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Colorado Health Benefit Exchange d/b/a Connect  
for Health Colorado

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**Financial Report**  
**with Supplementary Information**  
**June 30, 2024**

# Colorado Health Benefit Exchange d/b/a Connect for Health Colorado

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## Independent Auditor's Report

To the Board of Directors  
Colorado Health Benefit Exchange  
d/b/a Connect for Health Colorado

### Report on the Audits of the Financial Statements

#### **Opinion**

We have audited the financial statements of Colorado Health Benefit Exchange d/b/a Connect for Health Colorado (the "Exchange") as of and for the years ended June 30, 2024 and 2023 and the related notes to the financial statements, which collectively comprise the Exchange's basic financial statements, as listed in the table of contents.

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

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Exchange's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### **Auditor's Responsibilities for the Audits of the Financial Statements**

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

To the Board of Directors  
Colorado Health Benefit Exchange  
d/b/a Connect for Health Colorado

In performing audits in accordance with GAAS, we:

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

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

***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Exchange's basic financial statements. The combining statement of revenue, expenses, and changes in net position is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors  
Colorado Health Benefit Exchange  
d/b/a Connect for Health Colorado

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2024 on our consideration of the Exchange's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Exchange's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Exchange's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

November 11, 2024

## **Management's Discussion and Analysis**

### **Colorado Health Benefit Exchange Overview**

In 2011, the Colorado General Assembly passed Senate Bill 11-200, which created the Colorado Health Benefit Exchange, now doing business as Connect for Health Colorado (C4HCO), as a public non-profit entity governed by a Board of Directors and reviewed by the Colorado Health Insurance Exchange Oversight Committee. The organization's mission is to increase access, affordability and choice for individuals and small employers purchasing health insurance in Colorado. In 2020, C4HCO created Colorado Connect, a public benefit corporation, to provide other health related services.

Thanks to the increased savings made possible by the American Rescue Plan Act and the extension of those savings through the Inflation Reduction Act, more people than ever before qualify to receive financial help. Nearly 250,000 Coloradans signed up for a health insurance plan during the open enrollment period for 2024. This represented an 18% increase from the prior year. Of the enrollments, three out of four customers are receiving reductions on their premiums.

Connect for Health Colorado's Board of Directors sets strategic goals to further our mission to increase access, affordability and choice for individuals, families and small employers purchasing health insurance in Colorado. To focus limited resources, C4HCO concentrated on the following areas over the last year.

#### **Prepare systems and processes for additional volume.**

To meet the needs of the growing customer bases across two platforms, C4HCO invested in process improvement initiatives to increase efficiencies and capacity. Accomplishments included enhancements to data management and quality, implementation of robust performance monitoring and testing, and improvements to issuer data exchange. On the operations front, more customer service operations were brought in-house, including the move to a new customer relationship management system that provides more control and adaptability for future needs.

#### **Customer decision support.**

C4HCO started efforts in the year to expand resources and improve tools to help customers make decisions. Accomplishments included the launch of an internal user research and testing team to gather feedback directly from customers and inform changes to decision tools. Also, the outreach, broker and assister networks were strengthened and expanded to provide additional customer assistance.

#### **Modernizing systems.**

Utilizing development best practices and user research, C4HCO focused on moving towards a combined application and shopping/enrollment process. Accomplishments during the year included enhancements to major portions of the application and shopping portals to provide a streamlined experience for customers. Behind the scenes, further modernization and improvements were made to the eligibility technology.

#### **Medicaid unwind.**

Due to the end of the public health emergency, Medicaid enrollees underwent a redetermination of eligibility for the program starting in 2023, continuing into 2024. C4HCO played an important role in providing health coverage for members no longer eligible for Medicaid coverage. Activities by C4HCO included extensive collaboration with the Department of Health Care Policy & Financing, Regional Accountable Entities (RAEs), counties, and other partners to help as many people losing Health First Colorado or Child Health Plan Plus coverage transition to the Marketplace. In addition, outreach activities and Assistance Network staffing in rural communities was expanded to accommodate the transition.

The Board of Directors provided continuous guidance through the year, reviewing and approving the fiscal year 2025 budget in June 2024. The fiscal year 2025 budget concentrated on continuing with the modernization, decision support efforts along with an increased emphasis on streamlining processes, cost efficiency related projects and data management.

### **Funding**

The primary source of funding for the 2024 fiscal year continued to be administrative fees levied on health plans. The Board sets the administrative fee on an annual basis considering such factors as annual budget requirements, technology, and operational reserves, average premiums, and enrollment projections. The Board set fee remained at 3.5% of C4HCO generated premiums for plan year 2023 and 2024.

Funding was received from the state to support the implementation of the Health Insurance Affordability Act programs. Additional donations were received from health insurers to support outreach efforts as the result of passage of Senate Bill 81. During the 2024 fiscal year, C4HCO also continued to receive reimbursements of Medicaid related costs and premium tax credit donations.

### **Subsidiary**

The wholly owned Colorado Connect public benefit corporation entered its fourth year of operations. Colorado Connect focused on enrolling customers through its platform during the year providing support to the State's Health Insurance Affordability Enterprise program and also as an additional enrollment channel for Colorado Option plans.

