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

**Financial Report
with Supplementary Information
June 30, 2023**

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Draft

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, 2023 and 2022 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, 2023 and 2022 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Exchange adopted new accounting guidance of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, on a retrospective basis. Our opinion is not modified with respect to this matter.

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.

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

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the 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 audit, 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.

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Exchange's basic financial statements. The Combining Statement of Revenue, Expenses, and Change 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023 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.

November 13, 2023

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.

Connect for Health Colorado’s Board of Directors set four strategic goals to further our mission to increase access, affordability and choice for individuals, families and small employers purchasing health insurance in Colorado. Here’s how the organization worked toward those goals in fiscal year 2023.

Maximize the number of consumers and employers who shop and enroll through the health insurance marketplace and apply for available financial assistance.

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. Over 212,000 Coloradans were enrolled during the open enrollment period for 2023. Three out of four customers are receiving reductions on their premiums.

At the start of the Open Enrollment Period for Plan Year 2023, Connect for Health Colorado launched a new, online platform, Colorado Connect, through our public benefit corporation. For the first time, residents who are undocumented in Colorado can enroll in health insurance via the OmniSalud Program and qualify for the SilverEnhanced Savings financial help on Colorado Connect.

Improve the ability of customers to attain and retain the right coverage for their needs.

Senate Bill 22-081, Health Exchange Education Campaign Health-care Services provided additional resources to conduct outreach and education campaigns to raise awareness about Colorado’s affordable health coverage options. The additional funding was used to increase the advertising campaign targeted toward Latinx Coloradans, expand community outreach through our Assistance Network and support shared marketing efforts with our Broker partners.

At the start of the Open Enrollment Period for Plan Year 2023, Colorado Option plans debuted on Connect for Health Colorado’s Marketplace and Colorado Connect. These plans were designed to provide more cost/benefit transparency, make it easier to compare coverage and help customers find the right plan for their needs.

Advocate to improve access to coverage in rural areas of Colorado.

Connect for Health Colorado added 9 new Enrollment Center locations in rural areas for a total of 25 rural Enrollment Center locations. All Assistance Sites set goals to increase outreach to rural communities, and many of our sites expanded their reach during the year. San Juan Basin Public Health opened a new location in Pagosa Springs, the Senior Resource Development Agency expanded into Otero County and Tri-County Health Network expanded their capacity, now listing 7 locations on the Western Slope where people can get assistance.

On the outreach front, we increased our involvement with small businesses, including through new partnerships with the Pueblo and Alamosa chambers of commerce. We also engaged with rural Colorado community leaders and health care policy leaders to better respond to their unique needs.

Ensure that Connect for Health Colorado is a healthy and thriving organization.

One area of focus for Connect for Health Colorado during the year was transitioning to products that save money while giving us more control. Early in the year we completed a long-running technology project referred to as our “legacy replacement project.” This project replaced legacy code from the early days of our Marketplace with new, custom Connect for Health Colorado intellectual property.

This effort spanned more than four years and allows us to more easily customize our application systems and improve the customer experience over time.

On the operations front, we continued to bring more customer service and technology functions in-house, resulting in cost savings and improved services in those areas. To promote a healthy workplace and support retention efforts we implemented paid family leave for our employees.

The Board committees were reorganized during the fiscal year. The finance portion of the Finance and Operations Committee merged with the Executive Committee in order to better integrate the Board leaders oversight of financial matters.

The Board of Directors provided continuous guidance through the year, reviewing and approving the fiscal year 2024 budget in June 2023. The fiscal year 2024 budget focused on preparing systems and processes for additional volume, integrating and modernizing application and eligibility processes, improving resources and tools to help customers make decisions and providing support for the Medicaid unwind

Funding

The primary source of funding for the 2023 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 2022 and 2023.

Funding was received from the state to support the implementation of the Health Insurance Affordability Act programs. Additional donations were received from health insurers as the result of passage of Senate Bill 81 in the prior year. During the 2023 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 third year of operations. Colorado Connect began enrolling customers through its platform during the year providing support to the State's Health Insurance Affordability Enterprise program.

