audits promptly.

Financial Management Division

Budget Unit Description

The Financial Management Division is responsible for planning, implementing, and overseeing all financial activities at Covered California. This includes finance, accounting, forecasting, budgeting, and ensuring compliance with governmental regulations. The division consists of two branches: Accounting and Accounting Systems Operations, and Financial Planning and Forecasting Operations. Within these branches, important accounting functions are performed, including payroll, financial reporting, accounts receivable and payable, financial modeling and forecasting, budgeting, and managing financial systems. The approved budget for FY 2026-27 totals \$9.6 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference Between FY 2026- 27 Baseline and Approved FY 2026- 27 Budget	Difference Between FY 2025- 26 Approved Budget and FY 2026-27 Baseline
Positions	55	55	55	0	0
Personnel Expenditures	\$8,694,508	\$8,565,675	\$8,565,675	\$-	\$(128,833)
Other Operating Expenditures	\$947,000	\$464,925	\$464,925	\$-	\$(482,075)
Subtotal	\$9,641,508	\$9,030,600	\$9,030,600	\$-	\$(610,908)
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$437,920	\$536,929	\$526,701	\$(10,228)	\$99,009
Total Operating Expenditures	\$10,079,428	\$9,567,529	\$9,557,301	\$(10,228)	\$(511,899)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Financial Management Division's baseline budget decreased by \$511,899 compared to the approved budget for FY 2025-26.

Financial Management Division's authorized staffing levels remain unchanged at 55 positions from the prior FY. Personnel expenditures decreased by \$128,833, reflecting the combined effect of the removal of the deferred 3.0% general salary increase, assumed cash out of retiree accrued vacation, and scheduled merit salary increases and other adjustments⁹.

Other Operating Expenditures decreased by \$482,075 due to a combination of both increases and decreases in costs. Specifically, expenses for student assistants rose by \$31,925, and costs for SAS desktop licenses increased by \$25,000. However, these

⁹ The Chief Financial Officer is an exempt position. It will have a monthly salary in FY 2026-27 of \$23,848. This information is reported in compliance with Government Code 100503, Section 2(A).

increases were offset by a reduction of \$514,000 in costs for the SAS hosted environment and professional services, as well as a decrease of \$25,000 in general training costs.

Shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the Financial Management Division increased by \$99,009 for a baseline total of \$536,929.

FY 2026-27 Approved Budget Adjustments

The state shared expenditure allocation decreased by \$10,228 for FY 2026-27, bringing the revised total to \$526,701.

Key Objectives for FY 2026-27

The Financial Management Division will focus on the following core areas in FY 2026-27:

- Continue to document and evaluate internal controls over financial reporting.
- Develop and implement key budget policies and issue comprehensive budget letters to support divisions in effectively integrating their strategic planning with budget development.
- Design, develop, and implement the continuous reporting of effectuated enrollment, descriptive statistics, terminations, plan selections, and average gross premiums through Snowflake, SAS, Power BI, and Tableau software.
- Track Performance Consistently: Regularly monitor and assess Covered California's financial health to ensure decisions are based on current information.
- Build knowledge to Inform decisions: Develop an internal research library on social and economic trends to guide Covered California's financial planning.
- Continue to explore external datasets that may aid in forecasting enrollment, disenrollment, and potential enrollment populations.
- Leverage analytic tools, such as Power BI, and SAS, to better utilize FI\$CAL accounting data to deliver GAAP-aligned reporting, enable advanced financial analysis, and support executive and board decision making.
- Update the Financial Management Division strategic plan.
- Design, develop, and implement an accounting training program to enhance the skills and knowledge of FMD staff.
- Maintain excellence in financial reporting by producing best-in-class, independently audited Annual Comprehensive Financial Reports (ACFR) that uphold transparency, accountability, and stewardship of public resources.
- Strengthen cross-functional collaboration by partnering with other Covered California teams to remove silos, educate staff, enhance effective

communication, and reduce risk, implementing best practices so we continue to deliver on Covered California's mission with excellence.

Human Resources Branch

Budget Unit Description

The Human Resources Branch (HRB) provides overall policy direction on human resource management and administrative support functions related to employee management. Our mission is to foster excellence by empowering professional development and creating innovative solutions using services, tools, and technology that bridge challenges and business needs to deliver a diversified high-performance workforce.

HRB consists of several specialized units, including:

- Workforce and Succession Planning
- Career Services
- Digital Innovation and Operations
- Disability Management
- Employment and Classification Services
- Labor Relations
- Payroll and Benefits
- Performance Management
- Administrative Investigations
- Strategic Solutions and People Analytics

The approved budget for the FY 2026-27 is \$11.1 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Difference Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
	Approved Budget	Baseline Budget	Approved Budget		
Positions	58	56	56	0	-2
Personnel Expenditures	\$9,485,825	\$9,299,731	\$9,299,731	\$-	\$(186,094)
Other Operating Expenditures	\$1,791,220	\$1,172,206	\$1,172,206	\$-	\$(619,014)
Subtotal	\$11,277,045	\$10,471,937	\$10,471,937	\$-	\$(805,108)
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$510,481	\$620,506	\$608,646	\$(11,861)	\$110,025
Total Operating Expenditures	\$11,787,526	\$11,092,443	\$11,080,583	\$(11,861)	\$(695,083)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Human Resources Division's baseline budget decreased by \$695,083 compared to the approved budget for FY 2025-26.

The Human Resources Division's authorized staffing levels decreased from 58 to 56 positions from the prior FY. The two positions were transferred to the Information Technology division. Personnel expenditures decreased by \$186,094, reflecting the combined effect of the removal of the deferred 3.0% general salary increase, scheduled merit salary increases and other adjustments.

Other Operating Expenditures decreased by \$619,014, reflecting a net impact of both increases and reductions. Costs increased for LinkedIn, Monday.com, and Gartner by \$33,986. These increases were offset by the reduction of costs for interagency agreements and audit services by \$89,000, recruitment, exams, and employment services by \$394,000, language testing and medical evaluations by \$5,000, salary survey and workday journeys by \$39,000, student assistant costs by \$52,000, and along with a \$74,000 reduction in general expense, travel and training costs.

Shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the Human Resources Division increased by \$110,025 bringing the baseline total to \$620,506.

FY 2026-27 Approved Budget Adjustments

The state shared expenditure allocation decreased by \$11,861, bringing the FY 2026-27 approved budget total to \$608,646.

Key Objectives for FY 2026-27

The Human Resources Division will focus on the following core areas in FY 2026-27:

- **Streamlining Onboarding and Exit Processes:** Enhance the employee onboarding and exit processes by integrating and streamlining all HR activities through technology, ensuring a seamless and efficient experience for employees.
- **Developing a People Analytics Function:** Develop a robust people analytics function to leverage data-driven insights for strategic HR decision-making, aiming to enhance organizational performance, improve employee experience, and optimize workforce management.
- **Implementing Strategic Position Management:** Advance workforce planning by adopting Strategic Position Management practices to ensure thoughtful, intentional staffing decisions that align with Covered California's mission, strategic priorities, and long-term goals.
- **Establishing Workforce and Succession Management:** Establish a Workforce and Succession Management function to identify critical roles, build leadership pipelines, and create clear pathways for employee growth and mobility.

- **Enhance Performance Management Skills:** Equip leaders with practical tools, training, and clear expectations to drive accountability, support employee growth, and address performance proactively.
- **Enhance Disability Management Support:** Build leader capability to confidently and compassionately manage disability-related matters by providing hands-on training, standardized processes, and accessible resources. Emphasizing timely engagement in the interactive process and structured return-to-work coordination to ensure legal compliance, equity, and a workplace culture grounded in respect and inclusion.
- **Promote Proactive Labor Relations:** Empowering leaders to address workplace concerns early, transparently, and at the lowest appropriate level. Provide practical tools and training to foster constructive dialogue, collaborative problem-solving, and mutual accountability—cultivating respectful partnerships with labor representatives and sustaining a stable, harmonious work environment.
- **Enhance and Expand Career Development:** Integrate Career Counselor services into the newly designed Career Management & You program to provide career guidance and dedicated resources for employees, while also building tools and support systems for managers and supervisors to empower their teams.
- **Improving Employee Experience through Technology:** Optimizing business processes and technology by implementing improvements in Workday, making HR processes more efficient and user-friendly, and enhancing the overall employee experience.

Office of Legal Affairs

Budget Unit Description

The Office of Legal Affairs collaborates with staff throughout the organization to promote innovation, ensure compliance with laws, and manage risk while delivering affordable coverage and quality care. Specifically, this office provides legal advice on various matters related to Covered California, including its programs, contracts, and operations.

The Office of Legal Affairs also ensures that all legal agreements are honored, and that Covered California operates transparently and within its legal authority, maintaining the public's trust. Additionally, the office offers guidance on relevant statutes and regulations and works closely with state and federal regulatory agencies. The approved budget for FY 2026-27 is \$7.4 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Difference Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	25	25	25	0	0
Personnel Expenditures	\$4,865,037	\$4,798,545	\$4,798,545	\$-	\$(66,492)
Other Operating Expenditures	\$2,458,000	\$2,133,000	\$2,223,000	\$90,000	\$(325,000)
Subtotal	\$7,323,037	\$6,931,545	\$7,021,545	\$90,000	\$(391,492)
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$328,043	\$407,435	\$404,684	\$(2,751)	\$79,391
Total Operating Expenditures	\$7,651,080	\$7,338,979	\$7,426,228	\$87,249	\$(312,101)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Office of Legal Affairs' baseline budget decreased by \$312,101 compared to the approved budget for FY 2025-26.

Office of Legal Affairs' authorized staffing levels remain unchanged at 25 positions from the prior year. Personnel expenditures decreased by \$66,492, reflecting the combined effect of the deferred 3.0% general salary increase, scheduled merit salary increases, and other adjustments¹⁰.

Other Operating Expenditures decreased by \$325,000, reflecting a net impact of both increases and reductions. West Publishing's costs increased by \$2,500. This increase was offset by reductions in costs for outside general counsel and paralegal services of \$232,500 and for the Office of State Publishing of \$95,000.

¹⁰The Assistant General Counsel is an exempt position. It will have a monthly salary in FY 2026-27 of \$19,028. This information is reported in compliance with Government Code 100503, Section 2(A).

Shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the Office of Legal Affairs have increased by \$ 79,391 bringing the baseline total to \$407,435.

FY 2026-27 Approved Budget Adjustments

Funding for the Office of Legal Affairs increased by \$87,249 above the baseline for FY 2026-27.

The division requested \$90,000 to purchase pre-litigation software needed to support e-discovery obligations, resulting in a significant rise in the number of records requiring review. The centralized platform will allow management of large datasets of records, with functionality for searching, filtering, batch processing, and tagging documents.

The state shared expenditure allocation decreased by \$2,751, bringing the FY 2026-27 approved budget total to \$404,684.

Key Objectives for FY 2026-27

The Office of Legal Affairs will focus on the following core areas in FY 2026-27:

- As federal policies continue to shift, the Office of Legal Affairs will provide ongoing technical assistance and guidance on anticipated proposals and ACA-related litigation affecting Covered California, consumers, and the broader health care landscape, working closely with the Health Consumer Alliance and other partners. At the same time, the Office will continue advising on emerging state policy initiatives, including opportunities to expand financial assistance and enhance consumer experience.
- Continue to evaluate Covered California's privacy and security protocols, policies, and procedures to ensure alignment with the new Acceptable Risk Controls for ACA, Medicaid, and Partner Entities (ARC-AMPE) requirements while supporting organization-wide implementation efforts to enhance data collection, management, and accessibility methodologies, strengthen security and privacy measures, improve risk management strategies, and drive informed, strategic decision-making in pursuit of Covered California's broader data management objectives.
- Continue partnering with the Administrative Services Division to further enhance and streamline Covered California's conflicts-of-interest procedures. Building on the work already initiated, the Office of Legal Affairs will update the Conflict-of-Interest Code and refine processes to proactively identify potential conflicts during employee recruitment and contractor engagements, strengthening both integrity and operational efficiency.
- Continue advancing the rulemaking process under the Administrative Procedures Act by guiding multiple Covered California regulatory packages from early development through submission to the Office of Administrative Law. This work builds on the evaluation already underway and will include thorough engagement

with internal and external stakeholders to ensure diverse perspectives are incorporated throughout the process.

Covered California University

Budget Unit Description

The Covered California University serves as the organization's central hub for knowledge, learning, and enablement, focusing on improving organizational effectiveness, employee development, and successful change adoption. This branch includes several program areas: Knowledge Management, Data and Operations, Organizational Learning, Team & Leadership Development, and Organizational Change Management.

It provides both written materials and training courses that support organizational effectiveness and development throughout the enterprise. With expertise in change adoption strategies, information dissemination, knowledge sharing and management, learning programs and systems, and team effectiveness, the branch collaborates with various programs and partners across the organization. By leveraging subject matter experts, it delivers consistent, high-quality resources and support.

Additionally, the branch manages and administers the technology that facilitates shared knowledge, a common language, and learning resources. This includes platforms such as the Knowledge Hub, Knowledge Management Center, Salesforce Knowledge, Graphite, Viva Engage, Grammarly, Absorb Learning Management System, and LinkedIn Learning. These tools ensure that staff have reliable and user-friendly access to the information and training they need to serve Californians effectively.

The approved budget for FY 2026-27 totals \$7.7 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Positions	37	37	37	0	0
Personnel Expenditures	\$5,790,104	\$6,266,357	\$6,266,357	\$-	\$476,253
Other Operating Expenditures	\$1,301,160	\$990,460	\$990,460	\$-	\$(310,700)
Subtotal	\$7,091,264	\$7,256,817	\$7,256,817	\$-	\$165,553
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$321,146	\$429,505	\$421,285	\$(8,219)	\$108,358
Total Operating Expenditures	\$7,412,410	\$7,686,322	\$7,678,102	\$(8,219)	\$273,911

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

Covered California University's baseline budget increased by \$273,911 over the approved budget for FY 2025-26.

Covered California University's authorized staffing levels remain unchanged at 37 positions from the prior year. Personnel expenditures increased by \$476,253, reflecting the combined effect of the removal of the deferred 3.0% general salary increase, scheduled merit salary increases, and other adjustments.

Other Operating Expenditures decreased by \$310,700, reflecting net impacts of both increases and decreases to funding for various line items. Funding for Executive Coaching and Leadership Resources was increased by \$150,000; the Sli.do subscription service by \$4,800; the Learning Management System by \$14,000; and Student Assistant costs by \$8,000. These increases were funded by services from the Executive Office and were offset by reduced costs in various areas, including external training courses, which decreased by \$442,000; change management consultation, which decreased by \$42,000; and a \$3,500 reduction for the National Training Institute on Race and Equity.

State shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the Covered California University have increased by \$108,358 bringing the baseline total to \$429,505.

FY 2026-27 Approved Budget Adjustments

The state shared expenditure allocation decreased by \$8,219, bringing the FY 2026-27 approved budget total to \$421,285.

Key Objectives for FY 2026-27

Covered California University will focus on the following core areas in FY 2026-27:

- Drive adoption of approved policy, procedure, and technology changes and best practices through various strategies, including change networks, guides, talking points, resources, and training for use by the department and external partners to ensure organizational compliance and effectiveness.
- Assess, develop, and provide organizational learning and development opportunities through various methods, including instructor-led, virtual instructor-led, eLearning, program-led, and vendor training to maintain and improve workforce development and productivity.
- Centralize organizational and enroller-facing knowledge in the Knowledge Hub to ensure that only accurate and current information is available to staff and AI tools.
- Develop mature change management capabilities across the organization to establish a common language, processes, and strong change leadership, aiming to accelerate adoption, utilization, and productivity.

In addition to its core functions and ongoing initiatives listed above, Covered California University anticipates these key new strategies in the upcoming FY:

- Develop an organizational skills framework to support skills assessments at the division and department level. Consult across the department on ways to develop key and core skills in staff.
- Establish the cross-divisional communities of practice to promote knowledge sharing, role-modeling, and best practices (e.g. knowledge management, change management, data and insight, branding).
- Develop an organizational leadership philosophy and framework tailored to Covered California as a foundation for creating and maintaining leadership development programs at all levels.

Executive Office

Budget Unit Description

The Executive Office develops organizational strategy and provides leadership direction in concert with the Covered California Board of Directors. Executive Office employees are responsible for Covered California's day-to-day operations and are tasked with facilitating and supporting Covered California's employees and a broad community of individuals and groups to provide customers (including employees, the board, stakeholders, and the public) with the direction, information, tools, and support they need. The Executive Office does this by mentoring, providing leadership, listening, learning, and adjusting efforts to meet goals and serve consumers.

The Office of Organizational Culture, Inclusion, and Engagement (OOCIE) provides leadership in the areas of strategic planning, employee engagement, recognition, and diversity, equity, and inclusion (DEI) to ensure Covered California is considered an employer of choice and to create and support a workforce reflective of our core values and the people we serve. The approved budget for FY 2026-27 totals \$6.5 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Difference Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
	Approved Budget	Baseline Budget	Approved Budget		
Positions	15	15	15	0	0
Personnel Expenditures	\$4,576,293	\$5,077,829	\$5,077,829	\$-	\$501,536
Other Operating Expenditures	\$676,410	\$549,200	\$1,049,200	\$500,000	\$(127,210)
Subtotal	\$5,252,703	\$5,627,029	\$6,127,029	\$500,000	\$374,326
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$234,501	\$329,313	\$351,272	\$21,959	\$94,811
Total Operating Expenditures	\$5,487,204	\$5,956,342	\$6,478,301	\$521,959	\$469,138

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The Executive Office's baseline budget increased by \$469,138 when compared to the approved budget for FY 2025-26.

The Executive Office's authorized staffing levels remain unchanged at 15 positions from the prior FY. Personnel expenditures increased by \$501,536, reflecting the combined

effect of the removal of the deferred 3.0% general salary increase, retiree accrued vacation payout, scheduled merit salary increases, and other adjustments.¹¹

Other Operating Expenditures decreased by \$127,210, reflecting net increases and reductions across various line items. Costs increased for Legal Services by \$131,000 and Guest speakers by \$5,000. These increases were offset by the reduction in costs for Executive Coaching and Leadership Resources by \$155,000, Sli.do subscription service by \$5,010, consulting and software for DEI by \$38,200, along with a reduction of \$35,000 for student assistant costs.

State shared expenditures (Pro Rata and Department of General Services (DGS) allocated to the Executive Office increased by \$94,811, bringing the baseline total to \$329,313.

FY 2026-27 Approved Budget Adjustments

Funding for the Executive Office has increased by \$521,959 above the baseline for FY 2026-27. The division requested \$500,000 in funding to support a one-time allocation to engage an external vendor to develop Covered California's 2027-2030 strategic plan. The vendor will provide the necessary support to design and deliver a comprehensive, future-focused strategic plan that aligns with both statutory requirements and organizational objectives.

The state shared expenditure allocation increased by \$21,959 for FY 2026-27, bringing the revised total to \$351,272.

Key Objectives for FY 2026-27

The Executive Office will focus on the following core areas in FY 2026-27:

- Develop a 2026-2029 DEI roadmap that aligns with our strategic goals and builds upon our initial roadmap, utilizing insights from our ongoing initiatives to create a data-driven DEI strategy that significantly and measurably enhances our team members' sense of belonging and inclusion.
- Promote and measure employee engagement and DEI activities to foster a workplace culture where our employees feel inspired, connected, and appreciated.
- Execute implementation strategies for achieving OOCIE 2026-2027 milestones within the 2023-2026 Covered California strategic plan by monitoring, evaluating, supporting, and adjusting strategic initiatives within the plan to complete objectives and address new challenges and organizational concerns.
- Support the employee journey initiative by fostering a culture of engagement, inclusivity, and collaboration across Covered California. Through strategic

¹¹ The Executive Office has six exempt positions. They include the Executive Director with a monthly salary in FY 2026-27 of \$41,935, the Chief Deputy Executive Director, Operations with a monthly salary in FY 2026-27 of \$29,141, the Chief Deputy Executive Director, Program with a monthly salary in FY 2026-27 of \$39,104, the Chief Deputy Executive Director, General Counsel with a monthly salary in FY 2026-27 of \$30,388, and the Deputy Chief Operations Officer with a monthly salary in FY 2026-27 of \$17,609. This information is reported in compliance with Government Code 100503, Section 2(A).

initiatives and proactive communication, OOCIE will enhance employee experiences by promoting meaningful connections, recognizing contributions, and cultivating a workplace environment where employees feel valued and empowered.

- Maintain and expand Covered California's existing strategic plan to respond to significant healthcare policy shifts while ensuring long term fiscal stability. Continue monitoring progress on existing objectives and key results and adjusting key performance indicators as needed to determine and manage objectives and decisions across the organization, ensuring goals are specific, measurable, and achievable, and provide a clear roadmap for success.
- OOCIE will work to facilitate the enterprise-wide development of Covered California's **2027–2030 Strategic Plan** by engaging key internal and external stakeholders to shape a plan that responds to a shifting healthcare landscape and positions the organization for long-term success.

Equal Employment Opportunity Office

Budget Unit Description

The Equal Employment Opportunity (EEO) Office ensures Covered California's compliance with federal and state laws regarding diversity, equity, and accessibility for its workforce and consumers. The office monitors, coordinates, and enforces civil rights compliance to foster an inclusive and equitable environment.

The EEO Office provides agency-wide leadership and is responsible for:

- **Policy Compliance:** Evaluating personnel policies and practices to ensure they are non-discriminatory and comply with EEO laws.
- **Training and Education:** Conducting mandatory EEO training for staff and management on anti-discrimination laws and organizational policies.
- **Compliance and Reporting:** Preparing and distributing reports to meet federal and state requirements.
- **Conflict Resolution:** Investigating complaints, addressing harassment allegations, and facilitating resolutions.

The EEO Office also partners with program areas to develop initiatives that enhance accessibility and foster diversity. It reports on appointments, raises concerns regarding equal employment opportunities, and advises the executive director on necessary actions. The approved budget for FY 2026-27 totals \$1.2 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026- 27 Baseline and Approved FY 2026- 27 Budget	Between FY 2025- 26 Approved Budget and FY 2026-27 Baseline
Positions	6	6	6	0	0
Personnel Expenditures	\$916,410	\$1,021,746	\$1,021,746	\$-	\$105,336
Other Operating Expenditures	\$118,910	\$118,910	\$118,910	\$-	\$-
Subtotal	\$1,035,320	\$1,140,656	\$1,140,656	\$-	\$105,336
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$47,050	\$67,561	\$66,270	\$(1,292)	\$20,511
Total Operating Expenditures	\$1,082,370	\$1,208,217	\$1,206,925	\$(1,292)	\$125,847

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The EEO Office's baseline budget increased by \$125,847 from the approved budget for FY 2025-26.

EEO's authorized staffing levels remain unchanged at 6 positions from the prior FY. Personnel expenditures increased by \$105,336, reflecting the combined effect of the removal of the deferred 3.0% general salary increase, scheduled merit salary increases, and other adjustments.

Other Operating Expenditures remain unchanged at \$118,910 from the prior FY.

Shared expenditures (Pro Rata and Department of General Services (DGS) allocated to the EEO Office have increased by \$20,511, bringing the baseline total to \$67,561.

FY 2026-27 Approved Budgeted Adjustments

The state shared expenditure allocation decreased by \$1,292, bringing the FY 2026-27 approved budget total to \$66,270.

