COVERED CALIFORNIA

Fiscal Year 2025-26

Proposed Budget

Covered California Board and Senior Executive Management

Covered California Board of Directors

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Executive Director’s Message

Dear Covered California Board of Directors:

On behalf of Covered California, I am pleased to present the proposed operating and capital budget for the fiscal year (FY) 2025-26. This budget has been developed through a collaborative effort involving the Executive Director, Chief Deputy Executive Directors, Covered California’s 19 divisions, and the Finance Committee. As in previous years, the budget allocates funds for services that benefit California’s consumers and stakeholders in a sustainable manner. Additionally, it ensures that we maintain adequate reserves to address any potential economic risks that may arise in the future.

The FY 2025-26 proposed budget is characterized by uncertainty resulting from yet-to-be-determined federal policy decisions and an uncertain economic environment. To address this, the budget has been designed to provide flexibility in meeting future challenges while ensuring fiscal sustainability across any of the possible contingency scenarios. Covered California also acknowledges that various federal policy and legislative changes may significantly impact its adopted business plan during FY 2025-26, necessitating adjustments throughout the FY.

Covered California’s proposed FY 2025-26 budget totals $496.1 million, 4.6% greater than the FY 2024-25 budget of $474.3 million. The proposed budget increases spending above the baseline by $17.4 million. This includes adding 11 staff, bringing the total staffing to 1,506, an increase of 0.8% year-over-year.

Covered California reduced the participation fee rate for the individual market in the previous budget cycle as a prudent strategy to manage its working capital. However, this level of reduction was not intended to continue indefinitely. Covered California will need to raise the participation fee rate to a level that ensures interperiod equity, meaning that revenue inflows must equal expenditure outflows, while ensuring market stability by avoiding any significant incremental increases in the fee level. As Covered California works towards its desired working capital level, it intends to increase the rate gradually to achieve breakeven and continue appropriate management of its working capital. Covered California projects that the sustainable participation fee level is below the 2024 level of 3.25%.

We recommend raising the individual market participation fee rate from 2.25% to 2.50%, an increase of 25 basis points, for the plan year 2026. This adjustment aligns with Covered California's long-term fiscal plan for managing its working capital. In the previous year's budget, Covered California reduced the individual market participation fee rate from 3.25% to 2.25% to decrease its working capital. The goal was to adjust the rate to breakeven as the working capital balance approaches its target. Additionally, it is recommended that the participation fee rate for the Covered California for Small Business (CCSB) program be lowered from 5.2% to 4.75% for the plan year 2026.

Because of the uncertain environment, Covered California also recommends that $20 million of its fund balance be restricted and made available for uncertain events and any related expenditures that may materialize during FY 2025-26. These contingency funds will be separately accounted for and reported in Covered California's accounting system, and any such expenditures will require the Executive Director's prior approval. Expenditures will be limited to proposed federal policy changes and associated planning and response, which may include modifications to eligibility systems and consumer outreach efforts.

Collectively, this budget establishes a sustainable revenue source for Covered California's operations, a reasonable increase in expenditures to continue core operations and invest in strategic priorities, and a prudent allowance to support Covered California's effective response to a rapidly changing environment.

Background on Uncertain Factors Impacting Covered California's FY 2025-26 Budget

As the fiscal year 2025-26 begins, Covered California faces significant uncertainty on multiple fronts. This uncertainty arises from proposed changes in federal policies, an uncertain macroeconomic environment, and the impending expiration of federal laws that have greatly increased access to affordable and quality health care coverage through the exchange.

The Patient Protection and Affordable Care Act established the Premium Tax Credit (PTC) to assist eligible households in reducing their payments for premiums on qualified health plans offered through health insurance exchanges. The American Rescue Plan Act of 2021 (ARPA) expanded both the eligibility criteria and the amount of the PTC for calendar years 2021 and 2022. Additionally, the Inflation Reduction Act extended the provisions of ARPA for three more calendar years, covering 2023 to 2025. The enhanced PTC provision enabled more households to qualify for the credit and provided larger subsidies to all eligible households than the previous ACA rules.

Covered California estimates that up to 400,000 Californians may lose their health coverage through the marketplace if the enhanced PTCs expire on December 31, 2025. If enhanced federal PTCs expire, Covered California will focus on minimizing coverage loss and supporting consumers through challenging decision-making. Additionally, Covered California needs to anticipate a decline in revenue and potential new spending commitments. We must effectively manage these budget impacts, and our long-term budget assessment and fiscal sustainability analysis acknowledge these challenges.