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 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.

Total assets increased between 2022 and 2021 by \$3.6M (\$46.3M compared to \$42.7M). Contributing to this increase, long-term assets increased by \$4.1M (\$21.7M compared to \$17.6M) consisting of the net impact of capital investments of \$6.9M offset by \$4.2M of depreciation and amortization charges, the net impact of assets under lease of \$0.05M offset by \$0.7M of amortization, the net impact of SBITA assets of \$4.2M offset by \$1.3M of amortization and a decrease of long-term prepaids of \$0.34M (\$0.06M compared to \$0.4M) due to amortization of upfront call center costs. Capital investments primarily focused on technology development and enhancements for the platform modernization and implementation of state programs as well as changes related to the American Rescue Plan. Contributing to the decrease in total assets was the decrease in current assets of \$1.2M (\$24.6M compared to \$25.1M). Driving this decrease in current assets was the use of cash for the investment in capital assets as well as the decrease in accounts receivable \$2.3M (\$9.1M compared to \$11.4M). The decrease in accounts receivable was related to the timelier receipt of Medicaid cost reimbursement dollars as well as transitioning carrier fee billing from 60 days in arrears to 30 days in arrears. Further changes in cash are included in the discussion of the Consolidated Statements of Cash Flows.

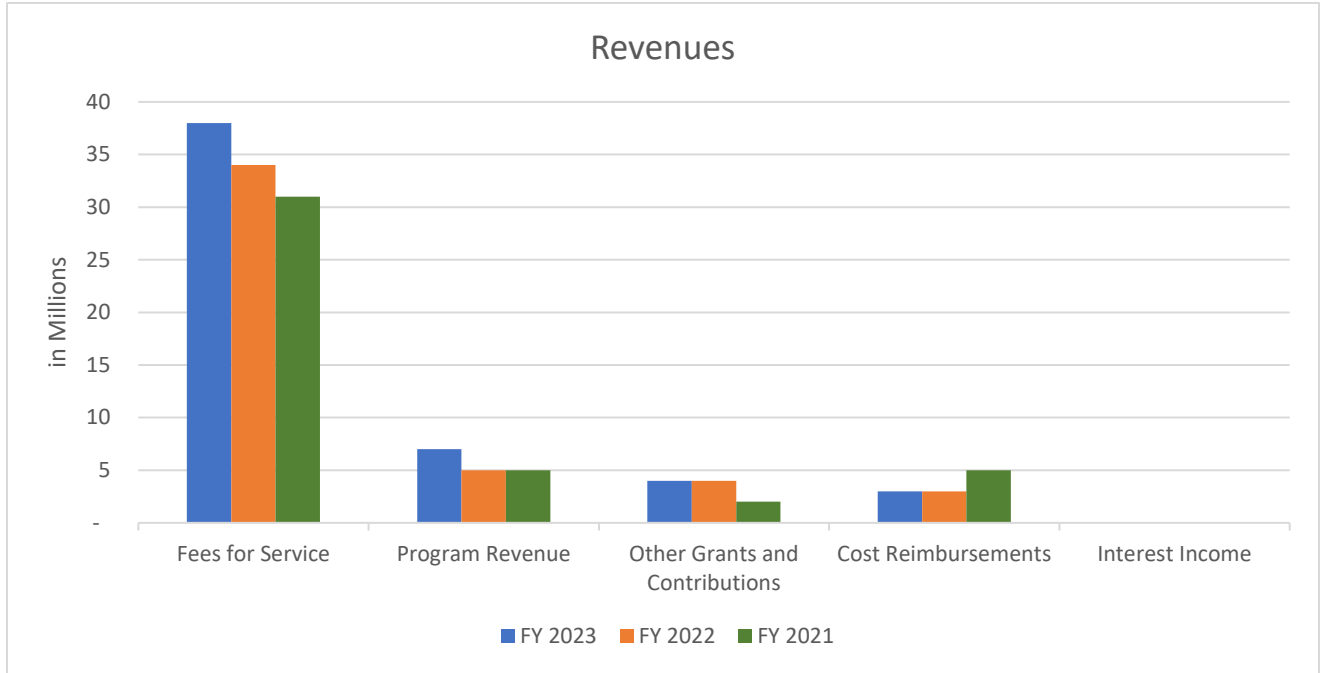
The increase in liabilities between 2023 and 2022 of \$0.1M (\$10.0M compared to \$9.9M) consists primarily of an increase of 0.2M in accrued salaries and wages offset by a changes in SBITA liability and Lease Payable . .