Key Objectives for FY 2026-27

For the FY 2026-27, the Equal Employment Opportunity (EEO) program at Covered California will prioritize the following strategic initiatives to improve operational efficiency, enhance accessibility, and promote equity:

- **Streamline Onboarding and Knowledge Continuity.** The EEO program will continue building a comprehensive succession plan to ensure seamless onboarding and consistent internal processes. This includes finalizing a centralized desk procedure manual in Microsoft OneNote to house all 10 procedures, detailed templates, glossaries, contact lists, EEO forms, and step-by-step instructions. In 2025-2026, the program completed three procedures and updated two policies, with ongoing efforts to preserve institutional knowledge and maintain operational excellence as personnel transitions occur.
- **Optimize Complaint and Investigation Management with Technology.** The program will finalize the implementation of a customized Salesforce case management system to streamline the workflow for handling EEO complaints and investigations. This system will enhance tracking, reporting, and transparency while enabling more timely and effective resolutions. In 2025-2026, the EEO team worked closely with Covered California IT partners to develop user stories and workflows, with user acceptance testing (UAT) scheduled for March 2026.
- **Automate Civil Rights Complaint Handling for Consumers.** Covered California will integrate Salesforce technology to automate the management of civil rights complaints from consumers. This system will improve the processing, tracking, and resolution of complaints, ensure equitable service, and uphold Covered California's commitment to civil rights compliance.
- **Enhance Reasonable Accommodation (RA) Request Processing.** The EEO program will introduce a streamlined process for submitting reasonable accommodation requests through the ServiceNow portal, offering employees a simplified and accessible method similar to submitting IT support tickets. This automation will improve case tracking and response times. In 2025-2026, EEO

collaborated with internal IT partners to refine the ServiceNow system, updating case note capabilities, email templates, and communication protocols to ensure referrals and requests are submitted correctly and efficiently. Employees now benefit from auto-responses with links to relevant forms and procedures, reducing wait times and ensuring real-time tracking of RA requests.

These initiatives for FY 2026-27 reflect Covered California's commitment to leveraging technology, standardizing processes, and fostering an equitable and inclusive environment for employees and consumers.

External Affairs and Community Engagement

Budget Unit Description

The External Affairs and Community Engagement Division serves multiple functions, including leading and supporting Covered California's federal and state government relations, tribal relations, and stakeholder engagement. The division is also responsible for the Community Engagement and Partnerships program, designed to deepen and enrich community-based relationships and partnerships. Specifically:

- Informing policy through engagement and technical assistance to federal and state policymakers.
- Managing and supporting Covered California's stakeholder relations to ensure partnership, engagement, and transparency.
- Tracking state and federal legislation and helping develop technical assistance to inform the policy-making processes.
- Engagement and relationship building with community organizations and partnerships to inform Covered California's activities and priorities, generating community-level trusted messengers to help break down cultural, linguistic, and other barriers to coverage and care affecting Californians.
- Administering Covered California's tribal relations program, led by the department's tribal liaison, to engage with tribes and tribal organizations throughout the state.

The approved budget for FY 2026-27 totals \$2.6 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Difference Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
	Approved Budget	Baseline Budget	Approved Budget		
Positions	14	14	14	0	0
Personnel Expenditures	\$2,329,097	\$2,089,091	\$2,089,091	\$-	\$(240,006)
Other Operating Expenditures	\$501,750	\$329,750	\$329,750	\$-	\$(172,000)
Subtotal	\$2,830,847	\$2,418,841	\$2,418,841	\$-	\$(412,006)
Allocated Expenditures					
Prorata/Supp.					
Pension/Other	\$127,992	\$143,617	\$140,877	\$(2,740)	\$15,624
Total Operating Expenditures	\$2,958,839	\$2,562,457	\$2,559,718	\$(2,740)	\$(396,382)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

The External Affairs and Community Engagement Division's baseline budget decreased by \$396,382 compared to the approved budget for FY 2025-26.

External Affairs and Community Engagement Division's authorized staffing levels remain unchanged at 14 positions from the prior FY. Personnel expenditures decreased by \$240,006, reflecting the combined effect of the removal of the deferred 3.0% general salary increase, scheduled merit salary increases, and other adjustments.

Other Operating Expenditures decreased by \$172,000, reflecting a reduction in Community Engagement and Partnership Programs.

State shared expenditures (Pro Rata and Department of General Services (DGS)) allocated to the External Affairs and Community Engagement Division have increased by \$15,624, bringing the baseline total to \$143,617.

FY 2026-27 Approved Budgeted Adjustments

The state shared expenditure allocation decreased by \$2,740, bringing the FY 2026-27 approved budget total to \$140,877.

Key Objectives for FY 2026-27

The External Affairs and Community Engagement Division will focus on the following core areas in the FY 2026-27 budget:

- Internal and external coordination and engagement, development of resources, and communication on the impact of federal policy changes. Sharing resources and information to community partners, stakeholders, and policy makers on how to assist consumers who are impacted by federal policy changes, including eligibility changes to lawfully present immigrants, shorten open enrollment, and others.
- Continued development and implementation of the community engagement program designed to deepen and enrich community-based relationships and partnerships.
- Improve engagement and communication regarding Covered California's initiatives and policies that affect consumers and the marketplace. Improve internal and external information sharing, strengthen the network of external partners to inform existing and new audiences, and broaden our reach to consumers, health leaders, and policymakers. Inform new, ongoing, and emergent legislative and policy issues impacting Covered California, consumers, the insurance market, and the health care landscape through timely, relevant data, information, and technical assistance.

Capital Investments

Budget Unit Description

The Capital Investments budget unit focuses on identifying expenditures classified as capital assets. For this category, capital assets are defined as expenditures totaling \$5,000 or more that have a useful life of more than one year. This includes both tangible and intangible assets. For budgetary accounting, these expenditures are recognized in the year in which the expenditures are incurred. The procurement, design, construction, maintenance, and operation of capital assets, including intangible assets, are vital activities of Covered California. These investments are generally significant and are primarily related to leasehold improvements and major equipment purchases. The approved budget for FY 2026- 27 totals \$1.8 million.

Budget Unit: Multi-Year View

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2026-27	Difference	Difference
	Approved Budget	Baseline Budget	Approved Budget	Between FY 2026-27 Baseline and Approved FY 2026-27 Budget	Between FY 2025-26 Approved Budget and FY 2026-27 Baseline
Capital Investments - CalHEERS	\$-	\$-	\$-	\$-	\$-
Capital Investments - Other	\$6,826,000	\$1,826,000	\$1,826,000	\$-	\$(5,000,000)
Total Investment Expenditures	\$6,826,000	\$1,826,000	\$1,826,000	\$-	\$(5,000,000)

Highlights for FY 2026-27 Approved Budget and Key Changes

Baseline Adjustments

Capital investment's baseline budget decreased by \$5,000,000 when compared to the approved budget for FY 2025-26. These reductions are due to deferred and/or reduced tenant improvements to Fresno and Expo Headquarters locations. The remaining \$1.8 million will support enterprise-wide equipment refresh and digital workspace solutions.

FY 2026-27 Approved Budget Adjustments

State shared expenditures are not allocated to the capital investments category.

III. FY 2025-26 Enrollment and Financial Performance Through March 2026

Fiscal Year 2025-26 has been one of the most remarkable years in Covered California's history. During the first half of this fiscal year, individual market enrollment reached its highest level ever. However, this was followed by a steep decline in the second half. Effectuated enrollment peaked at a record 1,964,031 in August 2025 but began to decrease after December. By March, preliminary enrollment had dropped to 1,823,843. This enrollment change underscores the impact of various policy interventions aimed at improving consumer affordability, both when they are present and when they are absent.

The major event driving the significant decrease in enrollment during the FY, following its historic increase, was Congress's decision to allow the enhanced federal APTCs, to expire at the end of December 2025. These enhanced APTCs significantly improved affordability for individuals seeking coverage through the Marketplace, enabling several hundred thousand previously uninsured younger individuals to enroll. This influx not only stabilized the risk pool but also helped moderate annual premium increases. Additionally, with the implementation of the federal enhanced APTCs, the state, through Covered California, redesigned its state-funded support. Instead of a premium assistance, it designed a cost-sharing reduction (CSR) program to lower enrollees' out-of-pocket costs. With the enhanced federal APTCs ending in 2025, many Covered California consumers, particularly those in higher income groups, saw substantially higher premiums. The state cost-sharing reduction program was transitioned to a state premium assistance program starting January 2026. The State FY 2025-26 budget allocated \$190 million from the Healthcare Affordability Reserve Fund (HCARF) to support the new premium assistance program for individuals with household incomes at or below 165% of the federal poverty level.

The 2026 Open Enrollment Period (OEP) saw a record number of passive auto-enrollment renewals, reflecting 2025's record high enrollment, but a significant decrease in active, consumer-directed sign-ups compared to the previous year. This led to a revision in the anticipated timing of enrollment losses due to the expiration of the federal enhanced APTCs, with more disenrollments expected throughout 2026. Another significant feature of the 2026 OEP was a pronounced shift by many consumers from higher-premium Gold and Silver metal tier plans to lower-premium bronze plans. These were consumers seeking to maintain their health care coverage by accepting higher out-of-pocket costs.

As we enter the fourth quarter of the FY, there is considerable uncertainty regarding the macroeconomic environment. Renewed inflation, driven by geopolitical turmoil, may place additional financial pressure on consumers already struggling to maintain coverage in the face of rising premiums. We expect enrollment to continue to decline throughout the remainder of FY 2025-26. We forecast that effectuated enrollment will decline to 1,778,320 by June 2026, a decrease of 185,711 enrollees.

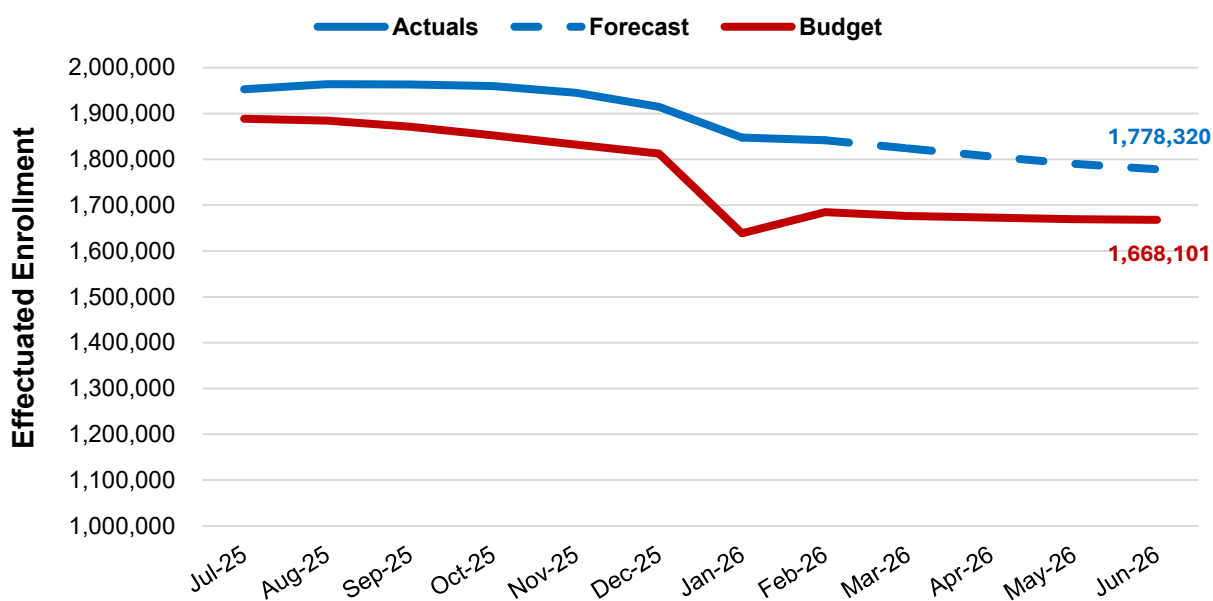
In this review of FY 2025-26 actual and projected enrollment and year-end financial results through March 2026, we will

- Compare actual and currently forecasted enrollment through the end of the FY to the initial budget forecast, explore the divergent trends during the first and second halves of the FY, and discuss the reasons for any variances and changes in our forecasting assumptions.
- Provide a snapshot of our financial performance through March 2026 (**Table X**).

Individual Medical Overall FY Budget to Actual Variance

Figure 1 compares the FY 2025-26 budget forecast individual medical plan enrollment with the actual and more recently forecasted enrollment. Actual member months are expected to total 22,587,532, which is 1,435,851 greater than the budget forecast of 21,151,682. This represents a 6.8% favorable member month budget variance.

Figure 1: Individual Medical Enrollment for FY 2025-26 Budget Compared to Actual and Forecasted



Individual Market Medical Enrollment During the First Half of FY 2025-26 (July-December)

Table 6 displays the total member months from July through December 2025, the average monthly enrollment for the period from July 2025 through December 2025, and the change in enrollment between the beginning of the FY and the end of the first half of FY 2025-26.

Table 6: Analysis of Covered California's Enrollment Components from July 2025 through June 2026

	Budget	Actual / Forecast	Variance	Variance As Percent of Budget	Percent of Total Variance
Enrollment in Jul 2025 Beginning of FY 2025-26	1,888,570	1,952,758	64,188	3.4%	58.2%
ADD: New Effectuations (Aug–Jun)	705,462	683,115	(22,347)	(3.2%)	(20.3%)
SUBTRACT: Terminations (Jul–May)	(925,931)	(857,553)	68,378	7.4%	62.0%
Total Enrollment in June 2026 End of FY 2025-26	1,668,101	1,778,320	110,219	6.6%	100%

Total member months through December 2025 were forecast in the initial budget at 11.1 million; however, the actual member months totaled 11.7 million, which is 555,985 more. Average member months for the period July 2025 through December 2025 totaled 1.95 million, which was 92,664 more than the average monthly enrollment of 1.86 million anticipated in the budget. This represented a 5.0% favorable budget variance (**Table 7**).

Enrollment increased during the first half of FY 2025-26. Covered California started the year with enrollment exceeding its budget forecast by 3.4%. The projected enrollment for July 2025 was 1.88 million, but the actual enrollment reached 1.95 million. Throughout the first half of the FY, the number of new effectuations was higher than expected, while the number of terminations was lower than anticipated. This favorable combination contributed to continued enrollment growth. By the end of the first two quarters of FY 2025-26, total enrollment surpassed the budget figure by 5.7%, resulting in an additional 102,991 enrollees (**Table 7**).

For the first half of the FY, the Covered California budget had expected new effectuated enrollments to total 229,570. However, the actual number of new effectuations was 260,290, resulting in a favorable budget variance of 30,720, or 13.4% above the budget. Terminations were budgeted at 305,606 for the first two quarters of the FY, but actual terminations totaled 297,449, 8,157 fewer than budgeted (**Table 7**).

Table 7: Summary Enrollment Statistics for the First Half of FY 2025-26

	Budget	Actual	Variance	Variance As Percent of Budget
Member Months (Jul–Dec)	11,141,317	11,697,302	555,985	5.0%
Average Monthly Enrollment (Jul–Dec)	1,856,886	1,949,550	92,664	5.0%
Change in Enrollment (Jul–Dec)				
Enrollment at the <u>Beginning</u> of FY 2025-2026	1,888,570	1,952,683	64,113	3.4%
ADD: New Effectuations (Jul–Dec)	229,570	260,290	30,720	13.4%
SUBTRACT: Terminations (Jul–Dec)	(305,606)	(297,449)	8,157	2.7%
Enrollment as of Dec 2025	1,812,534	1,915,524	102,990	5.7%

Covered California analyzed the factors influencing new enrollments during the first half of FY 2025-26. Two groups were identified: individuals exiting Medi-Cal and enrolling in Covered California, and individuals who were not formerly enrolled in Medi-Cal and enrolling in Covered California.

Covered California’s budget forecast assumed that 60,000 individuals would exit Medi-Cal and enroll in Covered California during the first six months of FY 2025-26. Actual transitions from Medi-Cal to Covered California through December 2025 totaled 61,174, or 1,174 more than budgeted. This represented a 1.96% favorable budget variance for the period (**Table 8**).

Individuals who were not formerly enrolled in Medi-Cal and enrolled in Covered California during the first half of FY 2025-26 totaled 199,116, or 29,546 more than the budgeted total of 169,570. This group accounted for approximately 96.2% of the total favorable new effectuated enrollment budget variance, which numbered 30,720 through December 2025.

Table 8: Analysis of New Effectuations Between July 2025 and December 2025

	Budget	Actual	Variance	Variance As Percent of Budget	Percent of Total Variance
Individual disenrolled from Medi-Cal and subsequently enrolled in a Covered California qualified health plan	60,000	61,174	1,174	1.96%	3.8%
Individual not formally enrolled in Medi-Cal and enrolled in a Covered California qualified health plan	169,570	199,116	29,546	17.4%	96.2%
Total	229,570	260,290	30,720	13.4%	100%

Factors Contributing to the Budget to Actual Enrollment Variance

Enrollment trends in FY 2025–26 reflect the combined effects of the timing of the enrollment forecast used for budget development, policy changes that occurred during the ongoing FY, and macroeconomic and labor market conditions. All these factors have contributed to stronger than expected performance compared to the approved budget.

At the outset, a higher-than-anticipated starting enrollment base in July 2025 laid the foundation for a favorable variance. Budget projections relied on March 2025 data, even though termination activity for December 2024 and January 2025 was within the 90-day grace period, introducing uncertainty into the estimates. Actual experience showed lower termination rates and stronger new effectuations, resulting in enrollment at the beginning of FY 2025-26 approximately 3.4% above budgeted enrollment. This elevated baseline carried over into the FY and remained one of the primary drivers of overall enrollment gains.

New enrollment growth has been the most significant ongoing driver. Through the first half of the FY, new effectuations exceeded projections by more than 13%, with most of the variance attributable to individuals not previously enrolled in Medi-Cal. Two key forces explain this trend. First, Medi-Cal redeterminations continued beyond initial expectations due to extended unwinding timelines and the expiration of federal waivers, leading to higher-than-forecast transitions into Covered California. Second, labor market conditions weakened relative to the original assumptions. Slower job growth, persistently higher unemployment, and a shift toward self-employment reduced access to employer-sponsored insurance and expanded the population eligible for subsidized marketplace coverage (**Figure 2**). Updated estimates indicate that labor market conditions alone contributed to tens of thousands of additional enrollees above the forecast.

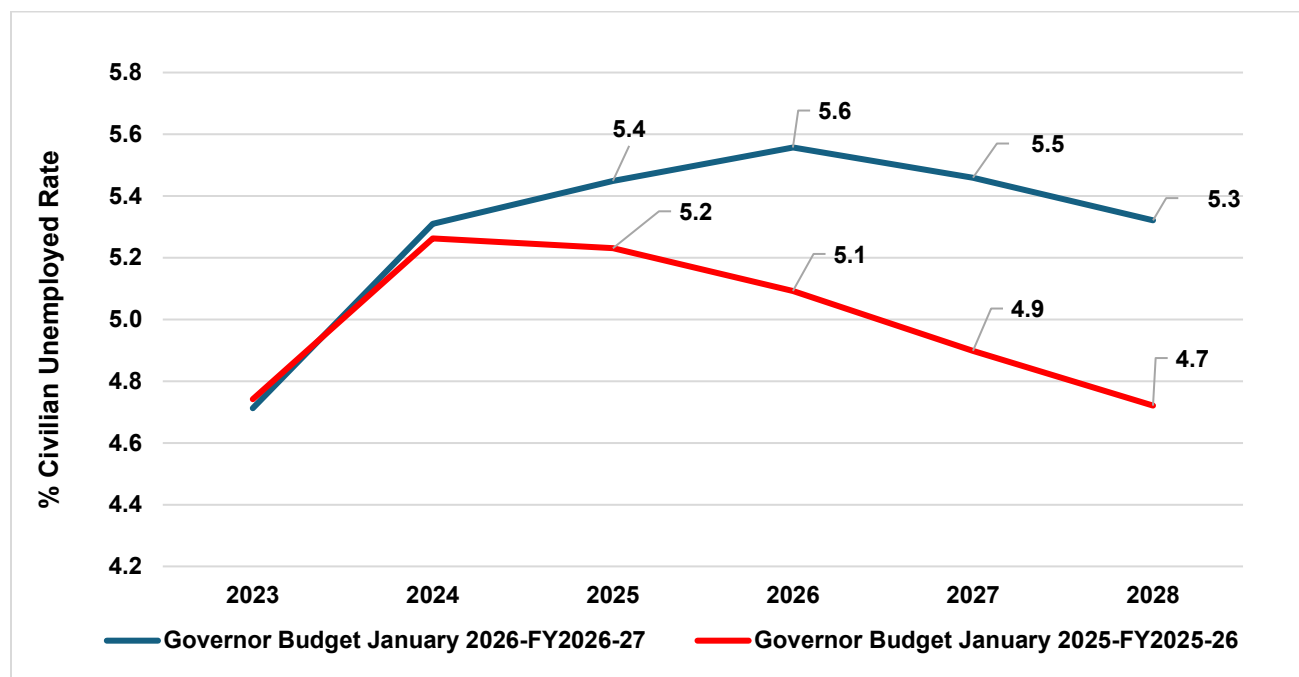
Retention dynamics further reinforced enrollment growth. Terminations consistently came in below budget, with actual disenrollment falling thousands of members short of projections in the first two quarters. This outcome reflects both technical forecasting challenges—particularly around the 90-day grace period—and structural factors. Weaker labor market conditions reduced transitions to employer-sponsored insurance, while greater affordability, driven by enhanced federal APTCs and state affordability programs, improved member retention.

Policy and affordability conditions also played a central role. Enhanced federal APTCs supported strong enrollment and retention through December 2025, while premium pressures in the employer market and declining off-exchange participation encouraged a shift toward Covered California. However, early indicators from the 2026 open enrollment period show emerging headwinds following subsidy expiration, including a decline in new plan selections—particularly among higher-income individuals—and increased cancellation rates among renewing members.

Looking ahead, enrollment is expected to face increasing pressure from the expiration of enhanced federal APTCs and the phased implementation of federal rule changes.

While updated state subsidy designs are expected to mitigate some losses—particularly for lower-income populations—net enrollment declines are anticipated to materialize gradually through 2026. At the same time, ongoing Medi-Cal transitions and continued labor market softness are expected to partially offset these losses.

Figure 2: California Civilian Unemployment Rate, 2025 Governor’s Budget Forecast vs 2026 Governor’s Budget Forecast



In summary, FY 2025–26 enrollment performance has been driven by four primary factors: (1) a higher starting enrollment base due to prior-period dynamics, (2) stronger-than-expected new enrollment fueled by Medi-Cal transitions and weaker labor market conditions, (3) improved retention reflected in lower termination rates, and (4) affordability conditions shaped by federal and state subsidy policies. While these factors have supported elevated enrollment in the first half of the FY, the balance of the year will be increasingly shaped by post-ARPA policy effects and evolving economic conditions, primarily due to geopolitical turmoil.

Post Enhanced Federal APTCs Expiration Period: January–June 2026

Results for the second half of FY 2025–26 display the early impacts of the expiration of enhanced federal APTCs. Enrollment data for January and February remain preliminary, while projections for March through June are still subject to revision.

As shown in **Table 9**, total enrollment in June 2026 is projected at 1.78 million, exceeding the budget by 110,219 (6.6%). The majority of this variance, approximately 93%, carries forward from the higher-than-expected enrollment level observed in December 2025, while the remaining 7% is attributable to fewer-than-anticipated terminations.

The budget forecast assumed a decline of 144,432 enrollees between December and June. Current estimates indicate a smaller reduction of 136,257, representing 8,175 fewer losses than projected.

Two offsetting factors explain this difference. First, new enrollments declined more than expected following the expiration of the enhanced federal APTCs. Second, terminations induced by the subsidy expiration are expected to occur more gradually through plan year 2026 than originally assumed in the budget forecast.