### **Financial Statements**

C4HCO's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Standards Accounting Board (GASB). The Consolidated Statements of Net Position; Revenues, Expenses, and Changes in Net Position; and Cash Flows are prepared on an accrual basis and combined with the notes to the consolidated financial statements, provide the reader with an overview of the financial position and activities of the organization.

Total assets increased between 2024 and 2023 by \$6.7M (\$55.5M compared to \$48.8M). Contributing to this increase, current assets increased by \$8.0M (\$34.6M compared to \$26.6) consisting of cash and cash equivalents increased by \$3.9M (\$7.7M compared to \$3.8M) due to higher enrollments and premiums, accounts receivable increased by \$5.4M (\$15.4M compared to \$10.0M) due to the first full year of subsidiary operations as well as increased amounts related to our carrier fee billings due to the increased enrollments and higher premiums as well as two new issuers on the exchange. Offsetting current assets was a decrease in long-term assets by \$1.3M (\$20.9M compared to \$22.2M) the majority of which is the continued amortization of our SBITA assets which decreased by \$1.3M. Capital assets remained flat as investments of \$4.2M were counterbalanced by depreciation of \$4.2M. Capital investments primarily focused on technology development and enhancements for the platform modernization. Further changes in cash are included in the discussion of the Consolidated Statements of Cash Flows.

Total assets increased between 2023 and 2022 by \$2.5M (\$48.8M compared to \$46.3M). Contributing to this increase, long-term assets increased by \$0.5M (\$22.2M compared to \$21.7M) consisting of the net impact of capital investments of \$5.6M offset by \$4.7M of depreciation and amortization charges, the net impact of an increase in Assets under capital lease of \$1.1M, amortization charges on Subscription-Based IT Arrangements ("SBITA") assets of \$1.4M and a decrease of long-term prepaids of \$0.07M due to amortization of upfront call center costs. Capital investments primarily focused on technology development and enhancements for the platform modernization as well as platform development for our subsidiary. Contributing to the increase in total assets was the increase in current

assets of \$1.9M (\$26.5M compared to \$24.6M). Driving this increase in current assets was the increase of investments due to higher-than-expected revenues as well as the increase in accounts receivable of \$0.8M (\$9.9M compared to \$9.1M). Further changes in cash are included in the discussion of the Consolidated Statements of Cash Flows.

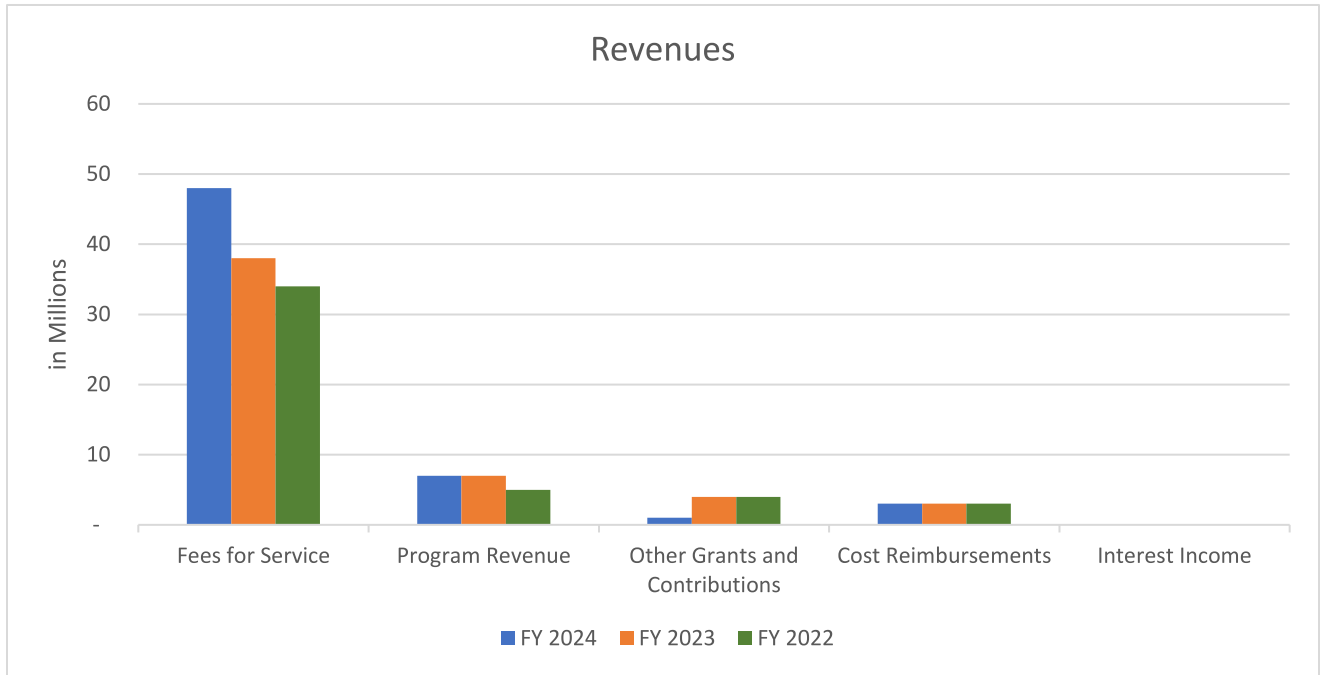
Liabilities remained relatively flat between 2024 and 2023 with an increase of \$0.5M (\$10.5M compared to \$10.06M) consists primarily of a increase of \$1.3M in accounts payable (\$3.8M compared to \$2.5M) offset by an decrease in SBITA short and long-term payable of \$1.4M. The increase in accounts payable was primarily related to the increase in amounts due to issuers related to reconciling and closing out plan years.