The increase in liabilities between 2022 and 2021 of \$2.4M (\$9.9M compared to \$7.5M) consists primarily of a decrease of \$.7M in accounts payable (\$2.3M compared to \$3.0M) offset by an increase in SBITA short and long-term payable of \$3.1M. The decrease in accounts payable was primarily related to the decrease in reliance on contract developers as we increase our employee workforce

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 \$2.3M in fiscal 2023. The net position increased by \$1.2M in fiscal 2022.

Operating Revenues

Total revenues for the fiscal year 2023 increased by \$5.9M or 13% (\$51.9M compared to \$46.0M) from fiscal year 2022. Total revenues for the fiscal year 2022 increased by \$3.3M or 8% (\$46.0M compared to \$42.7M) from the prior year.



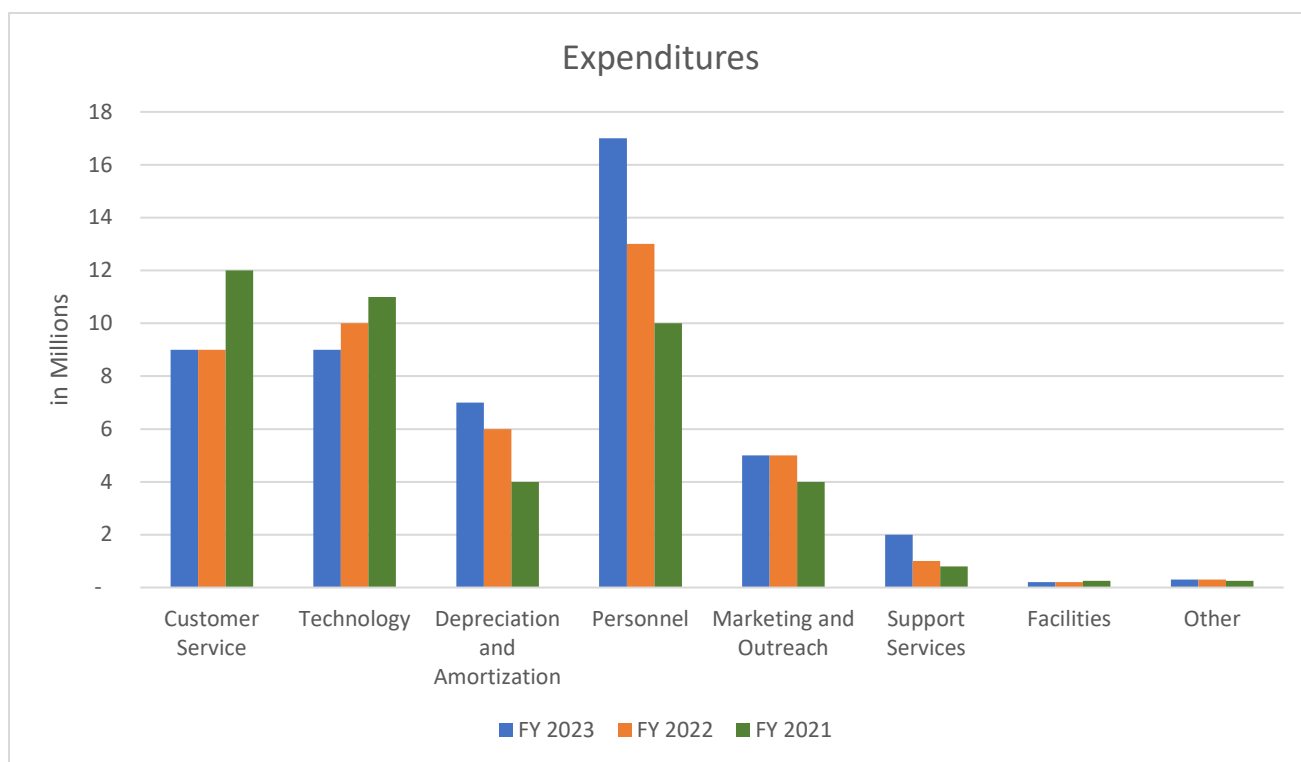
The fees for service revenue increased by \$4.2M or 12% (\$38.2M compared to \$34.0M) and \$3.1M or 10% (\$34.0M compared to \$30.9M) for fiscal years 2023 and 2022 respectively. The fiscal year 2023 increase was primarily due to the increased premium levels on coverage and enrollments through our subsidiary which became effective on January 1, 2023. The fiscal year 2022 increase was due primarily to the ARP which increased tax credit amounts and eligibility, positively impacting enrollments.