Table 9: Analysis of Covered California’s Enrollment Components from December 2025 through June 2026

	Budget	Actual / Forecast	Variance	Variance As Percent of Budget	Percent of Total Variance
Enrollment in Dec 2025	1,812,534	1,914,577	102,043	5.6%	92.6%
ADD: New Effectuations (Jan-Jun)	475,893	422,481	(53,412)	(11.2%)	(48.5%)
SUBTRACT: Terminations (Dec-May)	(620,325)	(558,738)	61,587	9.9%	55.9%
Total Enrollment in June 2026	1,668,101	1,778,320	110,219	6.6%	100%

Results of the 2026 Open Enrollment as the Enhanced Federal APTCs Ended

Covered California carefully monitored enrollment activity during the 2026 open enrollment period, which lasted from November 1 to January 31, just before and after the expiration of the enhanced federal APTCs. Plan signups include new plan selections, defined as selections made by individuals not currently enrolled in a Covered California health plan, and renewal plan selections, defined as selections made by currently enrolled individuals who choose to continue coverage for the upcoming plan year.

Open enrollment plan selections provide early indicators of enrollment trends but do not fully reflect effectuated enrollment, which requires premium payment.

At the conclusion of the 2026 Open Enrollment Period, cumulative new plan selections totaled 309,146, which is 154,566, or 33.3%, lower than the 463,712 selections recorded during the 2025 Open Enrollment Period. Analysis of year-over-year changes by income level shows that declines were smallest among individuals with incomes between 100% and 150% of the Federal Poverty Level (FPL). This group remains largely protected from subsidy losses due to state premium assistance replacing enhanced federal APTCs. In contrast, the largest decline occurred among individuals with incomes above 400% of the FPL, who are no longer eligible for premium assistance.

In contrast to new plan selections, renewal plan selections increased in 2026. At the close of the open enrollment period, total renewal selections reached 1.96 million, which is 120,000, or 6.5%, higher than in 2025. Of these renewals, 1.67 million, or 70%, were

auto-renewals, defined as passive renewals generated by the enrollment system. The remaining 594,000, or 30%, were active renewals initiated by consumers or agents.

Significant uncertainty remains regarding the approximately 1.4 million enrollees with auto-renewals who may not complete the process by making their first premium payment, known as the Binder payment, after the open enrollment period ends. As of January 31, 2026, cancellations or terminations accounted for 13.2% of all renewals, compared to 9.6% in 2025. Cancellation rates were highest among individuals with incomes above 400% of the FPL.

The 2026 Open Enrollment Period also marks a shift toward Bronze plans, indicating that some consumers selected lower-cost options in response to rising premiums. Prior to the introduction of enhanced federal APTCS in April 2021, Bronze plans accounted for approximately 30 to 35% of new plan selections. This share declined to 21.5% by 2025, as enhanced APTCs and state cost-sharing assistance made Silver plans more attractive. In 2026, Bronze plan selections increased to 36.7% of new enrollments, indicating a return to pre-2022 metal tier patterns.

Plan selection trends in California align with national patterns. According to the Centers for Medicare and Medicaid Services (CMS) March 27, 2026 update for the 2026 Open Enrollment Period, approximately 23.1 million consumers selected plans in the Affordable Care Act marketplace nationwide, a 5% decline, or 1.2 million people, compared to 2025. However, the 2026 nationwide enrollments were still 8%, or 1.7 million people, higher than in 2024. Nationwide plan choices also shifted, with 40% of enrollees selecting Bronze plans, 43% Silver, and 17% Gold. Compared to the 2025 OEP, Bronze plan enrollment increased by 10 percentage points, Gold increased by 4 points, and Silver decreased by nearly 14 points.¹²

Although the approximately 5% decline in national plan selections suggests smaller immediate enrollment losses than initially expected, analysts anticipate higher rates of non-effectuation and cancellation after the close of open enrollment. Many enrollees are expected to drop coverage after receiving premium bills that reflect higher costs¹³. This national outlook supports Covered California's assessment that a meaningful share of passive renewals may not effectuate and may instead cancel or terminate in the months following open enrollment.

A recent study by the Wakely Consulting Group¹⁴ notes that premium payment patterns further support expectations regarding the effects of the expiration of enhanced federal APTCs after the 2026 Open Enrollment Period. In a nationwide assessment of marketplace performance, the study emphasizes the importance of measuring the share of enrollees who pay premiums to fully understand enrollment changes. Using January enrollment data across states, the study found that an average of 86% of enrollees paid

¹² ["Exchange Coverage Remains Near Record High as 23.1 Million Enroll in 2026, Reflecting Continued Strength and Stability,"](#) CMS Newsroom, March 27, 2026

¹³ [ACA signups lag as enrollment deadline nears.](#) Healthcare Dive, January 13, 2026

¹⁴ Anderson, Michelle (et.al.). (2026). *Who Paid, and Who Stayed? Early 2026 Enrollment Trends in the Individual Market*. Wakely, An HMA Company, www.wakely.com.

their premiums, while state-based exchanges achieved a higher rate of 92%, largely due to state government support to lower premium increases and stronger outreach efforts. The study also identified a significant shift toward Bronze plans among consumers seeking to maintain coverage while managing higher premium contributions.

The Wakely study also supports expectations regarding uncertainty associated with passive renewals and potential additional enrollment losses over the plan year as some enrollees struggle to maintain premium payments. The study finds that states with lower auto-renewal rates tend to report higher payment rates, suggesting that passive renewals may be more likely to be terminated.

At this time, we maintain the original estimate of enrollment losses at 9.1% of baseline effectuated enrollment, or approximately 174,100 enrollees, based on December 2025 levels. However, we now expect these losses to occur more gradually than originally projected, primarily due to the waiting period required to terminate passive renewals for nonpayment. The original estimate assumed that 70% of subsidy-related terminations would occur in December 2025 and 30% during 2026. Current expectations indicate that approximately 45% occurred in December 2025, with the remaining 55% occurring throughout 2026.

Overall, effectuated enrollment in June 2026 is projected to be 6.6% above budget. This variance is primarily driven by higher beginning enrollment (58.2% of the variance) and lower-than-expected terminations (42%), with termination effects now phased in more gradually following expiration of enhanced federal APTCs.

Strong new enrollment gains in the first half of FY 2025-26 are projected to be more than offset in the second half, as subsidy expirations reduced new enrollments below expectations. However, this decline has been partially mitigated by slower-than-projected termination rates, resulting in a net favorable enrollment position. **(Table 6)**

FY 2025-26 Financial Outcomes, FY 2025-26 –Periods 1 through 9

Covered California’s financial reporting spans from July to June, aligning with the state’s FY. So far, Covered California has completed three quarters, covering the period from July 2025 to March 30, 2026.

Covered California accounts for all financial transactions through the California Health Trust Fund (Fund 3175). This state fund requires that Covered California maintain its accounting transactions and reporting in accordance with the modified accrual basis of accounting, and the current financial resources focus. The California Health Trust Fund requires that Covered California recognize all transactions, including those associated with the marketplace operations and the CCSB pass-through transactions. Covered California’s operations can be viewed as two separate subunits. These include the Covered California Operations Subunit and the CCSB Agency Subunit. The Covered California Operations Subunit accounts for all operational transactions required to run the marketplace. This includes participation fee revenue and all expenditures incurred to run the marketplace.

The CCSB Agency Subunit accounts for all transactions associated with the small business program. This includes the premiums that Covered California collects from small business employers and pays to health plan carriers, agents, and general agents. At present, Covered California does not recognize the CCSB Agency transactions in its Board approved Budget. The Board approved budget accounts and recognizes only those transactions associated with the Covered California Operations Subunit. Similar to the California Health Trust Fund, the Board approved budget employs a modified accrual basis of accounting and a current financial resources focus to report accounting transactions (**Table 10**).

Table 10: Accounting Recognition, Covered California Operations Subunit vs. CCSB Agency Subunit

Accounting Recognition	Covered California Operations Subunit (Board Approved Budget)	CCSB Agency Subunit (CA Health Trust Fund)
Accounting Basis	Modified Accrual	Modified Accrual
Resource Focus	Current	Current
Operating Revenue-Participation Fee Revenue	Yes	Yes
Operating Revenue-Other	Yes	Yes
Non-Operating Revenue (including SMIF)	Yes	Yes
Marketplace Personnel Exp	Yes	Yes
Marketplace OO & Exp.	Yes	Yes
Marketplace State Shared Exp.	Yes	Yes
CCSB Pass Through Rev- Health Plans	No	Yes
CCSB Pass Through Rev. Agents	No	Yes
CCSB Pass Through Rev Gen. Agents	No	Yes
CCSB Pass Through Exp. Health Plans	No	Yes
CCSB Pass Through Exp. Agents	No	Yes
CCSB Pass Through Exp. General Agents	No	Yes

For the three quarters ending March 30, 2026, Covered California reported operating revenues of \$312 million, compared to \$302.8 anticipated in the budget for the same period.

This total includes \$281 million from the individual market participation fee, which encompasses both medical and dental coverage. This exceeds the \$261.4 million anticipated in the budget for the same period.

Additionally, revenue from the CCSB participation fee through the first 9 months totaled \$29 million, exceeding the budget forecast of \$26.7 million. Revenue from vision plans contributed \$527,496, while COBRA and penalty performance revenues added \$901,290.

Operating expenditures for the same period totaled \$301 million. Personnel costs accounted for \$140 million, other operating expenses for \$141 million, and state shared expenditures for \$20 million.

As a result, the operating income for the three quarters was \$11 million. Operating expenditures represented 96% of the total operating revenue for the period.

Table 11: Covered California Operations Subunit (Board Approved Budget), State of Changes in Revenues, Expenditures, and Fund Balance, FY 2025-26 Periods 1 through 9

	<u>Periods 1 Through 9</u>
Operating Revenues	
Individual Market Medical/Dental	\$ 281,096,654
CCSB Medical / Dental /Excess Agent Fees	\$ 28,945,800
Vision/COBRA	\$ 527,496
Penalty-Performance Measurement	\$ 901,290
Total Operating Revenues	\$ 311,471,239
Operating Expenditures	
Personnel Expenditures	\$139,703,840
Other Operating Expenditures	\$140,915,586
State Shared	\$19,880,468
Total Operating Expenditures	\$ 300,499,894
Operating Income / (Loss)	\$ 10,971,345
Non-Operating Revenues	
Interest Income (SMIF)	\$ 12,697,297
Other	\$ 127,979
Lease Income - Fresno Sublease	\$ 475,677
Total Non-Operating Revenues	\$ 13,300,953
Change in Net Position	\$ 28,190,448

Covered California Operations Subunit (Board Approved Budget), Operating Expenditures by Division/Cost Center, FY 2025-26 Periods 1 through 9

Covered California is organized into 19 divisions. For financial reporting purposes, we are presenting additional cost centers: capital projects, the contingency reserve pool for federal uncertainties, and state shared costs.

Through the three quarters ending March 30, 2026, total incurred expenditures equaled \$301 million. Of this total, roughly 30% was associated with the Service Center Division. Roughly 10% of incurred expenditures were associated with the Outreach and Sales Division, and 14% was associated with the Information Technology Division.

Through the third quarter, Covered California had incurred \$2.6 million related to contingency reserve pool expenditures. State-shared expenditures totaled \$19.8 million, \$1.2 million above budget.

As of the third quarter of FY 2025-26, Covered California has recorded operating expenditures of \$301 million. This amount is \$215.6 million less than the total budgeted figure of \$516.1 million. Through the quarter ending March 30, 2026, Covered California incurred roughly 58% of the total budgeted expenditures. The budget totals \$516.1 million, including \$496.1 million for operating expenditures and \$20 million in contingency funding to address uncertainties in federal funding. Given current expenditure trends, it appears Covered California can cover the federal contingency costs within its \$496.1 million operating budget (**Table 12**).

**Table 12: Covered California Operation Subunit, Operating Expenditures by Division/Cost Center, FY 2025-26
Periods 1 through 9**

Division/Expenditure Category	Incurred Expenditures				FY 2025-26		
	Operational Expenditures	Personnel Expenditures	State Shared	Expenditures Periods 1 - 9	% of Total	Approved Budget, Including Contingency	Incur. Exp. As % of Budget
BUSINESS SERVICES	\$5,251,749	\$4,331,207		\$9,582,955	3%	\$14,109,629	68%
CalHEERS	\$19,918,286			\$19,918,286	7%	\$54,380,168	37%
CAPITAL PROJECTS	\$1,017,835			\$1,017,835	0%	\$6,826,000	15%
COMM & PUBLIC RELATIONS DIVISION	\$2,007,312	\$1,818,869		\$3,826,181	1%	\$7,652,194	50%
CONTINGENCY RESERVE POOL	\$2,631,449			\$2,631,449	1%	\$20,000,000	13%
COVERED CA UNIVERSITY	\$692,749	\$4,298,024		\$4,990,774	2%	\$7,091,264	70%
EQUAL EMPLOYMENT OPPORTUNITY OFFICE	\$64,513	\$705,950		\$770,463	0%	\$1,035,320	74%
EXECUTIVE OFFICE	\$159,169	\$2,978,882		\$3,138,051	1%	\$5,252,703	60%
EXTERNAL AFFAIRS	\$84,634	\$1,458,497		\$1,543,131	1%	\$2,830,847	55%
FINANCIAL MANAGEMENT DIVISION	\$316,991	\$6,064,322		\$6,381,313	2%	\$9,641,508	66%
HEALTH EQUITY & QUALITY TRANSFORMAT	\$1,133,068	\$3,093,082		\$4,226,150	1%	\$7,897,840	54%
HUMAN RESOURCES	\$937,314	\$6,531,181		\$7,468,495	2%	\$11,277,045	66%
INFORMATION TECHNOLOGY	\$27,577,584	\$15,529,690		\$43,107,274	14%	\$69,142,884	62%
LEGAL AFFAIRS	\$1,129,006	\$3,313,455		\$4,442,460	1%	\$7,323,037	61%
MARKETING DIVISION	\$20,957,320	\$3,952,248		\$24,909,568	8%	\$52,088,075	48%
OMBUDS OFFICE	\$539	\$1,528,582		\$1,529,122	1%	\$2,218,251	69%
OUTREACH & SALES DIVISION	\$23,621,977	\$7,025,391		\$30,647,368	10%	\$48,297,795	63%
PLAN MANAGEMENT DIVISION	\$340,420	\$3,750,097		\$4,090,516	1%	\$7,009,332	58%
POLICY, ELIGIBILITY & RESEARCH DIV	\$3,196,849	\$6,700,790		\$9,897,639	3%	\$19,173,013	52%
PROGRAM INTEGRITY	\$722,437	\$6,805,968		\$7,528,405	3%	\$10,914,690	69%
SERVICE CENTER	\$29,154,386	\$59,817,606		\$88,971,992	30%	\$133,248,001	67%
STATE SHARED			\$19,880,468	\$19,880,468	7%	\$18,667,470	106%
Total	\$140,915,586	\$139,703,840	\$19,880,468	\$300,499,894	100%	\$516,077,066	58%

California Health Trust Fund, Covered California Operations Subunit and CCSB Agency Subunit Transactions, FY 2025-26 Periods 1 through 9

For the quarter ending March 30, 2026, total revenue inflows into fund 3175 equaled \$774.6 million. Of this total, \$324.8 million was associated with the Covered California Operations Subunit and \$449.8 million was associated with the CCSB Agency Subunit.

Expenditure outflows totaled \$751.8 million. Of this total, \$300.5 million was associated with the Covered California Operations Subunit and \$451.3 million was associated with the CCSB Agency Subunit (**Table 13**).

Table 13: Summary of Fund 3175 Financial Transactions, FY 2025-26 Periods 1 Through 9

		FY 2025-26 Periods 1 Through 9
Fund 3175 Revenue Inflows		
Covered California Operations Subunit (Inflows)	\$ 324,772,192	
Covered California for Small Business (CCSB) Agency Subunit	\$ 449,840,215	
Total Revenue Inflows, Fund 3175		\$ 774,612,408
Fund 3175 Expenditures Outflows		
Covered California Operations Subunit Expenditures	\$ 300,499,894	
CCSB Agency Subunit (Pass Through Expenditures)	\$ 451,258,244	
Total Expenditure Outflows, Fund 3175		\$ 751,758,138
Difference		\$ 22,854,270

IV.FY 2026-27 Enrollment Forecast

Individual Market

The enrollment forecast is a key component of Covered California’s annual budget process. Covered California develops an enrollment forecast for the budget year and the following five FYs. This paper describes the forecasting strategy and outlines the major assumptions underlying the projections.

Covered California presents three enrollment scenarios—**base**, **high**, and **low**—developed using different assumptions. We use these scenarios and associated sensitivity analyses to evaluate the long-term fiscal sustainability of Covered California under a range of policy and macroeconomic outcomes.

Policy decisions that affect the cost of coverage may change the affordability of health care for consumers. The sensitivity analyses estimate how many consumers at different income levels are likely to obtain coverage when costs decrease, and how many are likely to drop coverage when costs increase.

The analyses also account for macroeconomic changes that could affect household income or access to employer-sponsored coverage. We estimate inflows to and outflows from Covered California as individuals move to and from other sources of coverage in response to projected labor market conditions, using a baseline, more optimistic, and more pessimistic economic outlook.

The current forecasting environment is characterized by heightened uncertainty, reinforcing the need to model alternative scenarios. Geopolitical volatility and global economic instability may lead to higher inflation and slower economic growth, which in turn could significantly influence consumer decisions about health insurance in 2026 and beyond.

Individual Medical Enrollment Forecast Strategy

Step 1. Use a Statistical Time Series Model to Establish the Baseline Forecast

Covered California employs a time-series modeling approach to forecast individual market enrollment, accounting for anticipated policy changes and external factors. This approach identifies long-term enrollment trends, seasonal patterns, and historical fluctuations influenced by policy, economic conditions, and labor market dynamics. The objective is to estimate future enrollment based on historical data.

The forecast relies on the Auto Regressive Integrated Moving Average (ARIMA) model. This method is a data-driven and non-structural statistical approach that assumes historical enrollment patterns will continue into the future.

Extensive data preparation and analysis support the selection of the most appropriate model specification. Using monthly projections generated through the time series model, Covered California estimates monthly effectuations, terminations, and plan selections based on observed historical seasonal patterns. The resulting forecast provides projected total enrollment levels along with expected patterns of new enrollment and disenrollment throughout the year.

Step 2. Adjust the Baseline Forecast for Future Changes Not Reflected in Historical Trends

The time-series model predicts future enrollment based on past trends. However, adjustments are necessary when Covered California expects future policy changes or external events that historical data do not capture. These adjustments may increase or decrease the time-series baseline forecast.

The forecasting process incorporates economic, demographic, and policy factors that influence marketplace enrollment. The model considers how eligibility rules, access to coverage, and affordability affect participation in the marketplace. It also accounts for broader external factors that influence the number of Californians eligible for marketplace subsidies.

Eligibility and affordability policies are important drivers of enrollment, but they are not the only factors. Demographic and economic trends also shape the population eligible for marketplace coverage and the incentives to enroll. These trends include changes in payroll employment that provide access to employer sponsored insurance, long-term shifts in the age composition of the population, and the availability of alternative sources of health coverage.

The following sections describe the logic framework used in the forecasting strategy. This framework draws on recent policy changes and economic trends to explain the factors that influence marketplace enrollment. After introducing this framework, the chapter outlines the three-stage process used to estimate the combined effects of external trends and policy changes on the individual market enrollment outlook for FY 2026-27.

Setting Up the Marketplace Enrollment Drivers Rationale

Marketplace enrollment in California has increased while the uninsured rate has declined. This reflects expanded affordability and access to coverage, as well as changes in the labor market.

Following the COVID 19 public health emergency, federal and state governments expanded health coverage. Under the Families First Coronavirus Response Act of March 18, 2020, Medi-Cal adopted continuous enrollment through 2023. The Consolidated Appropriations Act of 2023 later ended this requirement on March 31, 2023.

At the state level, Medi-Cal eligibility expanded to broader groups, including undocumented adults ages 19 and older, and the asset test was eliminated for seniors and people with disabilities. At the same time, federal premium tax credits increased, and California's marketplace offered plans subsidizing a larger share of health care costs.

From 2020 to 2023, ongoing enrollment and eligibility expansions in Medi-Cal significantly contributed to the decline in the uninsured population. By 2024, California's marketplace played a crucial role in maintaining these gains. The federal enhanced APTCs improved access to healthcare and mitigated increases in the uninsured rate, even as Medi-Cal disenrollment resumed.

Labor market conditions also shape enrollment in Medi-Cal and the marketplace. These programs serve populations more likely to become uninsured, including those unemployed, underemployed, self-employed, or outside the labor force. As these groups grow, eligibility for Medi-Cal and subsidized marketplace coverage increases. In weaker labor markets, affordability and enrollment policies and processes become more important in limiting uninsured growth.

In the next sections, we'll share evidence to support the points discussed. The first section examines Medi-Cal enrollment growth during continuous enrollment and gains in Covered California enrollment during unwinding. The second section analyzes the impact of the labor market on Covered California enrollment. Both sections rely on data from the American Community Survey conducted between 2019 and 2024.

Driver 1: From Medicaid Continuous Coverage Requirement to Medi-Cal Unwinding

During the continuous coverage enrollment period, Medicaid, known as Medi-Cal in California, expanded steadily among residents under age 65. At the same time, all other sources of coverage declined. As a result, Medi-Cal gained enrollees from other types of coverage, with the largest gains coming from people who were previously uninsured. This growth remained evident even after accounting for the decline in the number of Californians under age 65 from 2019 to 2024.

Medi-Cal coverage rose from 26.4% of the population under 65 years old in 2019 to 29.1% in 2024, an increase of 2.7 percentage points (**Figure 3**). Over the same period, the uninsured rate fell by 2.19 percentage points (**Figure 4**). These trends strongly suggest that continuous coverage requirement during the public health emergency drove Medi-Cal growth by mostly enrolling previously uninsured individuals, even as the state population declined.

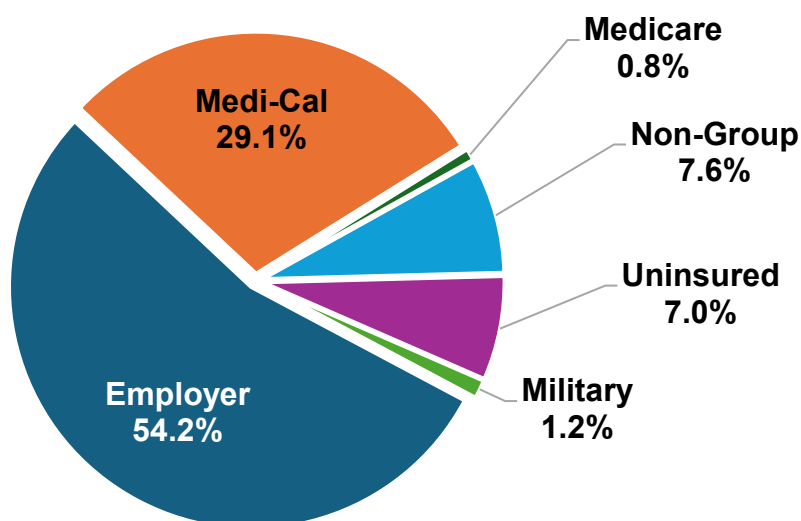
Eligibility expansions for undocumented residents ages 19 to 25 and 50 and older likely explain a large share of Medi-Cal growth and the corresponding decline in the uninsured rate from 2019 to 2024. Based on American Community Survey data, about

45% of the enrollment increase occurred among United States citizens and 55% among non-citizens.