The increase in liabilities between 2023 and 2022 of \$0.1M (\$10.0M compared to \$9.9M) consists primarily of an increase of 0.2M in accrued salaries and wages offset by a changes in SBITA liability and Lease Payable .

The difference between assets and liabilities represents the net position of C4HCO, and the change in net position over time is one indicator of the C4HCO's improving or declining financial position. The net position of the organization increased by \$6.3M in fiscal 2024 and \$2.3M in fiscal 2023.

## Operating Revenues

Total revenues for the fiscal year 2024 increased by \$7.8M or 15% (\$59.7M compared to \$51.9M) from fiscal year 2023. Total revenues for the fiscal year 2023 increased by \$5.9M or 13% (\$51.9M compared to \$46.0M) from the prior year.



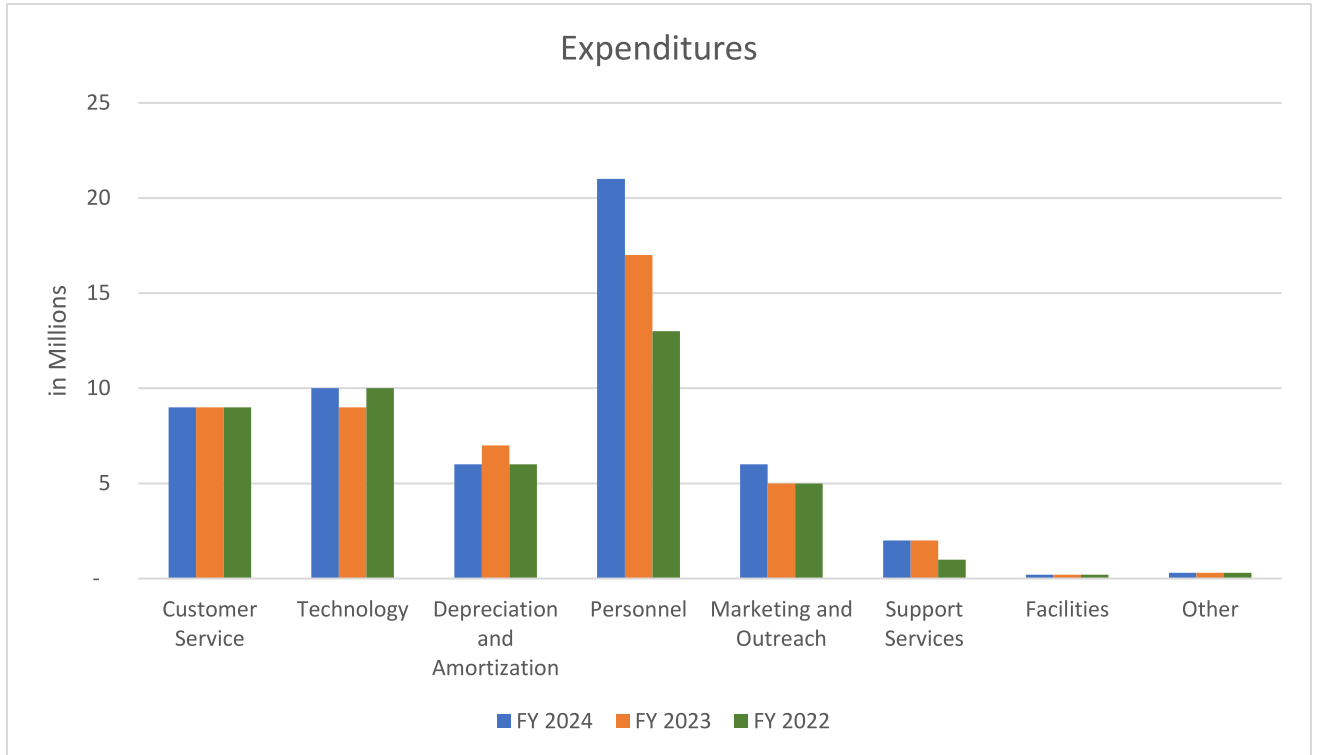
The fees for service revenue increased by \$9.9M or 26% (\$48.1M compared to \$38.2M) and \$4.2M or 12% (\$38.2M compared to \$34.0M) for fiscal years 2024 and 2023 respectively. The fiscal year 2024 increase was due primarily to a full year of operations in our subsidiary, and increased enrollments and premiums on the exchange. The fiscal year 2023 increase was primarily due to the increased premium levels on coverage and enrollments through our subsidiary which became effective on January 1, 2023.

During Fiscal Year 2024, C4HCO generated \$11.5M in program revenue which consisted of \$6.8M from carrier tax credits, Medicaid cost reimbursements of \$3.4M and other state grants totaling \$1.3M. During Fiscal Year 2023, C4HCO generated \$13.7M in program revenue which consisted of \$6.9M from carrier tax credits, Medicaid cost reimbursements of \$3.3M and other state grants of \$3.5M. The carrier tax credits include SB81 amounts which allowed for additional contributions. These additional contributions are required to be spent on outreach. The decrease in state grants of \$2.2M was anticipated as funding and work on platform technology and outreach and marketing efforts to support state legislated programs decreased.