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. During Fiscal Year 2022, C4HCO generated \$11.9M in program revenue which consisted of \$5.0M from carrier tax credits and Medicaid cost reimbursements of \$3.3M and other federal and state grants totaling \$3.6M. The increase in carrier tax credits was due to SB81 which allowed for additional contributions. These additional contributions are required to be spent on outreach. The decrease in Medicaid reimbursement of \$1.8M was due to the change in our call center vendor and internal department restructuring which decreased those expenses. The additional federal grant was for changes to the Exchange related to the American Rescue Plan (“ARP”). The state grants were specifically for platform technology work and outreach and marketing efforts to support state legislated programs.

Other revenue consists of interest income of \$0.04M and \$0.0005M for fiscal year 2023 and 2022.

Operating Expenditures

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%. Total expenses for fiscal year 2022 increased by \$2.2M or 5% (\$44.7M compared to \$42.5M) from the prior year. Removing the impact of the change in depreciation and amortization, expenses increased by \$1.4M or 4%.



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.

Some of the more significant changes in expenditures for fiscal year 2022 included:

- Customer service expenses decreased by \$2.5M or 21% (\$9.3M compared to \$11.8M) due to improvements in staffing management and lower call volumes attributable to improvements in the website and expanded outreach and enrollment assistance through our broker and assistor network.
- Technology expenses decreased by \$1.4M or 12% (\$10.1M compared to \$11.5M), primarily due to the insourcing of key staff and the focusing of resources on platform modernization for which costs were capitalized.
- Depreciation expense increased by \$0.7M or 17%, which is directly related to significant work on platform modernization.

- Personnel expenses increased by \$3.2M or 32% (\$13.3M compared to \$10.1M) due to increased head count within the organization as we moved towards insourcing more key staff that were previously contractors, particularly in the technology area.
- Marketing and Outreach increased by \$1.6M or 42% primarily due to a state grant for \$1.1M to increase media and outreach.

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 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.

Cash balances decreased \$5.5M or 44% (\$6.8M compared to \$12.4M) in fiscal year 2022. The decrease was a combination of investment in capital and right of use assets of (\$7.8M) and the purchase of investments totaling \$7.0M offset by positive operating cash flows. Operating cash flow generated \$10.4M of cash compared to using \$4.8M in 2021. This is mainly due to increased enrollments and new revenue sources from additional grants.

Currently Known Facts and Conditions

C4HCO continues to operate in a dynamic environment influenced by multiple externalities. In addition to the continued positive enrollment impact of the expansion of subsidies at both the state and federal level, the unwinding of Medicaid coverage began in May 2023 and is expected to generate additional enrollments throughout the 2024 fiscal year.