Among citizens under age 65, Medi-Cal coverage rose by 1.8 percentage points, from 26.2% to 28.0%, which is smaller than the increase for the total population under age 65, including non-citizens (**Figure 5**). The non-citizen population includes both documented and undocumented individuals. The proportional increase in Medi-Cal enrollment is smaller if we limit the population to US citizens compared to the total population. Between 2015 and 2025, lawmakers in California made a series of stepwise changes to expand undocumented immigrants' eligibility for Medi-Cal. By January 2024, Medi-Cal expanded full-scope coverage to all income-eligible residents, regardless of immigration status, suggesting that this gap was likely driven primarily by undocumented individuals.

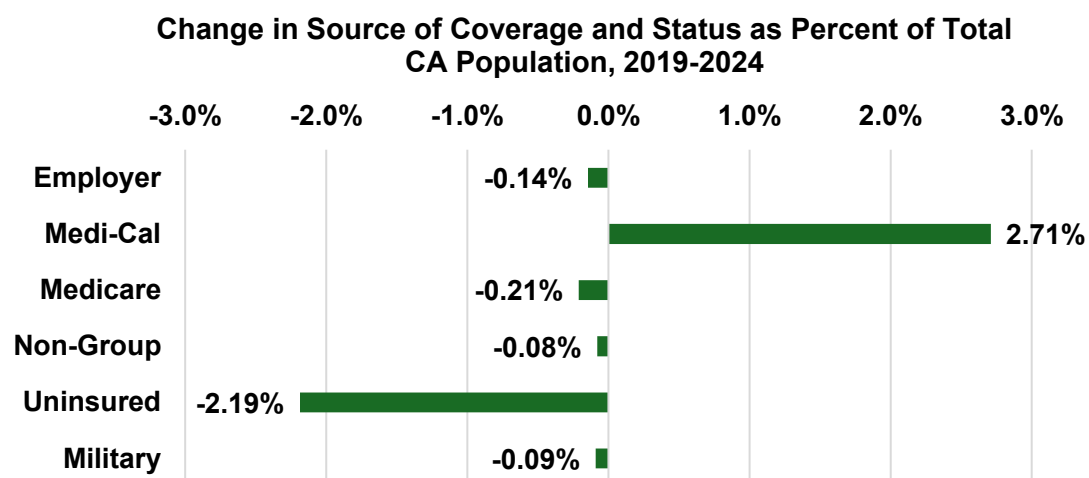
**Figure 3: Health Insurance Status and Source of Health Care Coverage in 2024;
California Population Under Age 65**

Total = 32.9 million



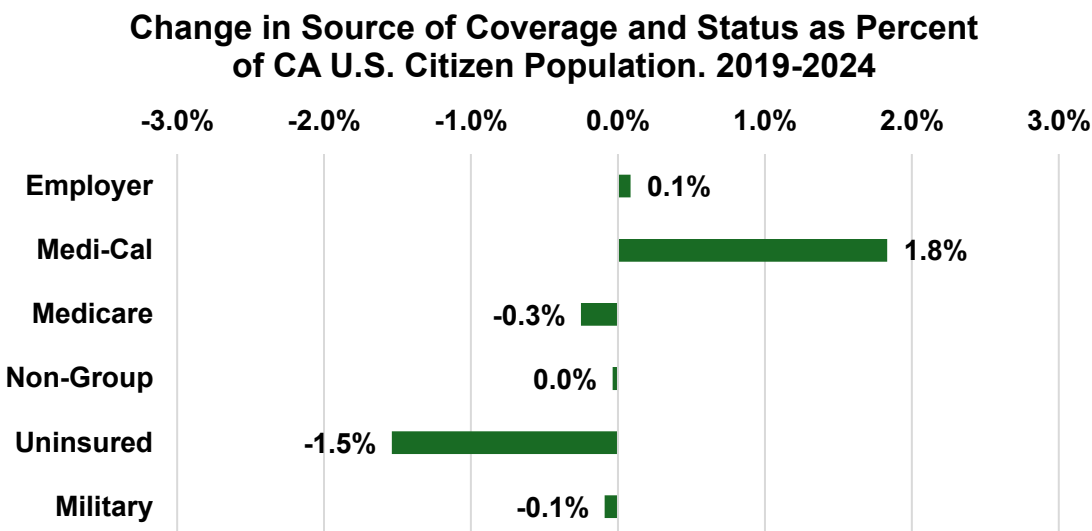
Source: 2019-24 American Community Survey, 1-yr estimates

**Figure 4: Change in Health Insurance Status and Source of Healthcare Coverage
as Percent of CA Population Under Age 65 from 2019 to 2024**



Source: 2019-24 American Community Survey, 1-yr estimates

Figure 5: Change in Health Insurance Status and Source of Healthcare Coverage as Percent of Total CA Population from 2019 to 2024

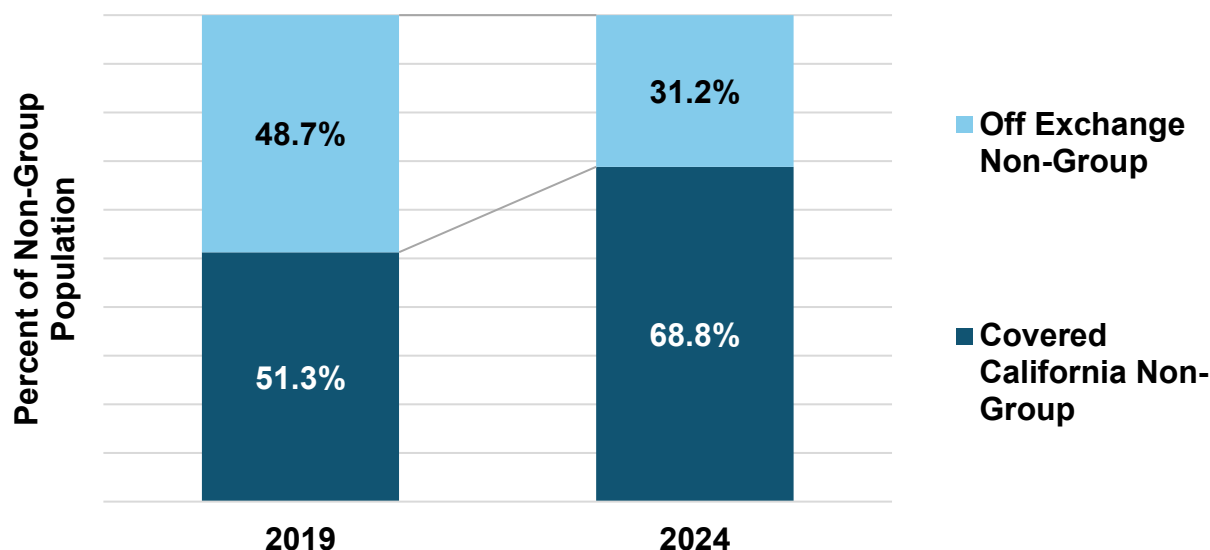


Source: 2019-24 American Community Survey, 1-yr estimates

Note: Medicaid, Medicare, and uninsured changes are significant at the 0.01 level for both groups. Military coverage changes are significant at the 0.05 level for adults under 65 and at the 0.10 level, excluding non-citizens. Employer-sponsored and non-group changes are not significant.

Non-group coverage refers to health insurance for individuals not covered by employers or public programs and includes both Covered California and Direct-to-Insurer non-exchange health plans, the latter of which does not provide subsidies. While the American Community Survey indicates that the proportion of Californians enrolled in non-group insurance was unchanged between 2019 and 2025, the share accessing non-group insurance through Covered California grew dramatically. **(Figure 6)**. This distributional change was primarily due to the enhanced federal APTCs, along with state cost-sharing reduction assistance provided in 2024 and 2025, for those purchasing non-group insurance through Covered California.

Figure 6: Change in Composition of Non-Group Coverage in California; 2019-2024



Note: Covered California average monthly enrollment for the year, compared to the reported non-group population in the American Community Survey. These estimates come from the 1-year American Community Survey and may lag administrative data, particularly in capturing enrollment losses during the 2024 unwinding period. The survey measures coverage at the time of the interview, which may not capture the enrollment churn throughout the year. It also relies on self-reported coverage, which may introduce reporting errors.

Administrative data show that average monthly Medi-Cal enrollment increased from 12.8 million in 2019 to a peak of 16.1 million in May 2023, one month before the unwinding began, and then declined to 14.9 million in 2024. From June 2023 through September 2025, Medi-Cal experienced a net enrollment loss of 1.6 million. During the same period, California's Marketplace gained 412,765 enrollees who lost Medi-Cal eligibility, representing 25.6% of total Medi-Cal losses. As a result, California's Marketplace absorbed roughly one quarter of the population that likely would have been uninsured before the pandemic.

As of September 2025, Medi-Cal enrollment remains 1.6 million higher than its 2019 level. This shows that the program has retained about half of its expansion from 2020 to 2023, largely due to federal disenrollment flexibilities, expanded eligibility for undocumented residents, and weaker labor market conditions¹⁵.

Economic and labor market growth is expected to remain slower than in 2019, making it unlikely that Medi-Cal enrollment will return to pre-pandemic levels. This outlook considers the freeze on new adult enrollment for undocumented individuals starting January 2026, the introduction of premiums for some currently enrolled undocumented individuals in July 2027, additional state budget actions that reduce enrollment, enforcement of H.R.1 rules affecting Medi-Cal, and the phase-out of federal waivers as the remaining unwinding backlog clears.

¹⁵ Medicaid (Medi-Cal) acts as a countercyclical program, meaning enrollment and spending increase during economic slowdowns or downturns as unemployment rises and household incomes drop. [Medicaid Provides Stability During Turbulent Economic Times – Center For Children and Families](#).

State budget projections reflect these trends. The Governor's FY 2026-27 Budget estimates Medi-Cal enrollment at 14.5 million in FY 2025-26 and 14.0 million in FY 2026-27¹⁶. This means enrollment is expected to remain 1.1 million above the 2019 average through FY 2026-27.

The next section on forecast design discusses the labor market outlook from the California Department of Finance. This outlook is used to calibrate assumptions for new enrollment in California's marketplace, including individuals leaving Medi-Cal and those leaving other sources of health coverage.

Driver 2: Labor Market Impacts on the Marketplace Eligible Pool

Labor market conditions influence marketplace enrollment by impacting the number of individuals eligible for marketplace subsidies who would otherwise be uninsured.

Analysis of 2019 to 2024 American Community Survey data shows that non-group coverage plays a larger role among population groups that are at greater risk of being uninsured. For the purposes of the analysis, the population under age 65 is grouped into four categories: employed, unemployed, under age 16, and age 16 or older and outside the labor force.

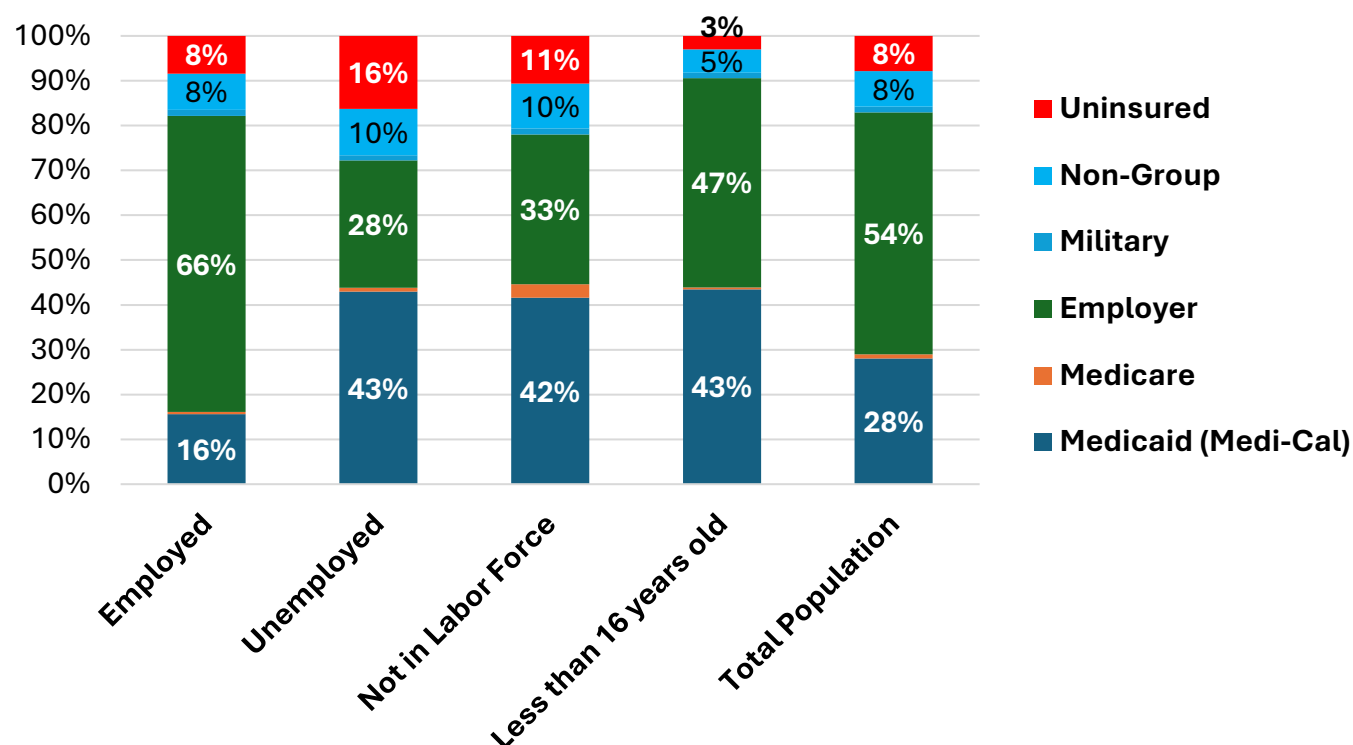
Figure 7 illustrates that non-group coverage has insured an average of 8% of Californians under the age of 65 from 2019 to 2024. During the same period, employer sponsored insurance covered 54%, Medi-Cal 28%, and 8% were uninsured.

The figure also shows that non-group coverage plays a larger role among unemployed Californians and those outside the labor force. On average, 10% of individuals in these groups relied on non-group coverage, compared to 8% of employed Californians. Non-group coverage had the lowest participation among children under age 16. Unemployed individuals and those outside the labor force also had the highest uninsured rates.

These patterns show that the marketplace has the greatest growth potential among unemployed adults and those outside the labor force, provided that affordability options attract individuals who would otherwise remain uninsured.

¹⁶[Health and Human Services - 2026-27 GB Budget Summary](#)

Figure 7: Health Insurance Status and Source of Healthcare Coverage by Employment Status, Total California Population under Age 65 by Employment Status; 2019-24 Average



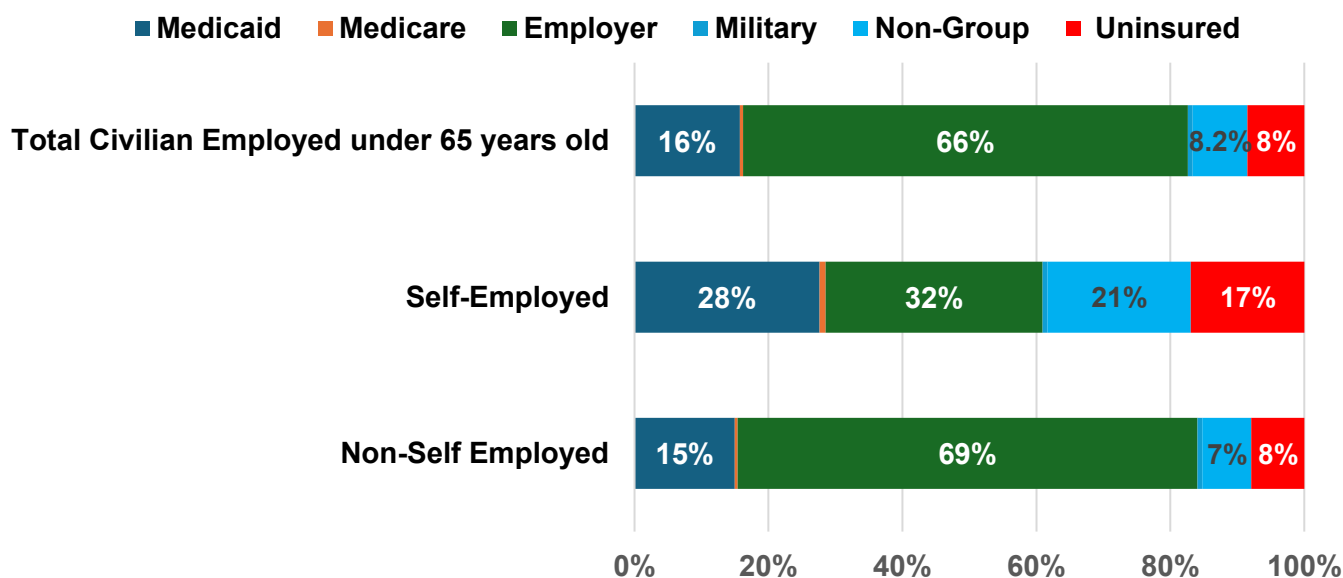
Source: 2019-24 American Community Survey, 1-yr estimates

Note: differences in health coverage proportions across employment status are statistically significant at the 0.01 level.

Self-employment is another group with a high reliance on non-group coverage. From 2019 to 2024, 21% of self-employed workers under age 65 had non-group coverage, compared to 7% of non-self-employed workers. While most self-employed individuals still obtained coverage through an employer, their employer coverage rate of 32% was far lower than the 69% rate among non-self-employed workers (**Figure 8**).

Figure 6 also shows that self-employed workers had a higher uninsured rate from 2019 to 2024, averaging 17%, compared to 8% among non-self-employed workers and all workers combined. This indicates that both non-group coverage and uninsurance are disproportionately concentrated among the self-employed.

Figure 8: Health Insurance Status and Source of Healthcare Coverage by Self-Employment Status; 2019-24 Average



Source: 2019-24 American Community Survey, 1-yr estimates

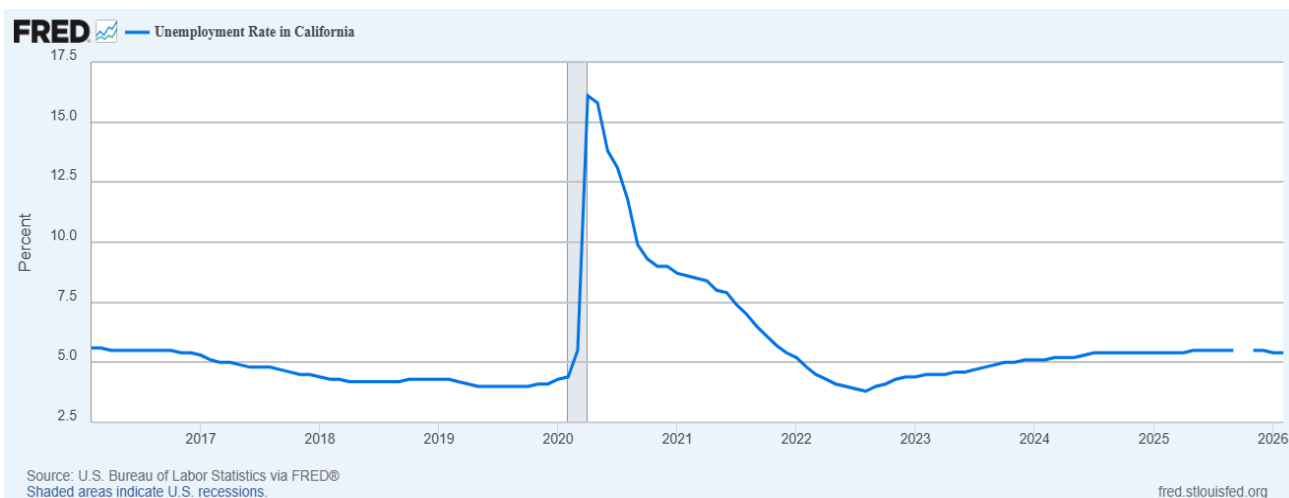
Note: differences in health coverage proportions across self-employment status are statistically significant at the 0.01 level.

Overall, being unemployed, outside the labor force, or self-employed increases the likelihood of relying on non-group coverage or being uninsured. Marketplace enrollment outcomes, therefore, depend heavily on affordability and access to coverage for these groups.

California's unemployment rate fell to 3.8% in August 2022, but since then it has steadily increased, reaching 5.5% by December 2025. Several factors have contributed to this rise. Supply chain disruptions, low inventories, and pent-up demand following the pandemic led to a surge in inflation, prompting the Federal Reserve to respond with significant interest rate hikes that dampened economic growth. While these measures successfully slowed the rate of inflation, they did not achieve the Fed's 2% inflation target. In 2025 and 2026, a series of economic supply shocks reignited inflation and threatened to depress economic growth. These shocks include the implementation of steep tariffs, large-scale reductions of the federal workforce, the mass deportation of hundreds of thousands of immigrant laborers, and, more recently, the Iran war and the closure of the Strait of Hormuz, which has sharply reduced the shipment of oil and other critical raw materials.

Since 2024, as unemployment has risen, civilian employment has grown while payroll employment has remained largely flat. This divergence suggests growth in the number of self-employed individuals.

Figure 9: Unemployment Rate in California; February 2016 to February 2026



From January 2024 through December 2025, civilian employment increased by 273,000 workers, while payroll jobs showed little change. Over the same period, the unemployed population rose by 370,000 from its August 2022 trough ¹⁷.

Because about 21% of self-employed workers and 10% of unemployed workers rely on non-group coverage, these labor market changes could explain roughly 94,000 additional marketplace enrollees between 2022 and 2025. Without them, average monthly enrollment in California's marketplace in 2025 would have been closer to 1.84 million rather than 1.94 million.

During the same time, enhanced federal APTCs and state funded cost-sharing reductions programs, made the coverage more affordable and competitive. These affordability improvements likely amplified the enrollment gains associated with rising self-employment and unemployment. The observed continued decline in the uninsured rate from 2019 to 2024 supports this conclusion.

Summing Up the Logic Model of Marketplace Enrollment Drivers

From 2019 to 2024, marketplace enrollment grew significantly as more Californians relied on it for coverage. This growth reflects both economic and policy factors.

Labor market changes increased eligibility for subsidies as employer coverage growth slowed. Policy changes improved affordability and increased participation among eligible individuals.

¹⁷ Calculations derived from the Industry Employment-Official Estimates, California Employment Development Department, Labor Market Information Division, January 23, 2026. [cal\\$shws.xls](#).

The end of continuous Medi-Cal coverage also contributed to growth. Many individuals losing Medi-Cal transitioned to the marketplace, supported by improved affordability and streamlined enrollment.

Looking ahead, the policy environment is changing. Federal policy changes are expected to reduce marketplace enrollment gains, even as labor market uncertainty may continue to support higher Covered California enrollment. The expiration of enhanced federal APTCs will reduce affordability, and new federal rules will limit access to coverage and tax credits.

The following sections outline the assumptions used to project marketplace enrollment under these changing conditions.

FY 2026-27 Three-Stage Enrollment Forecast Design

The FY 2026-27 forecast uses a three-stage design to estimate the effects of policy and external drivers on marketplace enrollment (**Figure 10**).