Other revenue consists of interest income of \$0.6M and \$0.4M for fiscal year 2024 and 2023 and \$.1M related to the refund of previously expensed prepaid services in fiscal year 2024.

## Operating Expenditures

Total expenses for fiscal year 2024 increased by \$4.0M or 8% (\$53.9M compared to \$49.9M) from the prior year. Removing the impact of the change in depreciation and amortization, expenses increased by \$4.7M or 9%. Total expenses for fiscal year 2023 increased by \$5.2M or 12% (\$49.9M compared to \$44.7M) from fiscal year 2022. Removing the impact of depreciation and amortization, expenses increased \$4.5M or 12%.



Some of the more significant changes in expenditures for fiscal year 2024 included:

- Personnel expenses increased by \$3.6M or 21% (\$20.7M compared to \$17.1M) as we continued to add head count and reduce reliance on contractors and due to market rate adjustments to remain competitive in the Colorado front range market.
- Marketing and Outreach expenses increased by \$.8M or 16% as we spent SB81 funds which are earmarked for these efforts.

Some of the more significant changes in expenditures for fiscal year 2023 included:

- Depreciation expense increased by \$0.7M or 11%, which is directly related to significant work on platform modernization and ARP changes.
- Personnel expenses increased by \$3.8M or 28% (\$17.1M compared to \$13.3M) due to increased head count especially in our technology area which are higher paid positions as we reduce our reliance on contractors.

### **Consolidated Statements of Cash Flows**

The Consolidated Statements of Cash Flows represent C4HCO's change in cash and cash equivalents for the year and provides a summary of how cash was utilized. Cash balances increased by \$3.9M or 102% (\$7.7M compared to \$3.8M) in fiscal year 2024. This anticipated increase returned us to more normal cash levels (\$6.8M in 2022) after the large purchase of investments in 2023. The increase is attributable to the positive operating cash flow due to a full year of operations for our subsidiary and higher enrollments and premiums for plans on the exchange. Operating cash flow generated \$8.2M of cash compared to providing \$9.1M in 2023.

Cash balances decreased \$3.0M or 44% (\$3.8M compared to \$6.8M) in fiscal year 2023. This is primarily due to the increase in purchase of investments of \$4.8M offset by positive operating cash flow. Operating cash flow generated \$9.1M of cash compared to \$10.4M in 2022. This is mainly due to higher premiums and the increased enrollments through our subsidiary.

### **Currently Known Facts and Conditions**

C4HCO continues to operate in a dynamic environment influenced by multiple externalities. Moving into open enrollment for 2025, positive enrollment impacts from the expansion of subsidies at both the state and federal level are expected to continue. The enhanced federal subsidies are scheduled to expire after 2025.

Subsequent to the end of the prior fiscal year one of the major health plan issuers on the Marketplace ceased operations and started the process of liquidation. The liquidation is still in process at the time of this report. Based on previous experiences, we continue to expect payment of the fees for our services upon completion of the liquidation proceedings.

With the additional support for the individual market being provided through state and federal initiatives, C4HCO is expecting to play a key role in getting more Coloradan's insured. C4HCO remains focused on providing value to our customers and stakeholders. The continued improvements in the technology and operations of the marketplace provides for a high level of flexibility to adjust to new opportunities and customer needs.

### **Contacting Connect for Health Colorado's Financial Management**

This Management's Discussion and Analysis, the accompanying financial statements, the notes to the financial statements, and the single audit section are designed to provide readers with a general overview of Colorado Health Benefit Exchange's finances and to reflect accountability and financial transparency relating to funds received and expenditures of those funds. If you have questions about this report or need additional financial information, please contact the organization's financial team at the corporate offices. Contact information may be found on the website at [www.connectforhealthco.com](http://www.connectforhealthco.com).

## Colorado Health Benefit Exchange d/b/a Connect for Health Colorado

### Statement of Net Position

June 30, 2024 and 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,729,224	\$ 3,820,548
Investments	10,340,807	11,778,364
Receivables - Net	15,353,968	9,902,118
Prepaid expenses and other assets	1,155,084	999,528
Security deposits	27,381	43,787
Total current assets	34,606,464	26,544,345
Noncurrent assets:		
Capital assets - Net	18,529,218	18,550,932
SBITA assets - Net	336,859	1,596,259
Lease right-of-use assets - Net	2,012,920	2,071,275
Total noncurrent assets	20,878,997	22,218,466
Total assets	55,485,461	48,762,811
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	3,771,497	2,508,532
Accrued liabilities and other:		
Accrued salaries and wages	1,583,026	1,245,210
Current portion of SBITA liability	300,118	1,563,346
Accrued liabilities	2,555,852	2,295,412
Current portion of lease liability	362,553	355,459
Total current liabilities	8,573,046	7,967,959
Noncurrent liabilities		
Long-term portion of SBITA liability	71,722	249,075
Long-term portion of lease liability	1,809,090	1,809,277
Total noncurrent liabilities	1,880,812	2,058,352
Total liabilities	10,453,858	10,026,311
<b>Net Position</b>		
Net investment in capital assets	18,335,514	18,241,309
Unrestricted	26,696,089	20,495,191
Total net position	<b>\$ 45,031,603</b>	<b>\$ 38,736,500</b>