Subsequent to the end of the fiscal year one of the major health plan issuers on the Marketplace ceased operations and started the process of liquidation. Close to 80% of the enrollees maintained coverage by reenrolling in other issuers plans for the remainder of 2023.

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.

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

Statement of Net Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,820,548	\$ 6,883,629
Investments	11,778,364	6,993,977
Receivables - Net	9,902,118	9,118,276
Prepaid expenses and other assets	999,528	1,592,322
Security deposits	43,787	43,787
Total current assets	26,544,345	24,631,991
Noncurrent assets:		
Capital assets - Net	18,550,932	17,649,435
SBITA assets - Net	1,596,259	3,040,669
Lease right-of-use assets - Net	2,071,275	904,932
Long-term portion of prepaid expenses	-	66,133
Total noncurrent assets	22,218,466	21,661,169
Total assets	48,762,811	46,293,160
Liabilities		
Current liabilities:		
Accounts payable	2,508,532	2,450,714
Accrued liabilities and other:		
Accrued salaries and wages	1,245,210	1,003,580
Current portion of SBITA liability	1,563,346	1,408,723
Accrued liabilities	2,295,412	2,247,726
Current portion of lease liability	355,459	770,246
Total current liabilities	7,967,959	7,880,989
Noncurrent liabilities		
Long-term portion of SBITA liability	249,075	1,812,420
Long-term portion of lease liability	1,809,277	192,076
Total noncurrent liabilities	2,058,352	2,004,496
Total liabilities	10,026,311	9,885,485
Net Position		
Net investment in capital assets	18,241,309	17,411,571
Unrestricted	20,495,191	18,996,104
Total net position	\$ 38,736,500	\$ 36,407,675

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

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenue		
Program revenue	\$ 13,653,583	\$ 11,985,361
Fees for service	38,207,456	34,007,850
Other revenue	40,917	517
Total operating revenue	51,901,956	45,993,728
Operating Expenses		
Personnel	17,119,355	13,328,562
Technology	9,233,070	8,915,116
Depreciation and amortization	6,849,368	6,191,180
Marketing and outreach	4,991,953	5,325,204
Support services	1,669,168	1,314,311
Customer service	9,464,200	9,266,306
Other	534,402	173,039
Total operating expenses	49,861,516	44,513,718
Operating Income	2,040,440	1,480,010
Nonoperating Revenue (Expense)		
Investment income - Net	381,661	1,817
Interest expense	(93,276)	(123,230)
Total nonoperating revenue (expense)	288,385	(121,413)
Change in Net Position	2,328,825	1,358,597
Net Position - Beginning of year, as restated (Note 2)	36,407,675	35,249,764
Net Position - End of year	<u>\$ 38,736,500</u>	<u>\$ 36,608,361</u>

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

Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Grants and contributions received	\$ 3,500,000	\$ 3,637,393
Operating revenue received from issuers	47,618,114	44,667,563
Payments to vendors for materials and services	(21,903,697)	(24,636,956)
Payments to employees for wages, taxes, and benefits	(20,102,390)	(13,214,418)
	<u>9,112,027</u>	<u>10,453,582</u>
Net cash and cash equivalents provided by operating activities	9,112,027	10,453,582
Cash Flows from Financing Activities		
Purchase of capital assets	(5,673,995)	(6,974,162)
Principal payments under lease obligations	(596,389)	(776,578)
Payments of interest under lease and SBITA obligations	(93,276)	(123,230)
Principal payments under SBITA obligations	(1,408,722)	(1,095,147)
	<u>(7,772,382)</u>	<u>(8,969,117)</u>
Net cash and cash equivalents used in financing activities	(7,772,382)	(8,969,117)
Cash Flows from Investing Activities		
Interest received on investments	381,661	1,817
Purchases of investment securities	(4,784,387)	(6,993,978)
	<u>(4,402,726)</u>	<u>(6,992,161)</u>
Net cash and cash equivalents used in investing activities	(4,402,726)	(6,992,161)
Net Decrease in Cash and Cash Equivalents	(3,063,081)	(5,507,696)
Cash and Cash Equivalents - Beginning of year	6,883,629	12,391,325
Cash and Cash Equivalents - End of year	<u><u>\$ 3,820,548</u></u>	<u><u>\$ 6,883,629</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 2,040,440	\$ 1,279,324
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	6,849,368	6,191,180
Changes in assets and liabilities:		
Receivables	(783,842)	2,311,228
Prepaid and other assets	658,927	759,497
Accounts payable	57,818	(519,670)
Accrued and other liabilities	289,316	432,023
	<u>7,071,587</u>	<u>9,174,258</u>
Total adjustments	7,071,587	9,174,258
Net cash and cash equivalents provided by operating activities	<u><u>\$ 9,112,027</u></u>	<u><u>\$ 10,453,582</u></u>
Significant Noncash Transactions - Capital assets acquired through leases	\$ 2,125,484	\$ 55,345