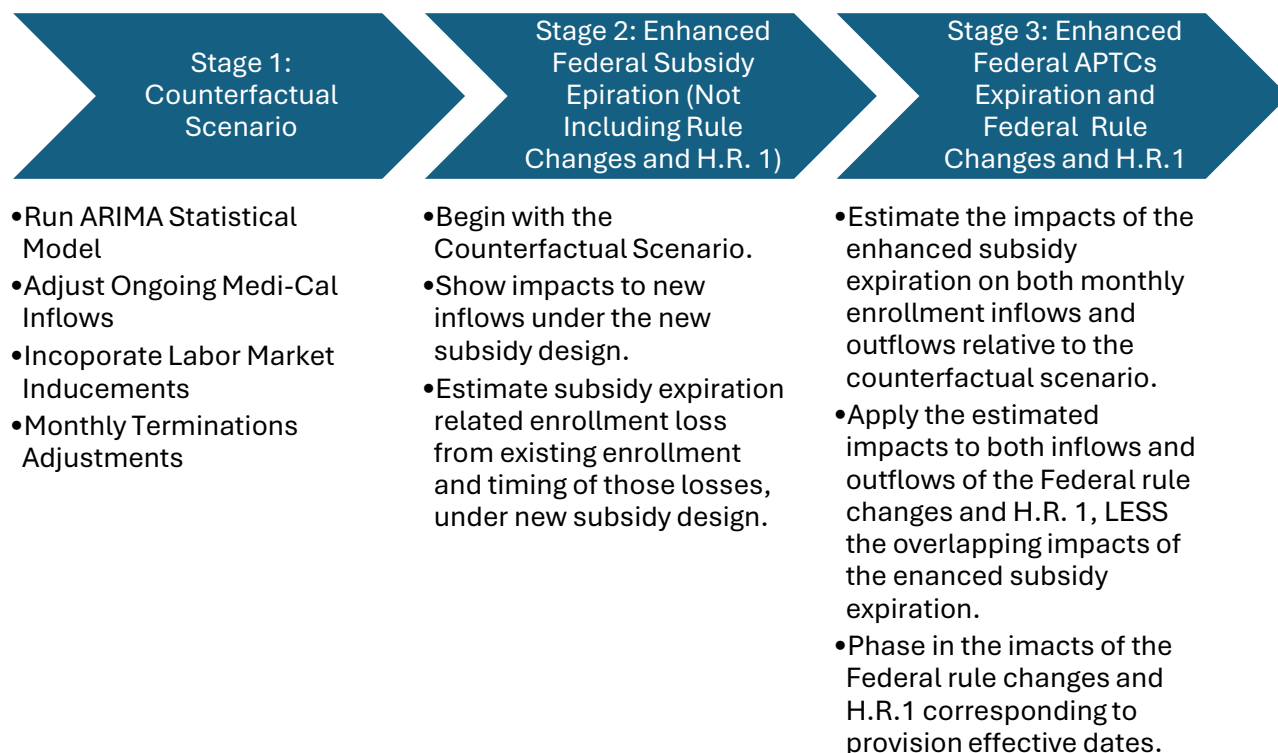
The first stage involves creating a counterfactual forecast scenario that assumes the continuation of the enhanced federal APTCs established by the American Rescue Plan Act. It also assumes that there are no changes to federal rules affecting enrollment. This scenario differs from the current legal framework, where the enhanced federal APTCs have already expired, and various federal rule changes have been implemented or are set to take effect gradually between 2026 and 2028.

This stage begins with the time-series baseline projection and then applies calibrations based on key external drivers. These drivers include Medi-Cal enrollment trends and labor market conditions that influence the flow of individuals into marketplace coverage.

The second stage adjusts the forecast to reflect the expected impacts of the expiration of the federal enhanced federal APTCs. These adjustments affect both enrollment inflows and enrollment retention.

The third stage incorporates the additional enrollment reductions associated with federal rule changes. These impacts are applied according to each rule's scheduled implementation timeline and assumptions about how quickly enrollment effects will materialize. At this stage, the analysis also accounts for overlap between the effects of the federal rules and the expiration of the enhanced federal APTCs to avoid double counting their impacts.

Figure 10: FY 2026-27 Three-Stage Enrollment Forecast Design



Stage 1. Counterfactual Scenario: Enhanced Federal APTCs Continue and Federal Rules Not Implemented

The forecasting strategy begins by modeling for the individual market enrollment under a counterfactual scenario that excludes the policy changes associated with the expiration of the enhanced federal APTCs under the American Rescue Plan Act and the federal rule changes adopted in mid-2025.

This scenario projects enrollment based on prior trends that prevailed before the expiration of the enhanced federal APTCs and the implementation of the new federal rules. In this sense, it reflects a continuation of earlier policies and economic and labor market patterns.

Because current law includes both the expiration of the enhanced federal APTCs and the new federal rules, the resulting enrollment path represents a counterfactual (a what if or pro forma) outcome relative to the present policy environment governing California's marketplace.

Covered California uses this counterfactual scenario as a baseline to estimate the ongoing effects of these policy changes on individual market enrollment projections for the period from 2026 through 2033.

Driver 1. Medi-Cal Inflows

The projections in the Governor's FY 2025-26 May Revision indicated that Medi-Cal caseloads have been declining due to the end of COVID-19 unwinding flexibilities, the expiration of federal waivers, and the implementation of state budget solutions. During the unwinding period, Medi-Cal implemented several Centers for Medicare & Medicaid Services (CMS) waivers that extended the eligibility redetermination timelines beyond the original 12-month unwinding period. As a result, some populations faced eligibility redeterminations later than initially expected, with most extensions expiring by June 2025. The Governor's FY 2026-27 Approved Budget projects that Medi-Cal caseloads will continue to decline due to ongoing budget solutions and the implementation of federal requirements included in H.R. 1.

As of December 2025, Medi-Cal enrollment stood at 14.4 million, which is 1.7 million below its peak of 16.1 million in May 2023. However, enrollment remains 1.6 million above the average monthly level of 12.8 million in 2019.

Our budget enrollment forecast assumes that Medi-Cal enrollment will not return to its 2019 level. In 2019, California's unemployment rate averaged 4.1%, which is 1.3 percentage points below the 5.4% average projected by the California Department of Finance in both the FY 2025-26 May Revision and the FY 2026-27 Governor's Budget for the years 2026 through 2029. Instead, the forecast assumes that Medi-Cal enrollment will stabilize at 13.6 million, a level similar to the average enrollment observed in 2016 when California's unemployment rate was approximately 5.5%.

To reach this level, Medi-Cal enrollment would need to decline by a net 794,000 beneficiaries. Based on the average pace of decline over the thirty-one months since the unwinding began, Medi-Cal would reach this level in approximately fifteen months. During this period, California's marketplace is expected to gain an average of 14,300 enrollees per month from individuals transitioning from Medi-Cal, consistent with recent historical take-up rates.

However, average monthly new enrollment in California's marketplace from Medi-Cal transitions is projected to decline to approximately 9,123 per month over the forecast period (FY 2026-27 through FY 2031-32). This reduction reflects the expiration of enhanced federal APTCs and higher premiums for some transitioning individuals. The Financial Management Division estimated this decline by extrapolating the annual average of new Medi-Cal marketplace effectuations, based on observed decreases in January and February 2026 and historical monthly seasonal patterns of Medi-Cal transitions.

Driver 2. Labor Market Adjustments

As previously noted, labor market conditions, including unemployment, labor force participation, self-employment, and underemployment, play a key role in shaping marketplace enrollment. These factors influence the size of the population that would otherwise be uninsured. As a result, assumptions about marketplace enrollment must be adjusted to reflect changes in labor market conditions.

To capture this relationship, we use the unemployment rate trend as a predictor of variations in new enrollment. Unemployment correlates strongly with other labor market indicators, such as payroll jobs, underemployment, self-employment, and other forms of marginal employment. In this way, the unemployment rate serves as more than a measure of people actively seeking work; it provides a useful indicator of the overall tightness and stability of the labor market over time, making it a key measure of broader labor market conditions.

Our analysis shows that California's unemployment rate is positively correlated with new enrollment in the state's marketplace. When unemployment is projected to decline, lower levels of new enrollment are expected. Conversely, rising unemployment tends to increase new enrollment levels.

FMD based its FY 2026-27 enrollment forecast on the economic outlook presented in the Governor's January 9, 2026, budget. This outlook largely maintained the "growth recession" or stagnant expansion scenario described in the FY 2025-26 May Revised Forecast, particularly with respect to the labor market. The Governor's forecast projects that payroll jobs will grow at an average annual rate of 0.3% from 2026 to 2029, slightly below the 0.4% projected in the FY 2025-26 May Revise. The unemployment rate is expected to remain at an average of 5.4% over the same period, consistent with FY 2025-26 May Revise.

Using these unemployment projections and the historical relationship between unemployment and new enrollment, FMD calibrated the marketplace's total new effectuated enrollment levels over the forecast period. Under a scenario assuming the continuation of enhanced federal APTCs, projected labor market conditions would add an average of 128,000 new effectuations each plan year of the forecast period. These baseline inflows were then adjusted downward to reflect the expiration of enhanced federal APTCs, as described below.

Stage 2. Enhanced Federal APTCs Expiration Forecast (No Federal Rules) Scenario

In this stage, the forecasting strategy isolates the effects of the enhanced federal APTCs expiration on California's individual market enrollment relative to the counterfactual scenario. These effects are measured as both enrollment exits and reduced new enrollment, driven by the loss of enhanced federal APTCs. Quantifying the impact of enhanced federal APTCs expiration in isolation allows for subsequent analysis

of its interaction with federal rule changes presented in the Federal Rule Changes section.

Enhanced Federal APTC Assumptions and Current Trends

The FY 2025-26 budget initially assumed that the expiration of the enhanced federal APTCs would result in 166,000 additional terminations. To estimate this, FMD first identified individuals who enrolled after April 2021 due to the availability of enhanced federal APTCs. The analysis then estimated how many from this population would disenroll in response to higher premiums. Two analyses were conducted: a willingness-to-pay analysis, which estimated how many individuals would drop coverage entirely, and a substitution effect analysis, which estimated how many would leave California's marketplace for other coverage.

The initial estimate assumed that reinstating the 2020 state-funded premium assistance program would partially offset premium increases for certain enrollees, reducing enrollment losses. The mitigation effect was based on the 2020 program design and assistance distribution across federal poverty level categories. An updated 2026 state-funded program allocated more assistance to lower-income cohorts, which is expected to increase retention. As a result, the estimated enrollment loss rate declined slightly from 9.6% to 9.1% of total effectuated enrollment.

Because actual enrollment reached 1,914,000 by December 2025, exceeding the 2024 benchmark, the 9.1% loss rate was applied to the higher baseline, resulting in an estimated 174,100 enrollment losses. The original budget forecast assumed that 70% (123,611) of these losses would occur by the end of plan year 2025, with the remaining 30% (50,489) occurring in plan year 2026.

The analysis also considered impacts on new enrollment inflows using microsimulation models with CPS ASEC data. One scenario assumed continuation of enhanced federal APTCs, while another assumed a state subsidy program consistent with the 2026 design. Based on this, average new enrollment was expected to decline 17.4% relative to the counterfactual scenario with continued enhanced federal APTCs.

As of January 2026, actual December 2025 terminations totaled 228,500, or 11.9% of membership, compared with 7.9% in December 2024. This suggests an incremental impact of 4.0 percentage points, or 77,507 enrollees, which is 46,104 fewer than the forecasted December 2025 terminations. In contrast, actual January 2026 new inflows fell 36.7% below the counterfactual, exceeding the initially expected 17.4% drop.

Federal enhanced APTCs Expiration Estimates for FY 2026-27 Individual Medical Enrollment Forecast

Based on January 2026 enrollment performance, the FY 2026-27 budget forecast includes two key adjustments:

1. Timing of Existing Enrollment Losses

The forecast maintains the original estimate of total enrollment losses of 174,100 but assumes they will occur more gradually. Rather than 70% by the end of plan year 2025, the forecast now assumes 45% occurred by the end of the plan year 2025, with 55% occurring through plan year 2026.

This reflects policies such as CalHEERS passive reenrollment, which gives consumers up to 90 days to pay their first bill, and the additional time some enrollees may take to decide to terminate coverage¹⁸. Uncertainty around federal policy in early 2026, including early in the year potential congressional action to extend or modify subsidies¹⁹, may have further delayed termination decisions, with some enrollees choosing to effectuate their first month of coverage.

2. Updated New Enrollment Inflows

Based on January 2026 data, new enrollment is assumed to decline 36.7% in 2026 relative to the counterfactual path. Over subsequent years, the effect is expected to gradually soften as the counterfactual new inflow trends declines, averaging a 28.3 % reduction in plan years 2027 and 2028 before aligning with the previously modeled 17.4 % decline.

Passively renewed plans accounted for 71 % of total renewals through CalHEERS in plan year 2026. Because bills for January 2026 coverage were only sent during that month, the enrollment effects of passive renewals may take several months to fully materialize, suggesting that losses will occur gradually rather than being smaller in total.

Stage 3. Current Law Scenario: Enhanced Federal APTCs Expiration and Federal Rule Change Forecast

The final stage models the base-budget individual market enrollment forecast under current law. In this stage, the effects of federal rule changes are assessed relative to the counterfactual enrollment scenario.

Federal rule impacts are then overlaid on the enhanced federal APTCs expiration effects to account for overlapping influences. Incremental impacts from federal rules are adjusted to remove double-counting due to enhanced federal APTCs expiration effects.

The resulting projection represents the approved base-budget enrollment forecast for the individual market, incorporating the impacts of the expiration of enhanced federal subsidies and federal rule changes.

¹⁸ Centene expects more Americans to drop their healthcare coverage by April or May once they realize how expensive the plans have gotten. <https://www.morningstar.com/news/marketwatch/20260310427/obamacare-enrollment-is-plunging-as-costs-soar-pushing-down-stocks-like-centene>

¹⁹ 17 Republicans vote to restore lapsed Obamacare subsidies - POLITICO

Federal Rule Changes Enrollment Impact Assessment

Two major federal actions in mid-2025—the Marketplace Integrity and Affordability Rule finalized by the Centers for Medicare and Medicaid Services and H.R. 1 enacted by Congress—introduce provisions that limit marketplace enrollment and tax credit eligibility. While some provisions overlap or are expected to have minimal effect, their combined impact is significant. Implementation will occur in phases from mid-2025 through 2028, with the largest effects expected in later years.

FMD reviewed each statutory and regulatory change to identify which populations would be affected. Using 2024 CalHEERS member months as a benchmark, FMD estimated enrollment losses for provisions restricting tax credits based on willingness-to-pay data and for provisions restricting enrollment access using national and state marketplace trends. Estimates were aggregated by implementation year, while accounting for overlap with the expiration of enhanced federal APTCs under the American Rescue Plan Act (ARPA).

To measure this overlap, FMD compared the populations likely to lose enrollment due to the expiration of enhanced federal APTCs with those exposed to federal rule changes, while accounting for age, income, and gender. This approach allowed analysts to calculate a weighted share of enhanced federal APTCs related enrollment losses that coincide with federal rule impacts, ensuring that overlapping effects were not double counted.

Provisions scheduled for 2025–2026 include eliminating the automatic 60-day extension for income verification, removing special enrollment periods for individuals with incomes below 150 % of the federal poverty level, tightening income verification requirements, shortening timelines for tax credit reconciliation, limiting tax credit eligibility for some lawfully present immigrants, and excluding DACA recipients from coverage. Some of these provisions—such as stricter income verification and penalties for missed reconciliations—have been paused by federal court action, but several key measures will proceed as planned, including DACA exclusions and elimination of the automatic 60-day extension.

Further provisions will take effect in 2027, including restrictions on tax credit eligibility for certain higher-income lawfully present immigrants and a shorter open enrollment period (November 1 through December 31). In 2028, additional rules will end tax credits for unresolved eligibility issues and stop automatic reenrollment for current enrollees.

Using an average monthly enrollment of 1.76 million in 2024 as a benchmark, FMD estimates that Covered California could lose up to 397,000 enrollees due to these combined federal changes. About 223,000 of these losses are expected to begin in 2028 when new verification requirements take effect, while the remaining 174,000 would occur beginning in 2026 and 2027. Enrollment losses will occur gradually over

one to two years after each provision's effective date and will overlap to varying degrees with ongoing enhanced federal APTCs expirations.

Federal Rule Changes Forecast Adjustment Logic

To account for timing and overlapping effects, FMD developed a cumulative monthly deflation curve showing the percentage reduction in enrollment relative to a scenario without federal rule changes. Individual curves were created for each provision, representing gradual enrollment reductions from the effective date until full impact. These were combined into a cumulative curve spanning 2025 through 2033 and adjusted to remove overlapping effects with enhanced federal APTCs expirations.

This final curve, together with the effects of enhanced federal APTCs expiration, was applied to the counterfactual enrollment forecast to generate the base budget enrollment scenario for 2026 through 2033. Federal rule impact adjustments accounted for both monthly inflows and outflows, using proportional distributions like those applied when modeling the impacts of enhanced federal APTCs expiration.

Summary of Federal Rule Changes' Impact on Enrollment and Forecasts

The federal rule impact assessment followed three key steps:

1. Identify baseline rules and changes, along with the populations affected, using CalHEERS data.
2. Estimate enrollment losses at a single point in time using 2024 average enrollment as a benchmark.
3. Allocate enrollment losses across the 2026–2033 forecast period, adjusting for overlap with enhanced federal APTCs expirations.

Summary Multi-Year Individual Medical Enrollment Trendline, Historical and Base-Budget Forecast

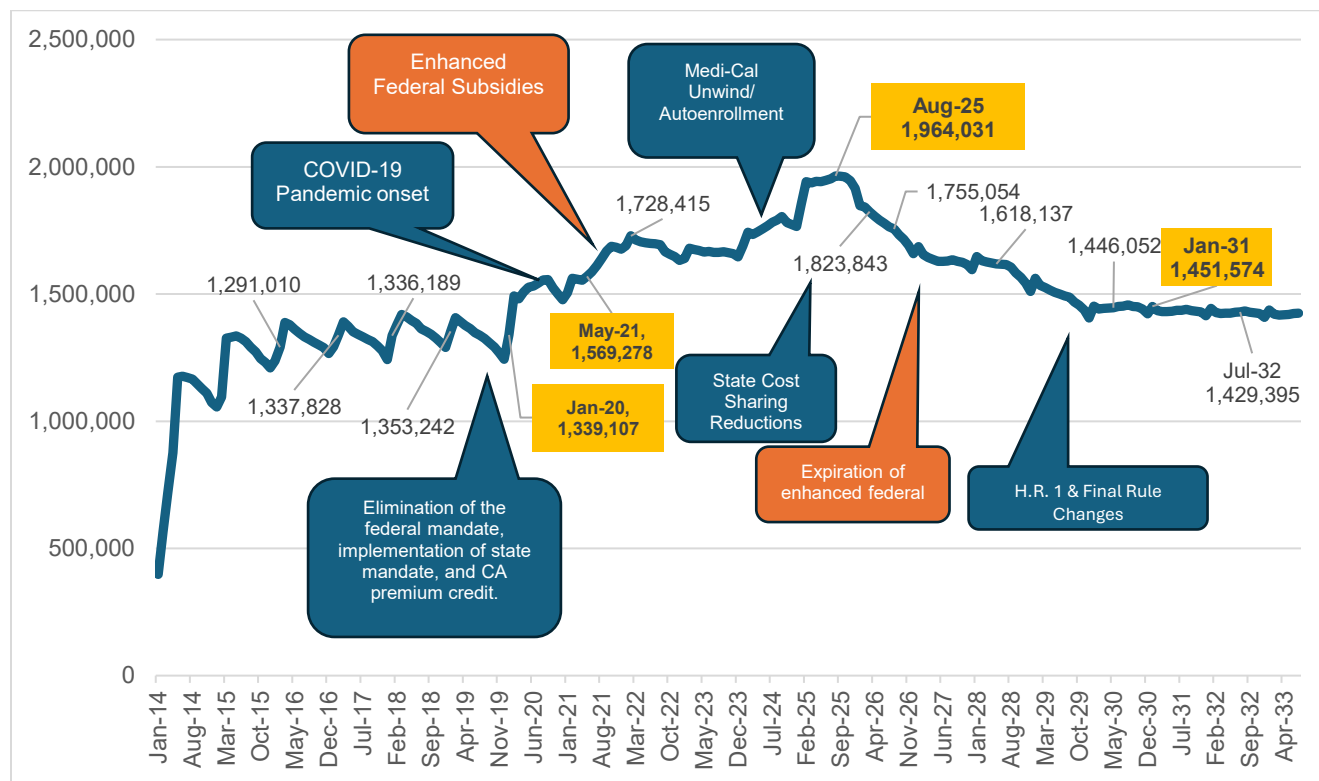
As shown in **Figure 11**, California experienced significant growth in marketplace coverage between 2020 and 2025. From January 2020 to August 2025, enrollment increased by 624,924, or 46.7%, reaching a peak of 1,964,031, or about 5% of the state's population. Enrollment is projected to decline over the next four to five years following this peak.

The expiration of enhanced federal APTCs, combined with federal actions in 2025, is expected to reverse much of this growth. Key measures include the CMS Marketplace Integrity and Affordability Final Rule, released on June 20, 2025, and the One Big Beautiful Bill Act (H.R. 1), signed into law on July 4. Together, these changes restrict enrollment and limit eligibility for tax credits.

Enhanced federal APTCs, first implemented in March 2021, expired on December 31, 2025, without renewal. As a result, premiums will increase for many enrollees, leading to gradual declines in coverage as individuals adjust to higher costs.

Figure 11 also shows that by August 2029, after all provisions of H.R.1 and the CMS rule changes have taken effect, enrollment is projected to fall below 1.5 million and stabilize at about 1.45 million in 2030. This level remains approximately 100,000 above pre-pandemic enrollment, supported in part by the state-funded premium assistance program and ongoing labor market conditions.

Figure 11: Historical and Base Budget Forecast Individual Medical Enrollment Trend



Individual Medical Enrollment Forecast

As noted, FMD's overall forecast is generated using an ARIMA time series model based on historical enrollment data. Because the data does not reflect the expected decline following the expiration of enhanced federal APTCs, the model inputs are adjusted accordingly. The process develops three scenarios for FY 2026-27, high, base, and low, to assess long-term enrollment trends.

To adjust the model, FMD first constructs a counterfactual scenario that assumes enhanced federal APTCs, which expired in December 2025, continued and that federal rule changes announced in mid-2025 were not implemented.

Under this scenario, enrollment is supported by a sluggish labor market, consistent with the California Department of Finance FY 2026-27 economic outlook. This results in an average of 128,000 additional new enrollees annually over the forecast period. Medi-Cal transitions are also expected to contribute about 14,300 new enrollees per month, reflecting gradual reductions in the Medi-Cal caseload. Termination rates are assumed to remain consistent with the January through November 2025 average of 3.25%.

FMD then derives the high, base, and low forecasts from this counterfactual path. All scenarios share the same economic and Medi-Cal inflow assumptions but differ in their

treatment of enhanced federal APTCs expiration and federal rule changes. The following sections describe individual medical enrollment trends under each scenario based on these assumptions.

Base Forecast

The base forecast reflects the current legal environment, in which enhanced federal APTCs expired in December 2025 and reverted to original ACA subsidies, supplemented by state premium assistance for individuals with incomes up to 165% of the federal poverty level. Federal regulatory changes finalized in mid-2025 are phased in from 2026 through 2029, with full stabilization by the 2030 plan year.

Enrollment is projected to average 1,766,997 per month in 2026, down 171,642 from the 2025 average of 1,938,639. This decline reflects enhanced federal APTCs expiration effects, including a reduction of 174,200 existing enrollees through 2026, with 45% occurring in December 2025 and 55% during 2026, as well as a 36.7% drop in new enrollment relative to the counterfactual. Federal rule changes are expected to further reduce total effectuated enrollment by about 1 percentage point relative to the counterfactual.

Enrollment is projected to average 1,633,879 in 2027 and 1,598,691 in 2028, with continued declines driven by reduced new enrollment from enhanced federal APTCs expiration, averaging 28.3% below the counterfactual, along with additional federal rule impacts averaging 2 percentage points less total effectuated enrollment in relation to the counterfactual.