## Colorado Health Benefit Exchange d/b/a Connect for Health Colorado

### Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2024 and 2023

	2024	2023
<b>Operating Revenue</b>		
Program revenue	\$ 11,457,064	\$ 13,653,583
Fees for service	48,133,185	38,207,456
Other revenue	139,279	40,917
Total operating revenue	59,729,528	51,901,956
<b>Operating Expenses</b>		
Personnel	20,757,931	17,119,355
Technology	9,614,261	9,233,070
Depreciation and amortization	6,120,271	6,849,368
Marketing and outreach	5,800,030	4,991,953
Support services	1,437,303	1,669,168
Customer service	9,405,016	9,464,200
Other	740,515	534,402
Total operating expenses	53,875,327	49,861,516
<b>Operating Income</b>	5,854,201	2,040,440
<b>Nonoperating Revenue (Expense)</b>		
Investment income - Net	562,443	381,661
Interest expense	(121,541)	(93,276)
Total nonoperating revenue	440,902	288,385
<b>Change in Net Position</b>	6,295,103	2,328,825
<b>Net Position - Beginning of year</b>	38,736,500	36,407,675
<b>Net Position - End of year</b>	<b>\$ 45,031,603</b>	<b>\$ 38,736,500</b>

## Colorado Health Benefit Exchange d/b/a Connect for Health Colorado

### Statement of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
<b>Cash Flows from Operating Activities</b>		
Grants and contributions received	\$ 1,300,000	\$ 3,500,000
Operating revenue received from issuers	52,977,678	47,618,114
Payments to vendors for materials and services	(21,042,963)	(21,903,697)
Payments to employees for wages, taxes, and benefits	(25,006,424)	(20,102,390)
	<u>8,228,291</u>	<u>9,112,027</u>
Net cash and cash equivalents provided by operating activities	8,228,291	9,112,027
<b>Cash Flows from Financing Activities</b>		
Purchase of capital assets	(4,236,133)	(5,673,995)
Principal payments under lease obligations	(362,553)	(596,389)
Payments of interest under lease and SBITA obligations	(121,541)	(93,276)
Principal payments under SBITA obligations	(1,599,388)	(1,408,722)
	<u>(6,319,615)</u>	<u>(7,772,382)</u>
Net cash and cash equivalents used in financing activities	(6,319,615)	(7,772,382)
<b>Cash Flows from Investing Activities</b>		
Interest received on investments	562,443	381,661
Purchases of investment securities	1,437,557	(4,784,387)
	<u>2,000,000</u>	<u>(4,402,726)</u>
Net cash and cash equivalents provided by (used in) investing activities	2,000,000	(4,402,726)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	3,908,676	(3,063,081)
<b>Cash and Cash Equivalents - Beginning of year</b>	3,820,548	6,883,629
<b>Cash and Cash Equivalents - End of year</b>	<u><u>\$ 7,729,224</u></u>	<u><u>\$ 3,820,548</u></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>		
Operating income	\$ 5,854,201	\$ 2,040,440
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	6,120,271	6,849,368
Changes in assets and liabilities:		
Receivables	(5,451,850)	(783,842)
Prepaid and other assets	(155,556)	658,927
Accounts payable	1,262,965	57,818
Accrued and other liabilities	598,260	289,316
	<u>2,374,090</u>	<u>7,071,587</u>
Total adjustments	2,374,090	7,071,587
Net cash and cash equivalents provided by operating activities	<u><u>\$ 8,228,291</u></u>	<u><u>\$ 9,112,027</u></u>
<b>Significant Noncash Transactions - Right-of-use assets</b>	\$ 468,972	\$ 2,125,484

June 30, 2024 and 2023

### Note 1 - Nature of Business

In 2011, the Colorado General Assembly passed, and the governor signed into law, Senate Bill 11-200, which authorized the creation of Colorado Health Benefit Exchange d/b/a Connect for Health Colorado (the "Exchange") for the purpose of establishing a state health insurance exchange in compliance with the Patient Protection and Affordable Care Act (ACA) of 2010. The Exchange was organized as an instrumentality of the State and further defined as a nonprofit corporation created to facilitate a health benefit exchange to increase access, affordability, and choice for individuals and small employers purchasing health insurance in Colorado.

Federal grant funding was initially provided to finance the Exchange's design, development, and implementation phases. This funding began in 2011 and ended on June 30, 2016. The Exchange began conducting business in October 2013.

During the year ended June 30, 2013, the Exchange began doing business as Connect for Health Colorado.

On November 6, 2020, Connect for Health Colorado Company, PBC (the "Company") was incorporated. The corporation is a public benefit corporation pursuant to the Public Benefit Corporation Act of Colorado. Its purpose is for the transaction of any and all lawful business to produce a public benefit. Connect for Health Colorado Company, PBC is so integrated with the Exchange that it is, in substance, part of the Exchange. The Company is included as a blended component unit in business activities of the Exchange.

### Note 2 - Significant Accounting Policies

#### ***Basis of Accounting***

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for proprietary (enterprise) funds. The financial statements have been presented on the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned, and expenses are recognized when incurred. The Exchange has adopted the pronouncements of the Governmental Accounting Standards Board (GASB).