June 30, 2023 and 2022

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 \$190,457 and \$81,977 as of June 30, 2023 and 2022, 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

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.

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.

June 30, 2023 and 2022

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.

Adoption of New Accounting Pronouncements

During the current year, the Exchange adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. As a result, the statement of net position now includes a liability for the present value of payments expected to be made and subscription assets. The financial statements for the year ended 2022 have been restated in order to adopt GASB Statement No. 96. The adoption of this statement decreased the July 1, 2021 net position by \$4,355.

Note 3 - Deposits and Investments

As of June 30, 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 AAAM by Standard and Poor's. These investments are stated at amortized cost which approximates fair value and have a value of \$11,778,364 at June 30, 2023. There are no unfunded commitments, the redemption frequency is daily and there is a one-day redemption notice.

As of June 30, 2022, investments consist of U.S. Treasury bills in increments of \$2 million to \$3 million, maturing in one year or less. These investments are stated at their estimated fair values and have a value of \$6,993,977 at June 30, 2022.

The Exchange held money market funds, which were valued at cost plus accrued interest, which approximates fair value. These funds total \$0 and \$501,325 at June 30, 2023 and 2022, respectively, and are included in cash and cash equivalents in the statement of net position.

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

Notes to Financial Statements

June 30, 2023 and 2022

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

Capital asset activity of the Exchange was as follows:

	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
Machinery and equipment	1,163,977	14,726	-	1,178,703
Furniture and fixtures	1,241,043	-	-	1,241,043
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	\$ 21,595,036	\$ 909,493	\$ (286,063)	\$ 22,218,466

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

Notes to Financial Statements

June 30, 2023 and 2022

Note 4 - Capital Assets, Lease Right-of-use Assets, and SBITAs (Continued)

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets being depreciated:				
Web portal development	\$ 39,503,532	\$ -	\$ -	\$ 39,503,532
Software	38,553,010	6,968,779	-	45,521,789
Buildings and improvements	2,013,306	-	-	2,013,306
Furniture and fixtures	1,235,663	5,380	-	1,241,043
Machinery and equipment	1,163,977	-	-	1,163,977
Buildings - Right-of-use assets	1,236,245	1,909,514	-	3,145,759
Equipment - Right-of-use assets	21,395	4,860	-	26,255
Computer equipment - Right-of-use assets	293,170	50,488	-	343,658
Computer equipment - SBITA	232,803	3,837,372	-	4,070,175
Subscription - SBITA	-	370,883	-	370,883
Subtotal	84,253,101	13,147,276	-	97,400,377
Accumulated depreciation	69,614,161	6,191,180	-	75,805,341
Net capital assets being depreciated	<u>\$ 14,638,940</u>	<u>\$ 6,956,096</u>	<u>\$ -</u>	<u>\$ 21,595,036</u>

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

	2023	2022
Capital assets - Net	\$ 18,550,932	\$ 17,649,435
Lease right-of-use assets	2,071,275	904,932
SBITA assets	1,596,259	3,040,669
Total	<u>\$ 22,218,466</u>	<u>\$ 21,595,036</u>

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, 2023 and 2022 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 healthcare 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 \$1,889,743 for the year ended June 30, 2023 and is included in program revenue in the statement of revenue, expenses, and changes in net position.