Enrollment declines further in 2029 to 1,490,782, reflecting smaller but ongoing enhanced federal APTC effects, with new enrollment 17.4% below the counterfactual, and stronger federal rule impacts reducing total effectuated enrollment by 12% in relation to the counterfactual.

From 2030 through 2033, enrollment stabilizes at an average of 1,431,901 per month. At this stage, enhanced federal APTC-related expiration reductions in new enrollment remain at 17.4% below the counterfactual, while federal rule changes are fully realized, reducing total effectuated enrollment by 15% in relation to the counterfactual.

Over time, the impact of the expiration of enhanced federal APTCs on new enrollment diminishes as counterfactual enrollment inflows decline.

Low Forecast

The low forecast uses the same assumptions as the base scenario with two key differences. First, new enrollment inflows decline steadily, based on patterns observed during the 2026 Open Enrollment period, and remain 36.7% below the counterfactual throughout the forecast period. Second, because the expiration of the enhanced federal APTCs drives larger enrollment losses, its overlap with federal rule changes reduces the net increase in losses attributable to those rules.

As in the base scenario, enrollment averages 1,766,997 per month in 2026, down 171,642 from the 2025 average of 1,938,639. This decline reflects the effects of federal enhanced APTCs expiration and additional losses from federal rule changes.

In contrast to the base scenario, enrollment declines more steeply, from an average of 1,549,428 in 2027 to 1,291,098 in 2030. These declines reflect ongoing federal enhanced APTCs expiration effects on new enrollment, which remains 36.7% below the counterfactual. Over this period, federal rule changes increase total enrollment losses relative to the counterfactual from 2% in 2027 to 10% in 2030.

Total effectuated enrollment stabilizes at an average of 1,263,926 per month from 2031 to 2033. During this period, the expiration of enhanced federal APTCs continues to reduce new enrollment by 36.7% relative to the counterfactual, while federal rule changes keep total effectuated enrollment 10% below the counterfactual.

High Forecast

The high forecast follows the counterfactual enrollment scenario with one exception. After the expiration of the enhanced federal APTCs, Covered California lost 115,000 enrollees as of February 2026 and enrolled fewer new consumers.

Under the high scenario, total effectuated enrollment averages 1,896,977 in 2026, which is 41,661 below the 2025 average of 1,938,639. This shortfall reflects partial enrollment losses from the expiration of the enhanced federal APTCs, followed by a gradual rebound that begins in July 2026. The forecast assumes a recovery of 118,000 enrollees starting in July 2026, contingent on the reinstatement of subsidies. This recovery reflects losses from January through June 2026, including both declines in existing enrollment and reduced new enrollment, which runs 17.4% below the counterfactual monthly pace. The estimate also accounts for expected attrition among these enrollees during that period. Enrollment increases from July through December 2026 and returns to the counterfactual pace by January 2027, reflecting the resumption of enhanced federal APTCs and the absence of federal rule changes.

From 2027 through 2033, total effectuated enrollment averages 2,045,541 per month, 106,902 above the 2025 average. This growth reflects state budget actions that shift more enrollees from Medi-Cal to the marketplace, combined with labor market conditions that support increased marketplace enrollment.

Table 14 summarizes the assumptions used in the base, low, and high forecasts. The base and low forecasts are built on current law. They assume that federal enhanced federal APTCs expired in December 2025 and that newly adopted federal rule changes take effect as scheduled. Differences between the base and low scenarios reflect assumptions about the extent to which the expiration of enhanced federal APTCs reduces new effectuations over the forecast period.

The high scenario reflects a counterfactual enrollment trend. It assumes that enhanced federal APTCs continue and that the adopted federal rule changes do not take effect as scheduled under current law.

Table 14: Summary of Enrollment Assumptions Under Three Possible Forecasts

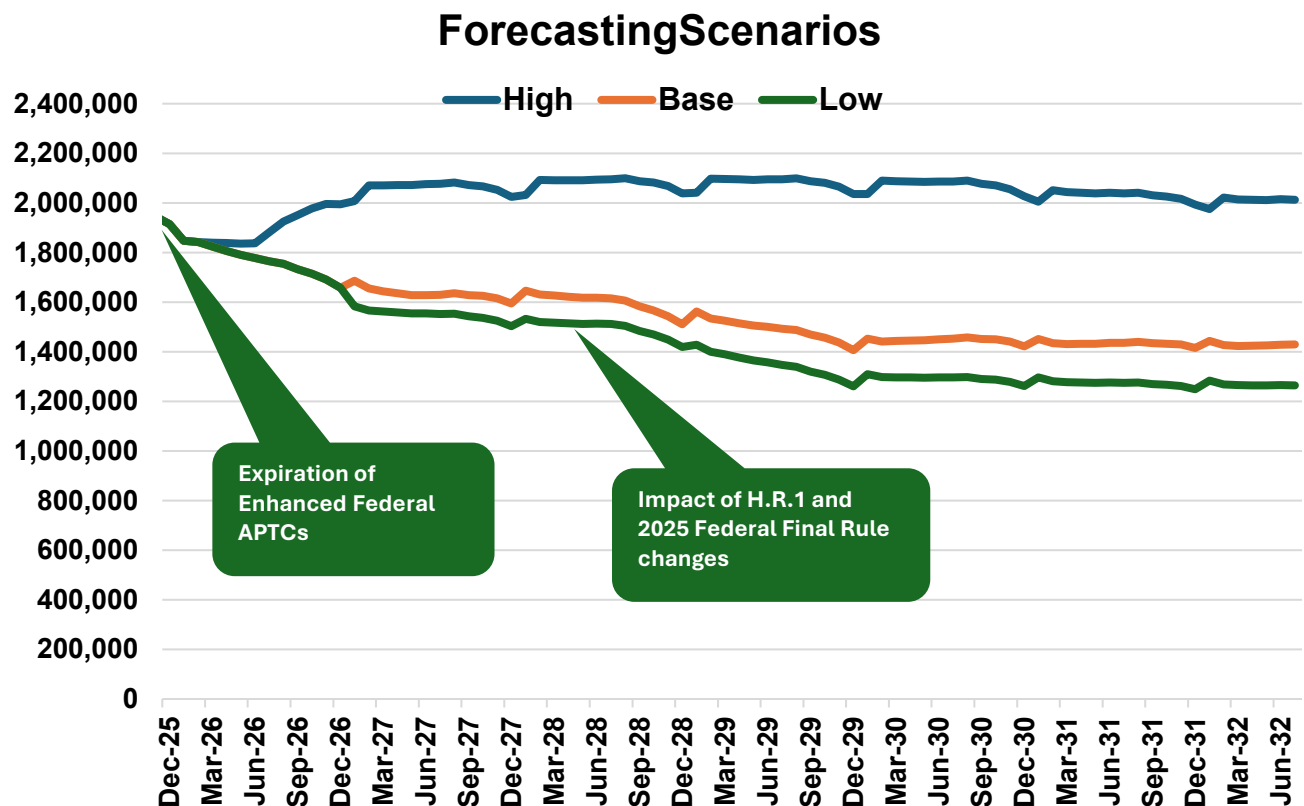
Major Assumption	High Scenario	Base Scenario	Low Scenario
Ongoing Medi-Cal New Effectuations	14,300 average monthly new effectuations due to the reinstatement of the federal enhanced APTCs	9,100 average monthly new effectuations	9,100 average monthly new effectuations
Labor Market Impacts	Average annual increase of 128,000 new effectuations above the counterfactual baseline; declines after the expiration of the enhanced federal APTCs and federal rule impacts.	Average annual increase of 128,000 new effectuations above the counterfactual baseline; declines after the expiration of the enhanced federal APTCs and federal rule impacts.	Average annual increase of 128,000 new effectuations above the counterfactual baseline; declines after the expiration of the enhanced federal APTCs and federal rule impacts.
Enhanced APTCs-related Enrollment Loss from Existing Enrollment	Initial 115,400 enrollment loss as of Feb 2026 and July reinstatement brings back enrollment over 6 mo. period; counterfactual baseline terminations resume onward.	174,200 incremental enrollment loss (2025–26); termination rates stabilize at 3.0% (Jan–Nov average) from 2027 onward.	174,200 incremental enrollment loss (2025–26); termination rates stabilize at 3.0% (Jan–Nov average) from 2027 onward.
Timing of Federal Enhanced APTCs expiration losses from existing enrollment	Dec 2025 to Feb 2026, Enhanced fed. APTCs reinstated in July 2026.	45% in Dec 2025 55% in plan year 2026	45% in Dec 2025 55% in plan year 2026
Enhanced APTCs-related expiration impacts on Ongoing New Effectuations	Assumes a 181,000-enrollment rebound following reinstatement of the enhanced federal APTCs occurring from July 2026 to Dec 2026	37% less in 2026 23% less in 2027 34% less in 2028 17% less 2029 to 2033	37% less from 2026 to 2033
Counterfactual Baseline Termination Rates of 2026 - forward	3.25% Termination rate monthly from Jan to Nov	2018 to 2023 Termination rate at 3.25% monthly from Jan to Nov	2018 to 2023 Termination rate at 3.25% monthly from Jan to Nov
Federal rules <i>(Other than enhanced federal APTCs)</i>	No adjustments	1% less average monthly enrollment in 2026 3% less in 2027 1% in 2028 12% in 2029 15% 2030 to 2033	1% less average monthly enrollment in 2026 2% less in 2027 1% in 2028 8% in 2029 10% 2030 to 2033

Long Term Budget Forecast

Table 15: Member Months and Average Monthly Enrollment for Base, High, and Low Scenarios

Fiscal Year	Base Forecast		High Forecast		Low Forecast	
	Total FY Enrollment	Average Monthly Enrollment	Total FY Enrollment	Average Monthly Enrollment	Total FY Enrollment	Average Monthly Enrollment
2024-2025	22,258,359	1,854,863	22,258,359	1,854,863	22,258,359	1,854,863
2025-2026	22,587,532	1,882,294	22,739,802	1,894,983	22,587,532	1,882,294
2026-2027	20,193,881	1,682,823	24,092,489	2,007,707	19,697,525	1,641,460
2027-2028	19,490,168	1,624,181	24,867,746	2,072,312	18,322,674	1,526,889
2028-2029	18,564,820	1,547,068	24,986,759	2,082,230	17,153,462	1,429,455
2029-2030	17,425,481	1,452,123	24,932,980	2,077,748	15,653,602	1,304,467
2030-2031	17,290,443	1,440,870	24,625,398	2,052,117	15,394,011	1,282,834

Figure 12: Long-Term Budget Forecasts Under Base, High, and Low Scenarios



Covered California for Small Business

This section summarizes the CCSB enrollment outlook, the main drivers of the forecast, and the market context for small-business coverage in California. Similar to the individual market, Covered California charges insurance carriers participating in the CCSB program a participation fee based on a percentage of the premiums they charge employer groups for each member covered.

Covered California for Small Business Enrollment Forecast

As with the individual market, Covered California developed three CCSB enrollment scenarios for FY 2026–27 and beyond.

Table 16
CCSB Member Months and Average Monthly Enrollment for Base, High, and Low Scenarios; CCSB Medical and Dental Enrollment

Fiscal Year	Base Forecast		High Forecast		Low Forecast	
	Total FY Enrollment	Average Monthly Enrollment	Total FY Enrollment	Average Monthly Enrollment	Total FY Enrollment	Average Monthly Enrollment
2024-2025	1,025,011	85,418	1,025,011	85,418	1,025,011	85,418
2025-2026	1,050,834	87,570	1,050,834	87,570	1,050,834	87,570
2026-2027	1,062,199	88,517	1,081,012	90,084	1,043,654	86,971
2027-2028	1,053,083	87,757	1,105,479	92,123	1,002,162	83,514
2028-2029	1,053,188	87,766	1,135,613	94,634	974,578	81,215
2029-2030	1,061,885	88,490	1,171,422	97,618	959,306	79,942
2030-2031	1,075,381	89,615	1,209,769	100,814	951,710	79,309
2031-2032	1,091,415	90,951	1,248,987	104,082	948,835	79,070

Base Scenario

The base forecast estimates 10,500 member months from new employer groups in FY 2026–27, increasing by 250 member months annually through FY 2031–32. The retention rate is projected at 87%, consistent with recent experience, with a slight improvement thereafter. Average monthly medical and dental enrollment is forecast at 88,517 in FY 2026–27, declining modestly through FY 2029–30 before recovering.

High Scenario

The high forecast assumes stronger inflows from new employer groups and fewer terminations. New medical sales are projected at 11,500 in FY 2026–27, with gradual growth thereafter. The retention rate is projected at 89%, and average monthly medical and dental enrollment is forecast to be 90,084.

Low Scenario

The low forecast assumes weaker new sales and greater attrition among existing groups. Enrollment inflows are projected at 9,500 in FY 2026–27, with a retention rate of 85%. Average monthly medical and dental enrollment is forecast at 86,971.

Covered California for Small Business Overview

Covered California for Small Business (CCSB) is California’s version of the federal Small Business Health Options Program (SHOP), created under the Affordable Care Act (ACA) and launched in 2014. While most states apply small-group rules to employers with 50 or fewer employees, California extends those rules to employers with up to 100 employees.

CCSB serves nearly 9,600 employer groups, averaging just over eight employees per group. It operates on a platform separate from CalHEERS, performs consolidated premium billing, and processes more than \$600 million in annual payments. California’s small-group market remains concentrated outside CCSB: about 80% is purchased directly from carriers, 16% through California Choice, and 4% through CCSB.

Like the individual market, CCSB is governed by core ACA protections, including coverage regardless of pre-existing conditions, modified community rating, minimum medical loss ratio requirements, and access to essential health benefits. The ACA also allows workplace wellness incentives, with health-contingent rewards rising from 20% to 30% of coverage costs.

CCSB is also the only source of small-group coverage that provides access to the federal Small Business Health Care Tax Credit. To qualify, employers generally must have fewer than 25 full-time equivalent employees, pay average annual wages below the inflation-adjusted threshold, offer a qualified plan through SHOP, and pay at least 50% of the employee-only premium. The credit may be claimed for two consecutive tax years.

Small Business Employers in California

Small businesses remain a critical part of California’s economy. According to the Employment Development Department, they represent 99.9% of all businesses in the state. Businesses with fewer than 100 employees account for the vast majority of firms,

underscoring the importance of affordable and accessible coverage for small employers.

Table 17
Number of Businesses and Number of Employees
by Business Size, California

Business Size	Number of Businesses	Percentage of Businesses	Number of Employees	Percentage of Employees
Under 10	1,639,740	85%	2,900,954	16%
10 to 49	222,780	12%	4,575,183	25%
50 to 99	35,391	2%	2,441,168	13%
100 to 1,000	24,380	1%	5,395,485	30%
Over 1,000	1,182	>1%	2,930,985	16%
Total	1,923,473		18,243,775	

Size of Business Data for California (Quarterly), 2025 Qtr. 2, EDD. URL: https://labormarketinfo.edd.ca.gov/file/indsize/Chart_SOB2025_2.pdf

Characteristics of CCSB Employer Groups and Enrollees

CCSB employer groups are predominantly very small: about 77% have fewer than 10 employees.

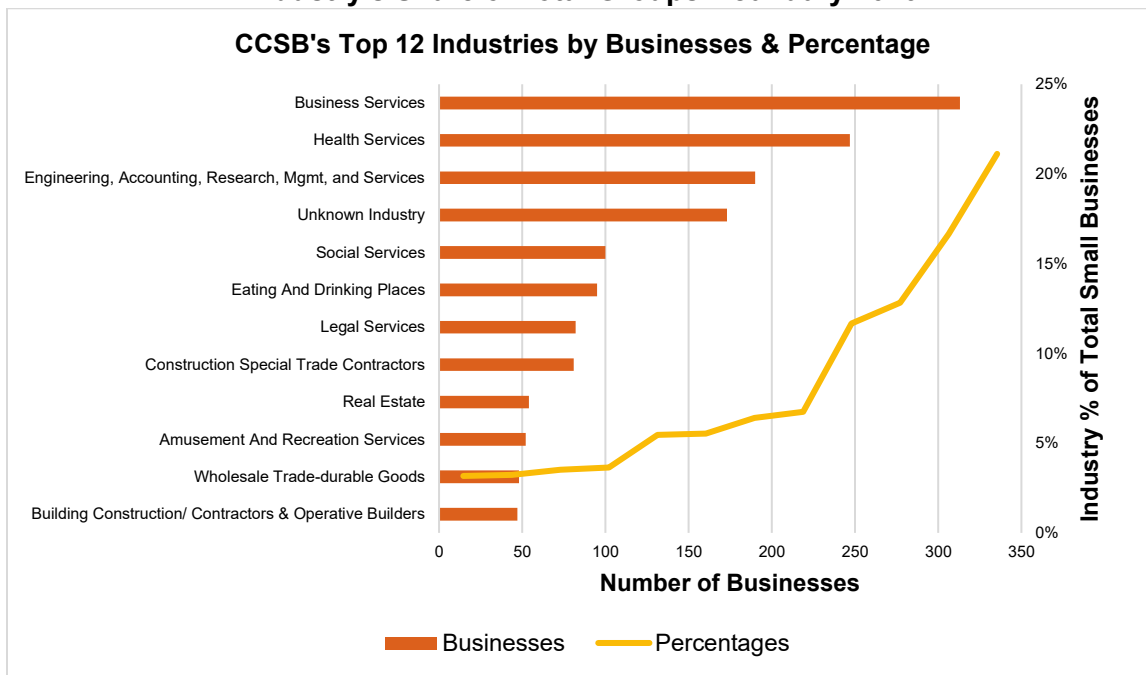
Table 18
Number of Businesses and Number of Employees
by Business Size, CCSB

Group Size	Number of Groups	Percentage of Businesses	Number of Employees	Percentage of Employees
Under 10	7,394	77%	20,453	39%
10 to 49	2,039	21%	23,901	46%
50 to 99	109	1%	4,717	9%
Over 100	45	>1%	3,126	6%
Total	9,587		52,197	

Figure 13 shows the distribution of employer groups across CCSB's top industries, including group counts and each industry's share of total groups. Comparing CCSB's employer mix with the statewide small-business landscape helps identify the sectors driving enrollment, where growth opportunities may exist, and how industry-specific labor-market shifts could affect future enrollment.

Figure 13

CCSB's Top 12 Industries, Including the Number of Groups Per Industry & Each Industry's Share of Total Groups – January 2026



Business Services Categories: Administrative Services, IT Services, Marketing Services, and Consulting Services
 Health Services Categories: Medical Practices, Home Health Services, Rehabilitation Services, and Telehealth Services

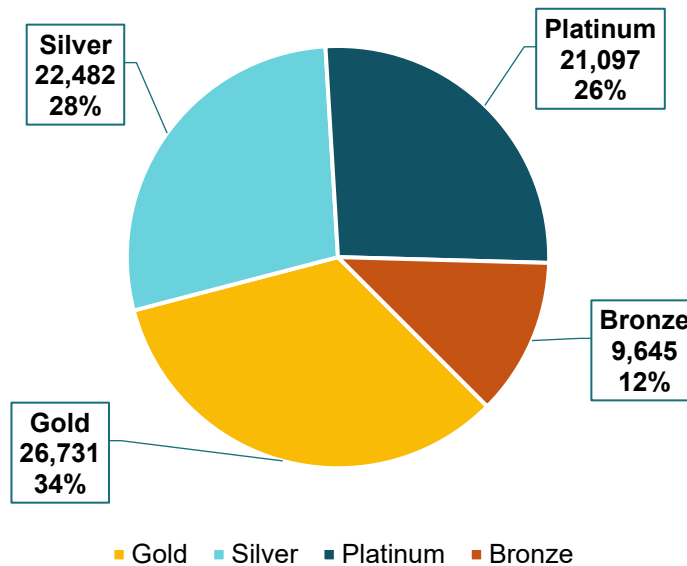
Business services include administrative, IT, marketing, and consulting services. Health services include medical practices, home health, rehabilitation, and telehealth services.

Enrollment by metal tier shows a clear preference for plans with higher actuarial value (**Figure 14**). Gold has the largest share, followed by Silver and Platinum, while Bronze is the smallest segment. Nearly two-thirds of enrollees concentrated in the Gold and Silver plans, suggesting that employers and workers continue to value lower cost sharing and stronger benefit protection.

This differs from broader national small-group trends, where affordability pressures have increasingly been managed through higher deductibles and higher employee premium contributions. CCSB's enrollment concentration in the Gold and Silver plans suggests that participating employers and workers place a high value on more predictable out-of-pocket costs and stronger financial protection.

Figure 14

CCSB Enrolled Members by Metal Tier – Jan 2026



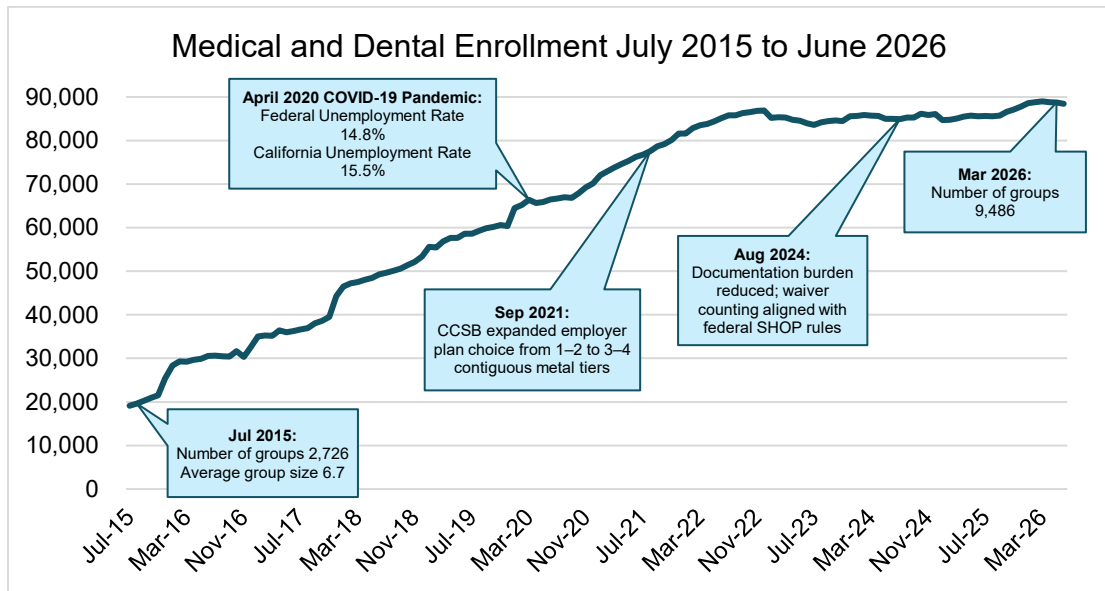
CCSB Historical Enrollment Trend

CCSB enrollment depends on the balance between new employer groups entering coverage and existing groups terminating coverage. When new enrollment exceeds terminations, total enrollment rises; when terminations exceed new enrollment, it declines.

CCSB experienced strong growth from 2015 through 2022. In 2023, new competitive pressures slowed that growth, leading to a decline and flattening of enrollment. Since then, CCSB has stabilized its book of business and begun posting modest gains.