In addition to the potentially expiring enhanced federal PTCs, Covered California is also facing possible cost pressures due to changes in federal policy. Recent proposed final rules could significantly impact Covered California's operations, necessitating structural changes, new investments in the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), and increased outreach efforts to reduce consumer confusion and maximize coverage retention. To address these challenges, Covered California proposes allocating $20 million of its fund balance for potential federal and state expenditures during FY 2025-26. As of June 30, 2025, Covered California's projected fund balance is estimated to be approximately $569 million. These restricted funds will specifically address federal and state uncertainties and expenditures materializing during FY 2025-26. They will allow Covered California to be nimble and respond most effectively to its changing environment, prioritizing the needs of Covered California's consumers.

Macroeconomic challenges may be on the horizon, and such economic disruptions could impact enrollment and lead to changes in business plans. Covered California and exchange enrollment are influenced by fluctuations in the labor market. If the economy slows down, employers may lay off workers or reduce hours, resulting in a loss of employer-sponsored insurance (ESI). Individuals who lose their ESI may turn to Covered California for coverage. Additionally, some individuals currently enrolled in Covered California may leave the program as their incomes decline and they become eligible for Medi-Cal.

At present, the overall California labor market is stagnant. Job growth is concentrated in government sectors and government-supported healthcare and social services, while other private industries are experiencing job losses. There have been significant job losses in the technology industry, and these high-wage job reductions contributed to Covered California's record enrollment and higher-than-expected outcomes during open enrollment. California's unemployment rate is 5.3%, ranging from 5.1% to 5.4% since January 2024. California's unemployment rate has steadily risen since the post-pandemic low of 3.8% in August 2022, reaching 5.3% in March 2025.

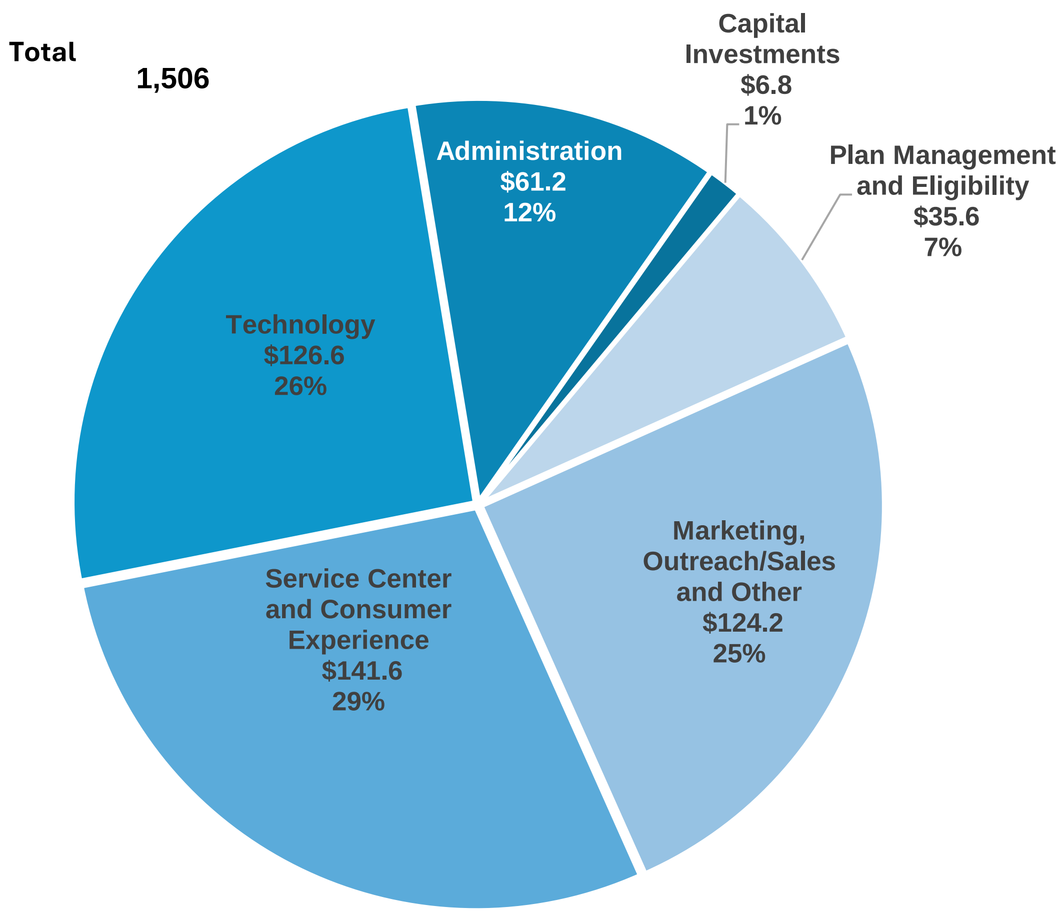
The Federal Reserve's April Beige Book for the Twelfth District[1] indicates that overall sentiment and the economic outlook have significantly deteriorated compared to the previous reporting period. Furthermore, the Federal Reserve noted that contacts expect a substantial decline in labor market conditions in the coming months. The California Legislative Analyst's Office reported in April that employment data from the monthly household survey indicates that the state has added no net jobs over the three-month period from January to March.