Note 5 - Program Revenue (Continued)

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, 2023 and 2022, reimbursable expenses totaled \$3,263,840 and \$3,347,968, 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 \$38,207,456 and \$34,007,850 for the years ended June 30, 2023 and 2022, 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 technology engagements which 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 \$3,500,000 and \$2,530,000 for the year ended June 30, 2023 and 2022, respectively.

ARP Grant Revenue

On December 3, 2021, the Exchange received a notice of award from the Department of Health and Human Services under the American Rescue Plan Act of 2021. The objective of the award is to assist in modernizing the state exchange through technology updates. The total amount received under the grant was \$0 and \$1,107,393 for the year ended June 30, 2023 and 2022, 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 2023 and 2030. The discount rates applicable to these leasing arrangements range from 2.34 percent to 6.44 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, 2023 and 2022

Note 6 - Leases (Continued)

Future principal and interest payment requirements related to the Exchange's lease liability at June 30, 2023 are as follows:

Years Ending	Principal	Interest	Total
2024	\$ 355,459	\$ 104,560	\$ 460,019
2025	304,531	105,502	410,033
2026	280,588	87,015	367,603
2027	286,728	69,317	356,045
2028	314,576	50,370	364,946
2029	344,469	29,601	374,070
2030	278,385	7,395	285,780
Total	\$ 2,164,736	\$ 453,760	\$ 2,618,496

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

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
2022					
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Lease liability	\$ 1,683,555	\$ 55,259	\$ 776,492	\$ 962,322	\$ 770,246

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 2023 and 2025. The discount rates applicable to these leasing arrangements range from 2.81 percent to 6.33 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, 2023 are as follows:

Years	Principal	Interest	Total
2024	\$ 1,563,346	\$ 42,541	\$ 1,605,887
2025	249,075	4,917	253,992
Total	\$ 1,812,421	\$ 47,458	\$ 1,859,879

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 \$1,391,176 for the year ended June 30, 2023 and \$1,178,523 for the year ended June 30, 2022. Forfeitures were not material to the plan.

June 30, 2023 and 2022

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, 2023. 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, 2023 and 2022.

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Other Supplementary Information

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

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

Year Ended June 30, 2023

	Connect for Health Colorado	Connect for Colorado Company, PBC	Eliminations	Total
Operating Revenue				
Program revenue	\$ 13,653,583	\$ -	\$ -	\$ 13,653,583
Fees for service	37,200,357	1,007,099	-	38,207,456
Other revenue	1,157,311	-	(1,116,394)	40,917
Total operating revenue	52,011,251	1,007,099	(1,116,394)	51,901,956
Operating Expenses				
Personnel	17,119,355	6,197	(6,197)	17,119,355
Technology	9,216,518	583,275	(566,723)	9,233,070
Depreciation and amortization	6,849,368	-	-	6,849,368
Marketing and outreach	4,954,052	225,413	(187,512)	4,991,953
Support services	1,669,168	294,801	(294,801)	1,669,168
Customer service	9,460,722	51,084	(47,606)	9,464,200
Other	534,166	236	-	534,402
Total operating expenses	49,803,349	1,161,006	(1,102,839)	49,861,516
Operating Income	2,207,902	(153,907)	(13,555)	2,040,440
Nonoperating Revenue (Expense)				
Investment income - Net	381,661	-	-	381,661
Interest expense	(93,276)	(13,555)	13,555	(93,276)
Total nonoperating revenue	288,385	(13,555)	13,555	288,385
Change in Net Position	2,496,287	(167,462)	-	2,328,825
Net Position - Beginning of year	36,440,633	(32,958)	-	36,407,675
Net Position - End of year	\$ 38,936,920	\$ (200,420)	\$ -	\$ 38,736,500