#### ***Cash Equivalents***

The Exchange considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

#### ***Investments***

The Exchange reports investments at fair value. The Exchange's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

The Exchange's investment policy allows for investments in U.S. Treasury and instrumentality obligations, money market funds, bank certificates of deposit, repurchase agreements, and nongovernmental bonds. As a means of limiting its exposure to investment losses from changing interest rates, the Exchange's investment policy limits investment maturities to less than five years.

#### ***Accounts Receivable***

An allowance for doubtful accounts is established based on a specific assessment of accounts receivable collectibility. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts on accounts receivable balances was \$130,987 and \$190,457 as of June 30, 2024 and 2023, respectively.

**Note 2 - Significant Accounting Policies (Continued)**

***Capital Assets***

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives, which range from two to seven years. Costs of maintenance and repairs are charged to expense when incurred.

***Net Position***

Net position of the Exchange is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

***Proprietary Funds Operating Classification***

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

***Grant Revenue***

The Exchange receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

***Leases***

The Exchange is a lessee for noncancelable leases of office space and equipment. The Exchange recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the applicable governmental or business-type activities column in the government-wide financial statements.

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

Key estimates and judgments related to leases include how the Exchange determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

- The Exchange uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Exchange generally uses its estimated incremental borrowing rate as the discount rate for leases.

June 30, 2024 and 2023

### Note 2 - Significant Accounting Policies (Continued)

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Exchange is reasonably certain to exercise.

The Exchange monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

#### **Subscriptions**

The Exchange obtains the right to use vendors' information technology software through various long-term contracts. The Exchange recognizes a subscription liability and an intangible right-of-use subscription asset (the "subscription asset") in the applicable governmental or business-type activities column in the government-wide financial statements. The Exchange recognizes subscription assets and liabilities with an initial value of \$5,000 or more.

At the commencement of a subscription, the Exchange initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus initial implementation costs. Subsequently, the subscription asset is depreciated on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the Exchange determines the discount rate it uses to discount the expected subscription payments to present value and the subscription term.

- The Exchange uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Exchange generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancelable period of the subscription.

The Exchange monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets, and subscription liabilities are reported with long-term debt on the statement of net position.

#### **Concentrations of Credit Risk**

Financial instruments that potentially subject the Exchange to concentrations of credit risk consist of cash and cash equivalents, investments, and accounts receivable. The Exchange's bank accounts at year end were entirely covered by federal depository insurance or by collateral held by the Exchange's custodial banks under provisions of the Colorado Public Deposit Protection Act (PDPA). PDPA requires financial institutions to pledge collateral having a market value of at least 102 percent of the aggregate public deposits not incurred by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust. The Exchange's investments are fully covered by federal depository insurance.

**Note 2 - Significant Accounting Policies (Continued)**

Accounts receivable mainly consist of amounts due from carriers for fees assessed. Also included in accounts receivable are amounts due under the Medicaid cost reimbursement agreement. Credit risk associated with accounts receivable is limited due to the number and creditworthiness of the carriers. However, the Exchange is subject to the risk of loss from the amounts due under Medicaid cost reimbursement agreements if it is determined that certain amounts are unallowable reimbursements.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Risk Management***

The Exchange is subject to the risk of loss from various events, including, but not limited to, natural disasters and destruction of assets. The Exchange is currently covered by a commercial insurance program that contains multiple individual policies to mitigate risk exposure. Settled claims from these risks have not exceeded the insurance coverage in any of the past fiscal years.

**Note 3 - Deposits and Investments**

As of June 30, 2024 and 2023, investments represent pooled investments held in the Colorado Statewide Investment Pool (CSIP) Liquid Portfolio, a statutory trust organized and existing under the laws of the State of Colorado intended solely for the use of Colorado local governments. Investments of the trust are limited to those allowed by State statutes. CSIP's sole purpose is to serve government entities in Colorado to meet their daily cash management needs with an emphasis on (1) safety, (2) liquidity, (3) transparency, and (4) competitive yields. The CSIP Liquid Portfolio is a fully liquid, variable-rate investment option, rated AAA by Standard and Poor's. These investments are stated at amortized cost, which approximates fair value, and have a value of \$10,340,807 and \$11,778,364 at June 30, 2024 and 2023, respectively. There are no unfunded commitments, the redemption frequency is daily, and there is a one-day redemption notice.

# Colorado Health Benefit Exchange d/b/a Connect for Health Colorado

## Notes to Financial Statements

June 30, 2024 and 2023

### Note 4 - Capital Assets, Lease Right-of-use Assets, and SBITAs

Capital asset activity of the Exchange was as follows:

	Balance July 1, 2023	Additions	Disposals and Adjustments	Balance June 30, 2024
Capital assets being depreciated:				
Web portal development	\$ 39,503,532	\$ -	\$ (20,564,583)	\$ 18,938,949
Software	51,140,440	4,880,117	(14,132,693)	41,887,864
Buildings and improvements	2,013,306	10,550	(1,818,336)	205,520
Machinery and equipment	1,178,703	146,600	-	1,325,303
Furniture and fixtures	1,241,043	-	(739,380)	501,663
Buildings - Right-of-use assets	1,817,314	-	(117,447)	1,699,867
Equipment - Right-of-use assets	45,741	468,972	-	514,713
Computer equipment - Right-of-use assets	513,058	-	-	513,058
Computer equipment - SBITA	4,070,175	168,257	(326,138)	3,912,294
Subscription - SBITA	370,883	-	-	370,883
Subtotal	101,894,195	5,674,496	(37,698,577)	69,870,114
Accumulated depreciation	79,675,729	1,837,537	(32,522,149)	48,991,117
Net capital assets being depreciated	<u>\$ 22,218,466</u>	<u>\$ 3,836,959</u>	<u>\$ (5,176,428)</u>	<u>\$ 20,878,997</u>
	Balance July 1, 2022	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets being depreciated:				
Web portal development	\$ 39,503,532	\$ -	\$ -	\$ 39,503,532
Software	45,521,789	5,618,651	-	51,140,440
Buildings and improvements	2,013,306	-	-	2,013,306
Furniture and fixtures	1,241,043	-	-	1,241,043
Machinery and equipment	1,163,977	14,726	-	1,178,703
Buildings - Right-of-use assets	3,145,759	1,936,598	(3,265,043)	1,817,314
Equipment - Right-of-use assets	26,255	19,486	-	45,741
Computer equipment - Right-of-use assets	343,658	169,400	-	513,058
Computer equipment - SBITA	4,070,175	-	-	4,070,175
Subscription - SBITA	370,883	-	-	370,883
Subtotal	97,400,377	7,758,861	(3,265,043)	101,894,195
Accumulated depreciation	75,805,341	6,849,368	(2,978,980)	79,675,729
Net capital assets being depreciated	<u>\$ 21,595,036</u>	<u>\$ 909,493</u>	<u>\$ (286,063)</u>	<u>\$ 22,218,466</u>

The following is reconciliation of net capital assets being depreciated to the accompanying statement of net position:

	2024	2023
Capital assets - Net	\$ 18,529,218	\$ 18,550,932
Lease right-of-use assets	2,012,920	2,071,275
SBITA assets	336,859	1,596,259
Total	<u>\$ 20,878,997</u>	<u>\$ 22,218,466</u>

June 30, 2024 and 2023

### Note 5 - Program Revenue

#### ***House Bill 13-1245***

On May 6, 2013, the State of Colorado General Assembly passed House Bill 13-1245 (the "House Bill"), which outlined funding mechanisms to support the Exchange in the short and long term. The House Bill allowed for a portion of reserves collected from the closing of CoverColorado to be transferred to the Exchange to fund operations, and insurance carrier donations made in exchange for tax credits that previously benefited CoverColorado are now pledged to the Exchange. Revenue recognized under House Bill 13-1245 totaled \$5,000,000 for the years ended June 30, 2024 and 2023 and is included in program revenue in the statement of revenue, expenses, and changes in net position.

#### ***Senate Bill 22-081***

On June 8, 2022, the State of Colorado General Assembly passed Senate Bill 22-081 (the "Senate Bill"), which outlined requirements for the Exchange to create a consumer outreach campaign to provide consumers with comprehensive information regarding covered health care services. The campaign is funded by increasing the annual limit of tax credits provided to health insurance companies by donating to the Exchange. Donations to the Exchange by health insurance companies under the Senate Bill totaled \$1,785,366 and \$1,889,743 for the years ended June 30, 2024 and 2023, respectively, and are included in program revenue in the statement of revenue, expenses, and changes in net position.

#### ***Medicaid Cost Reimbursement***

Beginning during the year ended June 30, 2020, the Exchange became eligible to receive cost reimbursements from the Colorado Department of Health Care Policy & Financing for Medicaid-related costs. Revenue under the agreement is being recognized as qualifying expenses are incurred and is included in program revenue in the statement of revenue, expenses, and changes in net position. For the years ended June 30, 2024 and 2023, reimbursable expenses totaled \$3,371,698 and \$3,263,840, respectively, and have been recognized as program revenue.

#### ***Carrier Fee Revenue***

Through the Exchange's website, individuals can choose to purchase health insurance policies from various carriers. The Exchange charges carriers that sell plans on the website a 3.5 percent fee on every policy sold. Fees are calculated monthly based on information submitted by the carriers to the Centers for Medicare & Medicaid Services (CMS). Individual premiums are paid directly to the carriers by the individuals. Carrier fee revenue was \$48,133,185 and \$38,207,456 for the years ended June 30, 2024 and 2023, respectively.

#### ***HIAE Revenue***

On July 23, 2021, the Exchange entered into a contract with the State of Colorado for the use and benefit of the Health Insurance Affordability Enterprise (HIAE). The objective of this program is to increase enrollment in health benefit plans offered by carriers across the state and to improve the stability of the market by creating a healthier risk pool for all carriers. Revenue under the agreement is recognized as certain milestones related to those technology enhancements that support program initiatives are implemented. This revenue is included as part of program revenue in the statement of revenue, expenses, and changes in net position. HIAE revenue totaled \$1,300,000 and \$3,500,000 for the years ended June 30, 2024 and 2023, respectively.

### Note 6 - Leases

The Exchange leases certain assets from various third parties. The assets leased include office space and equipment. Payments are generally fixed monthly. The noncancelable terms of the leasing arrangements mature between 2024 and 2030. The discount rates applicable to these leasing arrangements range from 2.34 percent to 6.58 percent.

Lease asset activity of the Exchange is included in Note 4.