Figure 15

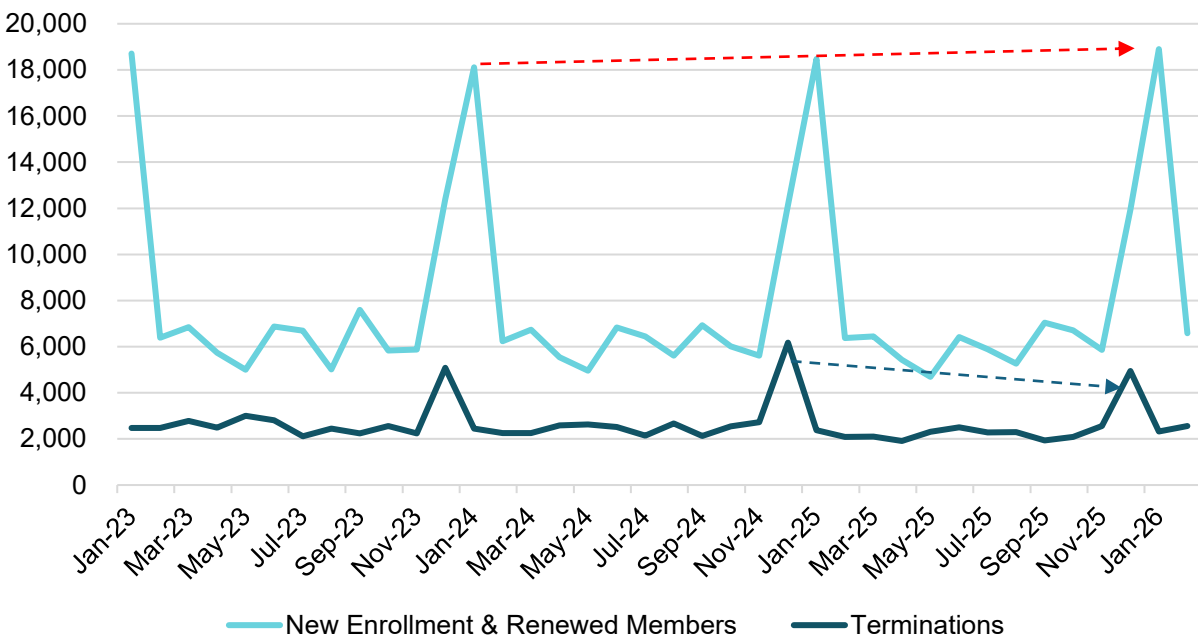
July 2015 to June 2026 Medical and Dental Enrollment



CCSB Medical and Medical enrollment has remained relatively stable in recent years, with a modest uptick at the start of 2026. In January 2026, new enrollments increased while terminations declined.

Figure 16

January 2023 - February 2026 New Medical Enrollment & Terminations



Historically, about one-quarter of annual new-group enrollment occurs in January, offsetting typical December losses. Unlike the prior two FYs, which saw small year-over-year losses in December and January, FY 2025–26 posted modest gains. The increase in January 2026 more than offset the prior December's losses.

A major policy change that could affect future CCSB enrollment is the expiration of the enhanced federal APTCs for the individual market at the end of 2025. Those subsidies made individual-market coverage more affordable and may have limited CCSB growth between 2023 and 2025 by offering workers a more attractive alternative. With those subsidies now expired, individual-market premiums have risen for many enrollees in 2026, potentially making small-group coverage more attractive and supporting a shift back toward employer-based marketplace coverage.

CCSB continues to pursue strategies to strengthen and grow the ACA small-group market, including improving plan offerings, expanding employee choice across carriers, and working with agents and other partners to promote ACA-compliant benefit designs and broader carrier options.

For the 2026 plan year, CCSB offers year-round access to health coverage through three medical carriers and one dental carrier. Employers may offer Bronze, Silver, Gold, and Platinum coverage and can choose one tier or multiple tiers, allowing employees to select the option that best fits their needs and budget without increasing employer contribution costs.

V. Long-Term Budget Assessment and Fiscal Sustainability Analysis

Covered California's long-term budget assessment and fiscal sustainability analysis projects revenue and expenditures over six FYs, from FY 2026-27 through FY 2031-32. The forecast gives executives, the Board of Directors, and other stakeholders a longer-term view of the financial effects of current decisions.

The analysis evaluates expenditure commitments, enrollment, revenue trends, fund balance (working capital), and the participation fee rates needed to maintain interperiod equity, defined as a FY in which revenues equal expenditures. It also highlights major fiscal risks and opportunities. The forecast reflects known fiscal conditions but does not assume balancing solutions or changes in service levels.

In Chapter V, Covered California presents Base, Low, and High financial forecasts for FY 2026-27 through FY 2031-32. For each scenario, Covered California estimates the participation fee rate needed to achieve breakeven, working capital balance, and net change in working capital for each FY throughout the forecast range.

Under current law, the enhanced federal APTCs expired on December 31, 2025. As a result, the Base and Low forecasts assume enrollment declines over the forecast period. The High forecast assumes that the enhanced federal APTCs are reinstated in July 2026, leading to an initial decline in enrollment, followed by recovery over the following six months.

For each scenario, the Financial Management Division evaluated revenues and expenditures using assumptions for participation fees, premium growth, and expenditure growth. This analysis shows the participation fee rates needed under different enrollment and cost conditions and helps decision-makers assess what may be required to maintain a stable and reasonable fee rate. In addition, it allows decision makers to assess changes in Covered California's working capital over time. Working capital represents the difference between total current assets and total current liabilities.

What Is a Long-Term Budget Assessment?

A long-term budget assessment is a financial planning tool used by public entities to project revenues, expenditures, and financial position over multiple years and to evaluate fiscal sustainability. The Government Finance Officers Association (GFOA) recommends that governments maintain a long-term financial plan covering at least five years.

A sound financial strategy requires more than balancing the current-year budget. It must also ensure that the organization can continue to support programs and services over time.

For Covered California, long-term budgeting and fiscal stress testing are essential to understanding how current decisions will affect future operations. This approach helps identify risks early, anticipate shortfalls, and evaluate options before fiscal pressures become more severe.

Fiscal Sustainability at Covered California

Fiscal sustainability means Covered California can:

- Continue providing services and supporting existing programs
- Meet financial commitments now and in the future
- Maintain a stable and predictable participation fee rate
- Support long-term decision-making

Covered California connects buyers and sellers to provide access to affordable, quality health coverage. To do so sustainably, it must manage operating and capital costs carefully, so participation fees remain stable and do not rise unnecessarily. If expenditures grow faster than revenue, Covered California may need to raise participation fees, reduce services, or pursue a combination of both.

Long-term fiscal sustainability therefore depends on keeping participation fees, operating and capital expenditures, working capital, and enrollment in balance.

Financial Principles Used to Evaluate the Scenarios

In developing the approved budget, Covered California evaluated multiple fiscal strategies and what-if scenarios. The following principles guided that work:

1. **Interperiod equity should be achieved in each FY.** Forecasted operating revenues should generally match operating expenditures. Limited exceptions may be appropriate when managing excess working capital or funding one-time commitments.
2. **Working capital must remain sufficient to manage risk.** Covered California should maintain enough working capital to address revenue shortfalls, unexpected expenses, and to ensure stable services and fees.
3. **Minimum working capital should equal roughly 4 to 6 months of budgeted operations.** If working capital falls below four months, a corrective action plan should be developed. That plan may include temporarily increasing the participation fee, reducing expenditures, or both.

4. **Working capital may be used for one-time commitments only when prudent.** Such use is appropriate only if the resulting balance remains sufficient to fund at least 4 months of projected operating budget expenditures.

Base Financial Forecast

Participation Fee Rate

The Base forecast assumes the individual market participation fee is reduced from 2.5% to 1.0% in plan year 2027, increased to 2.5% in plan year 2028, and then held constant through the end of the forecast period. The CCSB participation fee is assumed to decline from 4.75% to 4.25% in plan year 2027 and remain at that level throughout the forecast range.

FY	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
CY	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031	PY 2032
Part. Fee Rate/Ind. Mkt	2.5%	1.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Part. Fee Rate/CCSB	4.75%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

Premium Growth Rate

The Base forecast assumes continued enrollment declines will put upward pressure on premiums. Health plan premiums are therefore assumed to grow by 7.0% annually, above the long-term average of about 5.2%, between plan years 2026 and 2032.

Higher premium growth increases assessed revenue and reduces the breakeven participation fee rate, all else equal.

The CCSB premiums are assumed to grow annually by 6.0% throughout the forecast period.

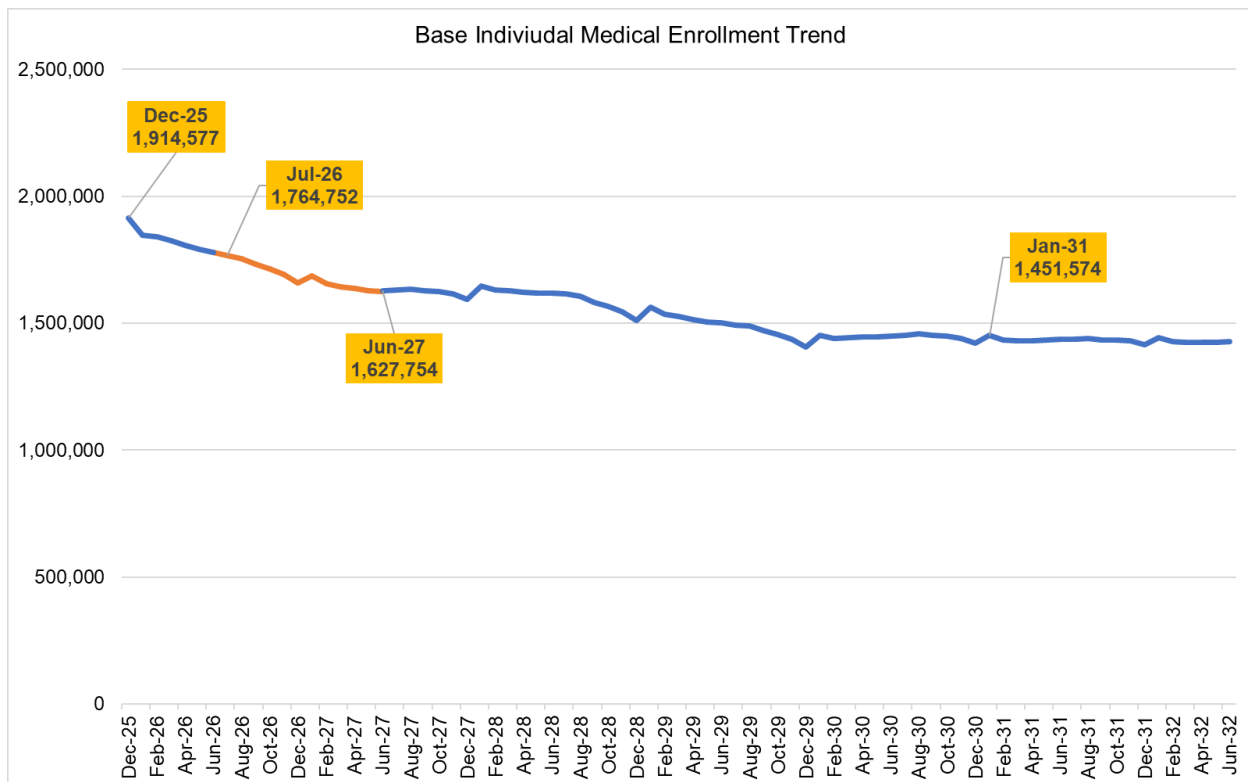
FY	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
CY	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031	PY 2032
Premium Rate/Ind. Mkt	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Premium Rate/CCSB	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

Enrollment Forecast

Enrollment is assumed to decline from 1.914 million in December 2025 to 1.451 million by January 2031. The decline reflects the expiration of enhanced federal APTCs, the implementation of H.R. 1 provisions, and the federal final rules adopted in 2025.

Individual market enrollment is forecast to decline from 1.764 million in July 2026 to 1.627 million in June 2027.

Figure 17: Base Forecast—Individual Market Medical Enrollment



Operating and Capital Expenditures

Operating expenditures are expected to grow by 3.2% annually over the forecast period. This includes personnel expenditures, other operating expenditures, state shared expenditures, and capital investments.

The forecast assumes:

- 1,506 authorized positions over the forecast period,
- A 5.0% vacancy rate over the forecast period, and
- SMIF earnings of 3.5% in FY 2026-27 and 3.0% over the remainder of the forecast period

Actual SMIF earnings could be higher if economic conditions lead to higher interest rates.

FY	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
CY	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031
Personnel	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Vacancy Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Personnel Count Change	0	0	0	0	0	0
Other Operation	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
State Shared	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
SMIF Int. Rate	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%

Projected Financial Outcomes

Under the Base forecast, Covered California's working capital declines from \$622 million to \$244.8 million over the forecast period. The ending balance would fund about 5.2 months of budgeted operations (**Figure 18**).

Over the six-year period, Covered California would use about \$377.2 million of working capital by holding the participation fee charged below the breakeven rate. By the end of the forecast period, the estimated breakeven participation fee rate is 2.6% (**Figure 19**).

Figure 18: Base—Working Capital Balance and Months of Operations Funded with Working Capital Balance

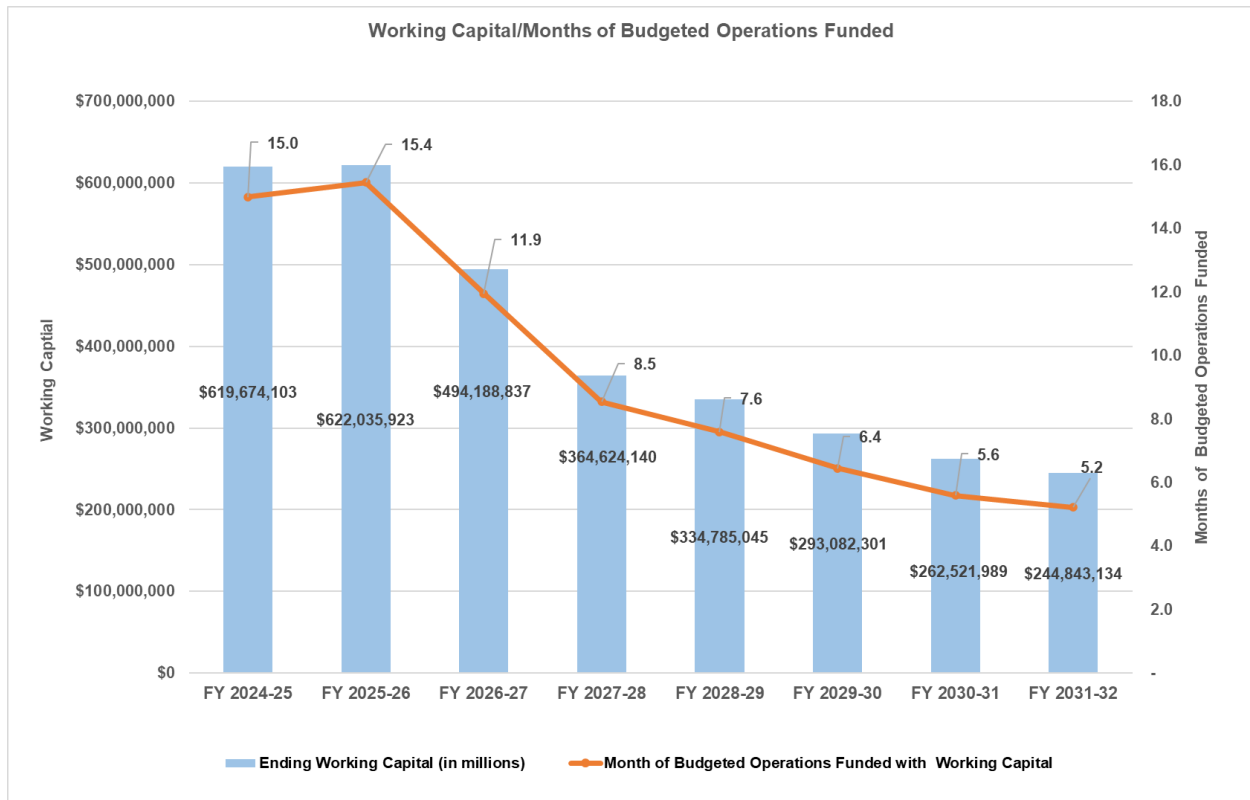
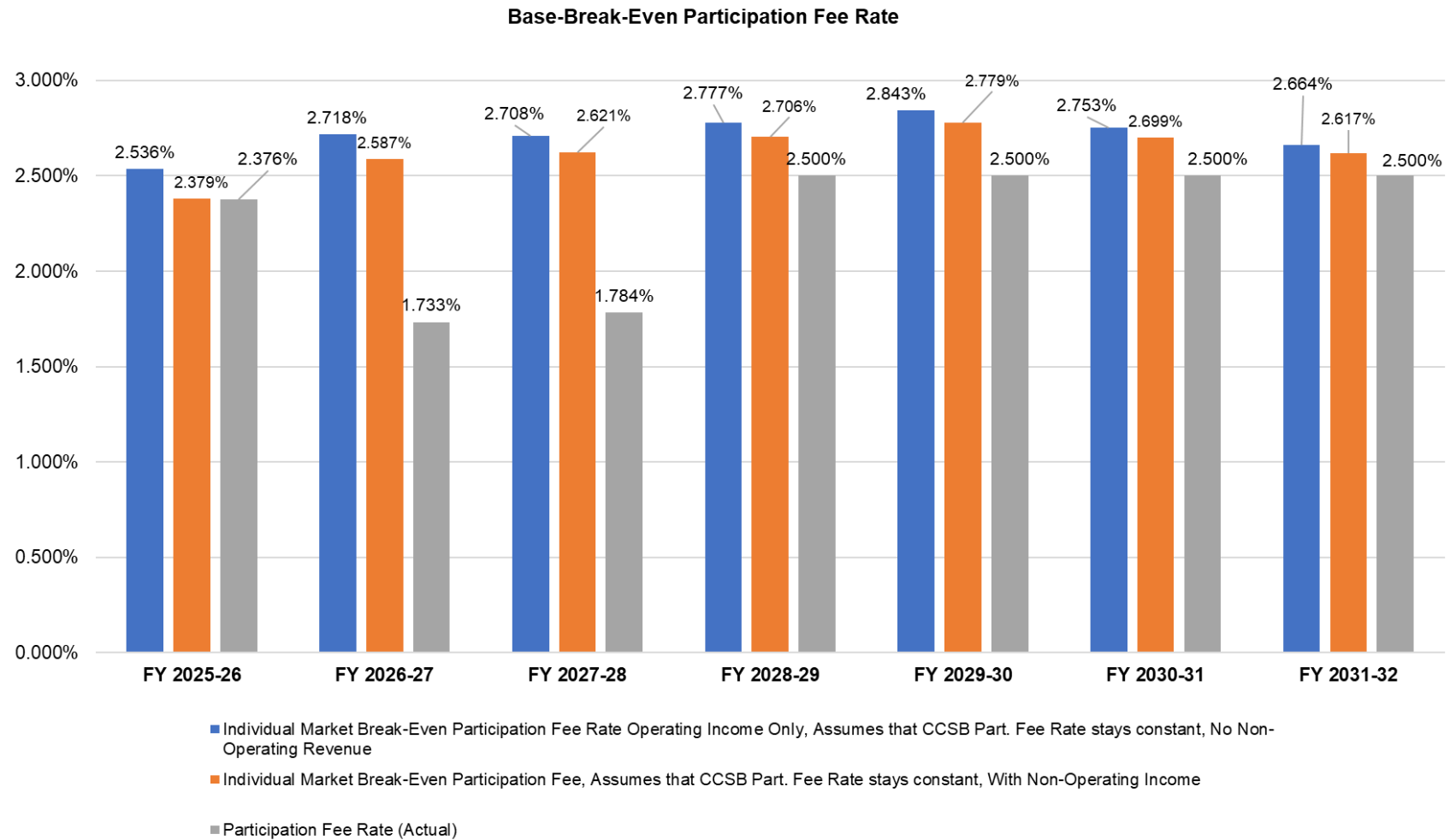


Table 19: Base—Forecast Financial Outcomes by FY

	Actual/ Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>	<u>FY 2031-32</u>
Beginning Fund Balance At July 1	\$ 619,674,103	\$ 622,035,923	\$ 494,188,837	\$ 364,624,140	\$ 334,785,045	\$ 293,082,301	\$ 262,521,989
Adjusted Beg. Fund Balance	\$ 619,674,103	\$ 622,035,923	\$ 494,188,837	\$ 364,624,140	\$ 334,785,045	\$ 293,082,301	\$ 262,521,989
Additions	\$ 444,601,580	\$ 328,544,346	\$ 341,431,262	\$ 456,228,733	\$ 459,919,256	\$ 487,113,591	\$ 516,560,614
Deductions	\$ (442,239,760)	\$ (456,391,432)	\$ (470,995,958)	\$ (486,067,829)	\$ (501,621,999)	\$ (517,673,903)	\$ (534,239,468)
Increase / Decrease in Fund From Operations	\$ 2,361,820	\$ (127,847,087)	\$ (129,564,696)	\$ (29,839,096)	\$ (41,702,744)	\$ (30,560,312)	\$ (17,678,855)
Ending Fund Balance At June 30 (Working Capital)	\$ 622,035,923	\$ 494,188,837	\$ 364,624,140	\$ 334,785,045	\$ 293,082,301	\$ 262,521,989	\$ 244,843,134
Unrestricted Working Capital/Fund Balance	\$ 622,035,923	\$ 494,188,837	\$ 364,624,140	\$ 334,785,045	\$ 293,082,301	\$ 262,521,989	\$ 244,843,134

Figure 19: Base—Participation Fee Rates, Breakeven, and Charged Rate



Low Financial Forecast

Participation Fee Rate

Under the Low forecast, the individual market participation fee is reduced from 2.5% to 1.0% in plan year 2027, then increased to 2.5% in 2028, to 2.75% in 2029, and held constant throughout the remainder of the forecast period.

The CCSB participation fee is reduced from 4.75% to 4.25% in plan year 2027 and remains at that level throughout the forecast range.

FY	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
CY	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031	PY 2032
Part. Fee Rate/Ind. Mkt	2.5%	1.0%	2.5%	2.75	2.75%	2.75%	2.75%
Part. Fee Rate/CCSB	4.75%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

Premium Growth Rate

Premiums are assumed to grow by 7.0% in plan year 2026 and 8.0% annually over the remainder of the forecast period. The higher growth rate reflects greater enrollment losses and assumed changes to the enrollment mix.

CCSB premiums are assumed to grow by 6.0% annually throughout the forecast period.

FY	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
CY	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031	PY 2032
Premium Rate/Ind. Mkt	7.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Premium Rate/CCSB	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

Enrollment Forecast

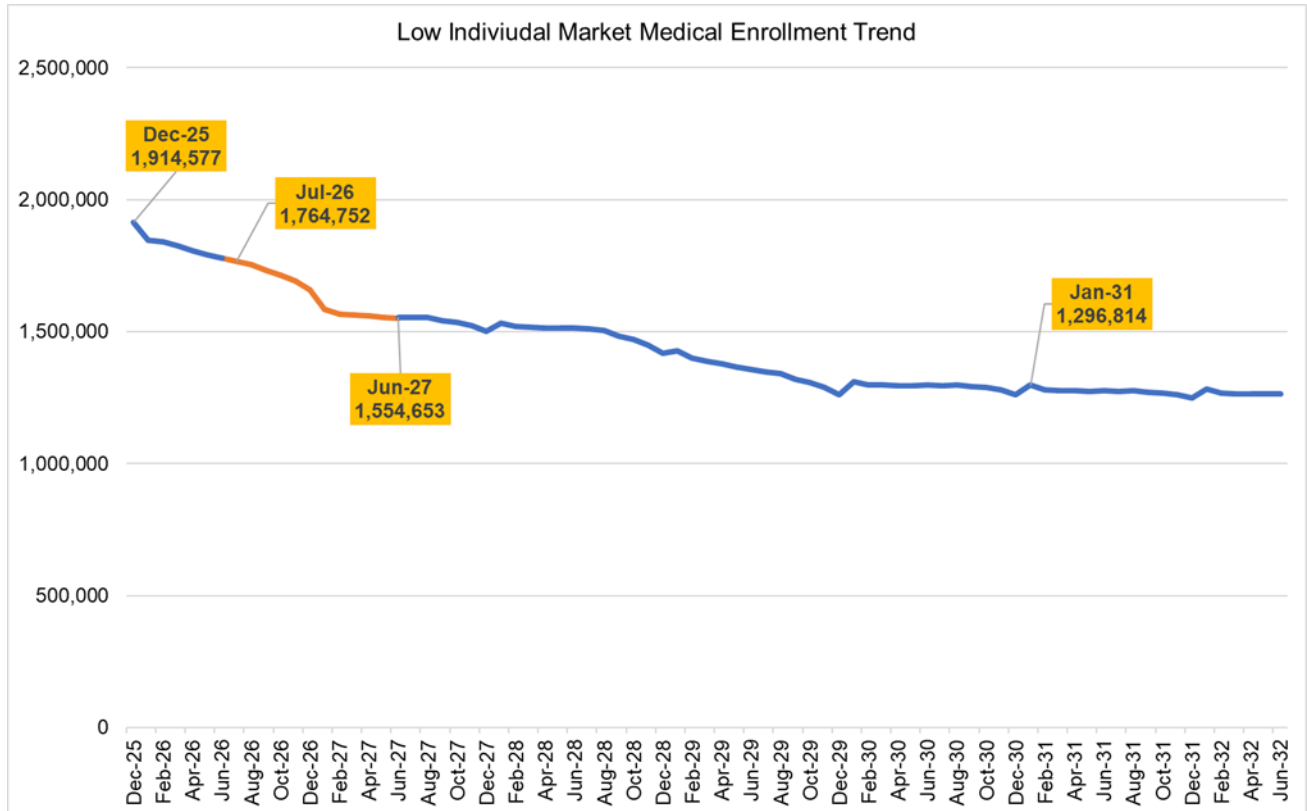
The Low forecast assumes larger and more persistent enrollment declines than the Base forecast. It reflects a stronger response to the expiration of enhanced federal APTCs.

In the Base forecast, the absence of enhanced federal APTCs reduces new enrollments by 37% in 2026 compared with the High forecast, with the effect moderating in later

years. In the Low forecast, that 37% reduction in new enrollments is assumed to persist throughout the forecast period.

Total enrollment is projected to decline from 1.914 million in December 2025 to 1.296 million by January 2031. Individual market enrollment is forecast to decline from 1.764 million in July 2026 to 1.554 million in June 2027.

Figure 20: Low—Forecast Individual Market Medical Enrollment



Operating and Capital Expenditures

As in the Base forecast, operating expenditures are expected to grow by 3.2% annually and include personnel, operating, state shared, and capital costs. The forecast assumes 1,506 authorized positions and a 5.0% vacancy rate throughout the forecast range.

FY	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
CY	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031
Personnel	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Vacancy Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Personnel Count Change	0	0	0	0	0	0
Other Operation	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%

State Shared	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
SMIF Int. Rate	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%

Projected Financial Outcomes

Under the Low forecast, Covered California’s working capital declines from \$622.1 million to \$253.8 million over the forecast period. The ending balance would fund about 5.4 months of budgeted operations (**Figure 21**). In the Low financial forecast, we have increased the individual market participation fee rate by 25 basis points above the Base participation fee rate after plan year 2027. This results in a slightly higher working capital balance in spite of the greater enrollment losses.

Over the forecast range, Covered California would use about \$368.3 million of working capital by holding the participation fee charged below the breakeven rate. By the end of the forecast period, the estimated breakeven participation fee rate is 2.8% (**Figure 22**).

Figure 21: Low—Working Capital Balance and Months of Operations Funded with Working Capital Balance

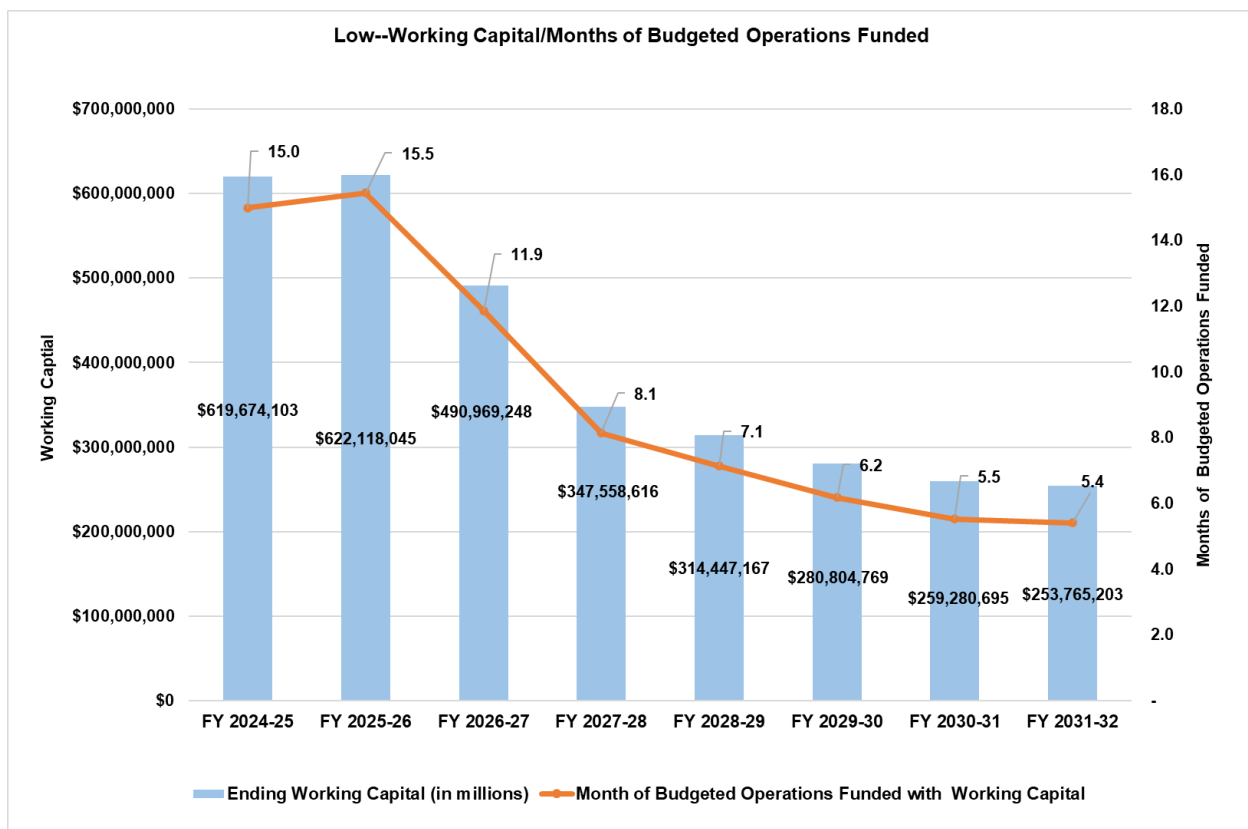
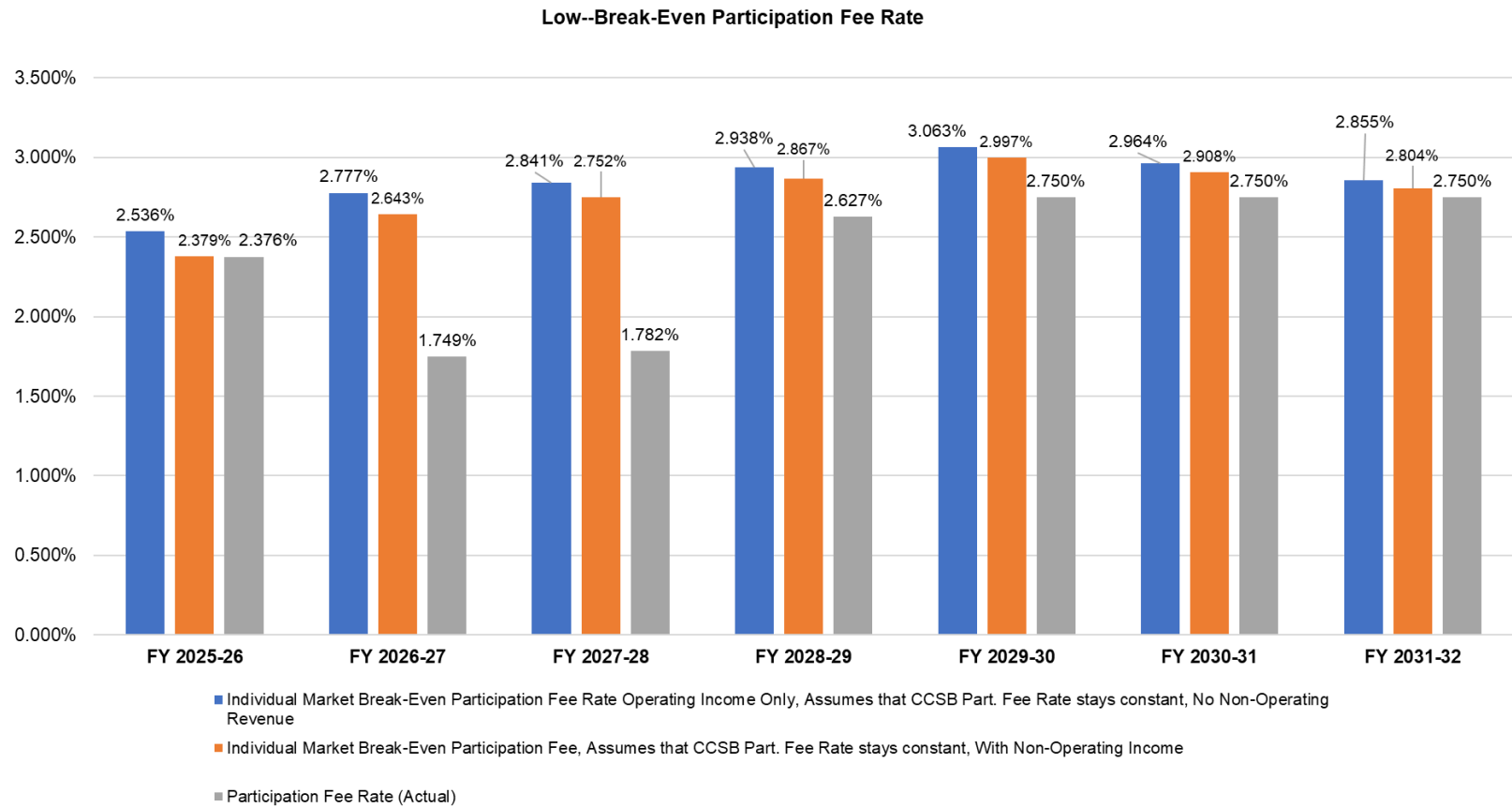


Table 20: Low—Forecast Financial Outcomes by FY

	Actual/ Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>	<u>FY 2031-32</u>
Beginning Fund Balance At July 1	\$ 619,674,103	\$ 622,118,045	\$ 490,969,248	\$ 347,558,616	\$ 314,447,167	\$ 280,804,769	\$ 259,280,695
Adjusted Beg. Fund Balance	\$ 619,674,103	\$ 622,118,045	\$ 490,969,248	\$ 347,558,616	\$ 314,447,167	\$ 280,804,769	\$ 259,280,695
Additions	\$ 444,683,703	\$ 325,242,635	\$ 327,585,326	\$ 452,956,379	\$ 467,979,602	\$ 496,149,829	\$ 528,723,975
Deductions	\$ (442,239,760)	\$ (456,391,432)	\$ (470,995,958)	\$ (486,067,829)	\$ (501,621,999)	\$ (517,673,903)	\$ (534,239,468)
Increase / Decrease in Fund From Operations	\$ 2,443,943	\$ (131,148,797)	\$ (143,410,632)	\$ (33,111,450)	\$ (33,642,397)	\$ (21,524,074)	\$ (5,515,493)
Ending Fund Balance At June 30 (Working Capital)	\$ 622,118,045	\$ 490,969,248	\$ 347,558,616	\$ 314,447,167	\$ 280,804,769	\$ 259,280,695	\$ 253,765,203
Unrestricted Working Capital/Fund Balance	\$ 622,118,045	\$ 490,969,248	\$ 347,558,616	\$ 314,447,167	\$ 280,804,769	\$ 259,280,695	\$ 253,765,203

Figure 22: Low—Participation Fee Rates, Breakeven, and Charged Rate



High Financial Forecast

Participation Fee Rate

The High forecast assumes Covered California continues to manage working capital within its target of roughly 4 to 6 months of budgeted operating expenditures.

Under this scenario, the individual market participation fee is reduced to 1.0% in plan year 2027, increased to 1.5% in 2028, 1.75% in 2029, and 2.0% in 2030, then held constant through the remainder of the forecast period.

The CCSB participation fee is assumed to be reduced from 4.75% to 4.25% in plan year 2027 and to remain at 4.25% throughout the forecast range.

FY	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
CY	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031	PY 2032
Part. Fee Rate/Ind. Mkt	2.5%	1.0%	1.5%	1.75%	2.0%	2.0%	2.0%
Part. Fee Rate/CCSB	4.75%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

Premium Growth Rate

For the High forecast, health plan premiums are assumed to increase by 7.0% in plan years 2026 and 2027 as enrollment declines following the expiration of enhanced federal APTCs. Once the enhanced federal APTCs are assumed to be reinstated, premium growth returns to the long-term trend of 5.2% beginning in plan year 2028.

CCSB premium growth is assumed to be 6.0% annually throughout the forecast period.

FY	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
CY	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031	PY 2032
Premium Rate/Ind. Mkt	7.0%	7.0%	5.2%	5.2%	5.2%	5.2%	5.2%
Premium Rate/CCSB	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

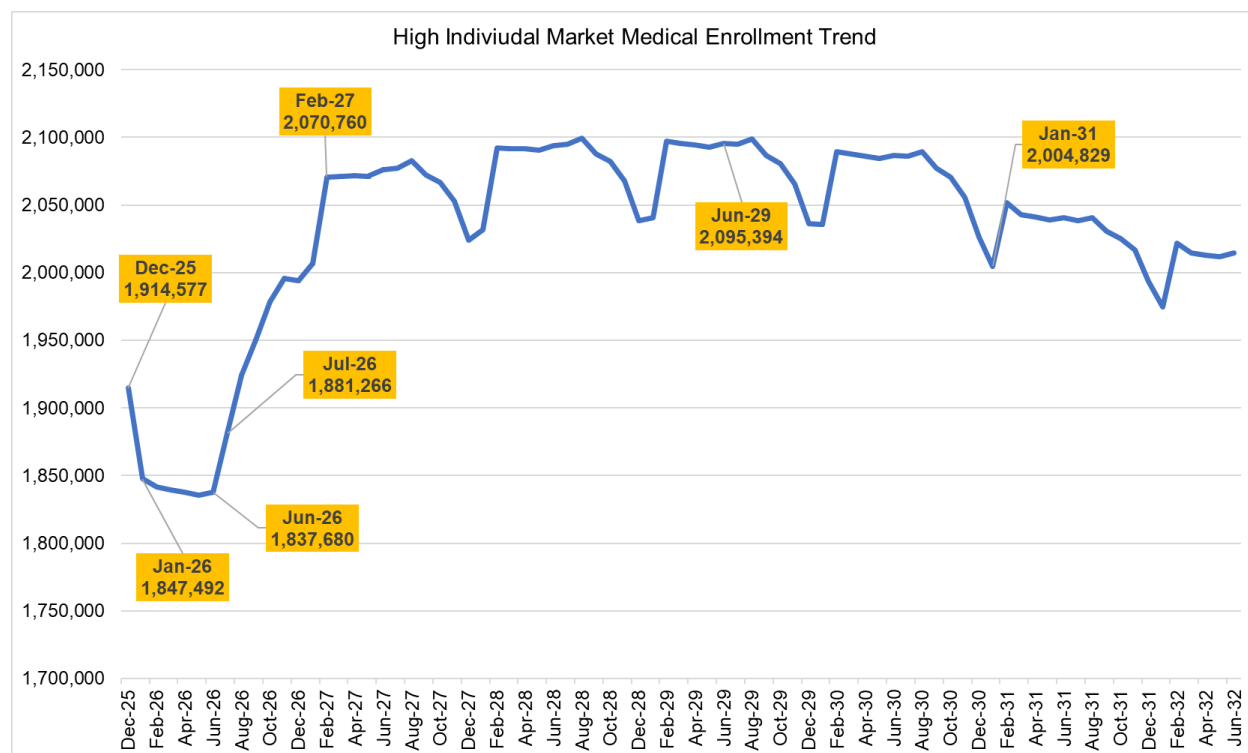
Enrollment Forecast

The High forecast assumes the enhanced federal APTCs expire on December 31, 2025, and are reinstated in July 2026. While this outcome may not be likely, it provides a useful comparison scenario.

Under this scenario, enrollment declines initially from 1.914 million in December 2025 to 1.837 million in June 2026, then begins to recover after the assumed reinstatement of the enhanced federal APTCs. Enrollment reaches about 2 million members by February 2027 and averages roughly 2 million members from February 2027 through June 2032.

The High forecast also assumes that H.R. 1 and the federal final rules adopted in 2025 do not apply. As a result, the out-years do not show the sustained enrollment declines reflected in the Base and Low forecasts. In the later years of the forecast, improved labor market conditions are expected to slightly reduce enrollment.

Figure 23: High Forecast—Individual Market Medical Enrollment Trend



Operating and Capital Expenditures

As in the other scenarios, operating expenditures are expected to grow by 3.2% annually and include personnel, operating, state shared, and capital costs. The forecast assumes 1,506 authorized positions and a 5.0% vacancy rate throughout the forecast period.

FY	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
CY	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031
Personnel	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Vacancy Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Personnel Count Change	0	0	0	0	0	0
Other Operation	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
State Shared	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
SMIF Int. Rate	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%

Projected Financial Outcomes

Under the High forecast, Covered California's working capital declines from \$625.0 million to \$270.0 million over the forecast period. The ending balance would fund about 5.8 months of budgeted operations (**Figure 24**).

Over the forecast range, Covered California would use about \$355.0 million of working capital by holding the participation fee charged below the breakeven rate. By the end of the forecast period, the estimated breakeven participation fee rate is 2.0% (**Figure 25**).

Figure 24: High—Working Capital Balance and Months of Operations Funded with Working Capital Balance

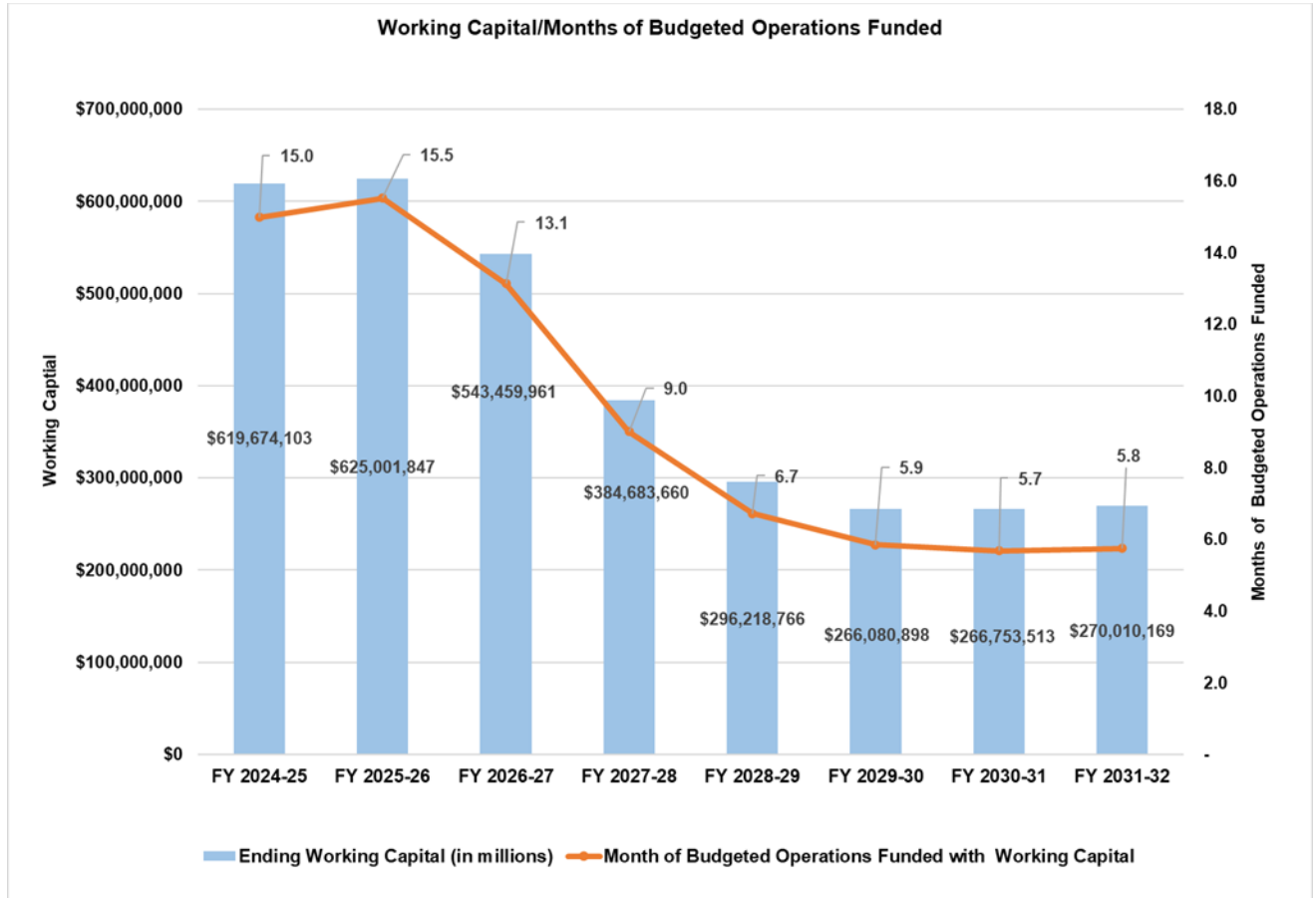


Table 21: High—Forecast Financial Outcomes by FY

	Actual/ Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>	<u>FY 2031-32</u>
Beginning Fund Balance At July 1	\$ 619,674,103	\$ 625,001,847	\$ 543,459,961	\$ 384,683,660	\$ 296,218,766	\$ 266,080,898	\$ 266,753,513
Adjusted Beg. Fund Balance	\$ 619,674,103	\$ 625,001,847	\$ 543,459,961	\$ 384,683,660	\$ 296,218,766	\$ 266,080,898	\$ 266,753,513
Additions	\$ 447,567,504	\$ 374,849,546	\$ 312,219,657	\$ 397,602,935	\$ 471,484,131	\$ 518,346,519	\$ 537,496,124
Deductions	\$ (442,239,760)	\$ (456,391,432)	\$ (470,995,958)	\$ (486,067,829)	\$ (501,621,999)	\$ (517,673,903)	\$ (534,239,468)
Increase / Decrease in Fund From Operations	\$ 5,327,744	\$ (81,541,886)	\$ (158,776,301)	\$ (88,464,894)	\$ (30,137,868)	\$ 672,615	\$ 3,256,656
Ending Fund Balance At June 30 (Working Capital)	\$ 625,001,847	\$ 543,459,961	\$ 384,683,660	\$ 296,218,766	\$ 266,080,898	\$ 266,753,513	\$ 270,010,169
Unrestricted Working Capital/Fund Balance	\$ 625,001,847	\$ 543,459,961	\$ 384,683,660	\$ 296,218,766	\$ 266,080,898	\$ 266,753,513	\$ 270,010,169

Figure 25: High—Participation Fee Rates, Breakeven, and Charged Rate