# Colorado Health Benefit Exchange d/b/a Connect for Health Colorado

## Notes to Financial Statements

June 30, 2024 and 2023

### Note 6 - Leases (Continued)

Future principal and interest payment requirements related to the Exchange's lease liability at June 30, 2024 are as follows:

Years Ending	Principal	Interest	Total
2025	\$ 362,553	\$ 141,312	\$ 503,865
2026	436,251	101,301	537,552
2027	425,372	74,526	499,898
2028	325,928	50,312	376,240
2029	343,772	29,524	373,296
2030	277,767	8,012	285,779
Total	<u>\$ 2,171,643</u>	<u>\$ 404,987</u>	<u>\$ 2,576,630</u>

Lease liability activity for the Exchange is as follows for the years ended June 30:

2024					
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Lease liability	\$ 2,164,736	\$ 468,972	\$ 462,065	\$ 2,171,643	\$ 362,553
2023					
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Lease liability	\$ 962,322	\$ 2,125,484	\$ 923,070	\$ 2,164,736	\$ 355,459

### Note 7 - Subscriptions

The Exchange obtains the right to use vendors' information technology software through various long-term contracts. Payments are generally fixed monthly. The noncancelable terms of the leasing arrangements mature between 2024 and 2026. The discount rates applicable to these leasing arrangements range from 2.81 percent to 6.58 percent.

Subscription asset activity of the Exchange is included in Note 4.

Future principal and interest payment requirements related to the Exchange's subscription liability at June 30, 2024 are as follows:

Years	Principal	Interest	Total
2025	\$ 300,118	\$ 7,842	\$ 307,960
2026	71,722	2,582	74,304
Total	<u>\$ 371,840</u>	<u>\$ 10,424</u>	<u>\$ 382,264</u>

Subscription liability activity for the Exchange is as follows for the years ended June 30:

2024					
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Subscription liability	\$ 1,812,421	\$ -	\$ (1,440,581)	\$ 371,840	\$ 300,118
2023					
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Subscription liability	\$ 3,221,143	\$ -	\$ (1,408,722)	\$ 1,812,421	\$ 1,563,346

**June 30, 2024 and 2023**

**Note 8 - Retirement Plan**

The Exchange established a retirement plan under Section 403(b) of the Internal Revenue Code that is available to its employees and may be amended by the board of directors. The Exchange contributes 5 percent of employee salaries for eligible employees. In addition, the Exchange matches 100 percent of the employee's elective deferral amount that does not exceed 5 percent of the employee's total compensation. Employees are 100 percent vested in their account balances after one year of service. Total employer contributions under this plan for the Exchange were \$1,724,069 for the year ended June 30, 2024 and \$1,391,176 for the year ended June 30, 2023. Forfeitures were not material to the plan.

**Note 9 - Contingency**

The Exchange is a recipient of federal and state awards, which are subject to audits to determine compliance with applicable regulations. In July 2018, the Exchange received an audit report from the OIG recommending the repayment of \$2,567,604 in questioned federal expenditures from 2012 to 2016. The Exchange has responded to the findings with federal officials and believes there is sufficient evidence to support the allowance of \$2,104,550 of the questioned costs that were identified. Management believes it is only reasonably possible that a loss has occurred for this portion of the questioned costs, and, therefore, a liability has not been recognized for this portion of the questioned costs as of June 30, 2024. However, the Exchange believes it is probable that \$463,054 of the costs will have to be refunded, and, as a result, a liability has been recognized within accrued liabilities as of June 30, 2024 and 2023.

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## Supplementary Information

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## Colorado Health Benefit Exchange d/b/a Connect for Health Colorado

### Supplementary Information Combining Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2024

	Connect for Health Colorado	Connect for Colorado Company, PBC	Eliminations	Total
<b>Operating Revenue</b>				
Program revenue	\$ 11,457,064	\$ -	\$ -	\$ 11,457,064
Fees for service	45,791,507	2,341,678	-	48,133,185
Other revenue	2,475,128	-	(2,335,849)	139,279
Total operating revenue	59,723,699	2,341,678	(2,335,849)	59,729,528
<b>Operating Expenses</b>				
Personnel	20,757,931	-	-	20,757,931
Technology	9,612,051	1,102,950	(1,100,740)	9,614,261
Depreciation and amortization	6,120,271	-	-	6,120,271
Marketing and outreach	5,800,030	406,163	(406,163)	5,800,030
Support services	1,433,702	618,734	(615,133)	1,437,303
Customer service	9,405,016	148,242	(148,242)	9,405,016
Other	740,498	17	-	740,515
Total operating expenses	53,869,499	2,276,106	(2,270,278)	53,875,327
<b>Operating Income</b>	5,854,200	65,572	(65,571)	5,854,205
<b>Nonoperating Revenue (Expense)</b>				
Investment income - Net	562,443	-	-	562,443
Interest expense	(121,541)	(37,913)	37,913	(121,541)
Total nonoperating revenue	440,902	(37,913)	37,913	440,902
<b>Change in Net Position</b>	6,295,102	27,659	(27,658)	6,295,107
<b>Net Position - Beginning of year</b>	38,936,920	(200,420)	-	38,736,500
<b>Net Position - End of year</b>	<b>\$ 45,232,022</b>	<b>\$ (172,761)</b>	<b>\$ (27,658)</b>	<b>\$ 45,031,603</b>