There is a growing sentiment that the likelihood of a recession has risen, with survey respondents citing the impact of potential new tariffs. The Federal Reserve notes that the Federal Government is implementing substantial policy changes, many of which are still evolving, and their effects on the economy remain highly uncertain. Tariffs have increased the likelihood that near-term inflation will increase, and slower economic growth is expected. A recession will undoubtedly result in changes in both the inflow to and outflow from Covered California. Should a recession materialize in FY 2025-26, Covered California may be challenged to address evolving needs as individuals transition from one source of coverage to another. This may entail additional expenditures associated with outreach efforts, consumer support, and system changes likely outside of the traditional open enrollment timeframe.

[1] The San Francisco Federal Reserve Bank serves the Twelfth Federal Reserve District, which consists of Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah, Washington, Guam, American Samoa, and the Northern Mariana Islands.

FY 2025-26 Proposed Expenditure Budget Highlights

Figure 1
Covered California's FY 2025-26 Proposed Operating Budget
By Major Functional Area
Dollars in Millions
Total = $496.1 Million



The proposed FY 2025-26 budget totals $496.1 million and includes augmentations amounting to $17.4 million. The proposed budget augmentations include the following items:

1. An increase of $2.2 million for the Policy, Eligibility, and Research Division. This includes $516,143 for four new positions and $1.6 million for other operating expenditures related to research study efforts.
2. An increase of $1.8 million for the Health Equity and Quality Transformation Division to support consumer and population health research as well as to implement the California Advanced Primary Care Roadmap.
3. An increase of $1.5 million for capital investments to support the enterprise-wide information technology equipment refresh program.

4. An increase of $5.1 million for the CalHEERS and Office of Technology and Solutions Integration (OTSI) mail support services.
5. An increase of $1.7 million for Communications and Public Relations to support its deputy director position and to develop and modernize Covered California’s consumer-facing website.
6. An increase of $2.1 million for the Information Technology Division. This funding will provide for:
   a. One position converted from temporary to permanent status.
   b. $1.3 million for contractor support in the Information Security Office.
   c. $750,000 for data management support related to billing and payment activities for Covered California for Small Business (CCSB).
7. An increase of $1.7 million for the Service Center to support Covered California’s Interagency Agreement (IA) with the California Department of Social Services (CDSS), which manages Covered California’s appeal adjudication and hearing requests.
8. Five divisions have requested a total increase of $1 million for position reclassifications, contract support, and the addition of three new positions. Individual funding requests from each division range from $8,322 to $314,000.

FY 2025-26 Forecasted Budgetary Financial Outcome

Covered California is an independent government entity that does not receive funding from the state’s general fund. As a result, it must generate its operating revenue to cover its operating and capital expenditures. This revenue is obtained through participation fees assessed to insurance carriers based on the premiums charged to consumers for healthcare coverage.

As a self-sustaining and independent organization, Covered California prioritizes long-term sustainability when developing its budget. A solid financial strategy involves more than just balancing the current year's budget; it must also ensure that the budget supports programs and services in the future. Therefore, Covered California incorporates long-term budget planning into its annual processes.

Conducting long-term budgeting and fiscal stress tests is essential for understanding how today’s decisions will affect the future. Long-term budgeting allows Covered California to consistently evaluate risks, anticipate potential shortfalls, and identify strategies for addressing future challenges. To achieve long-term fiscal sustainability, it is essential to align Covered California's participation fee rates, operating and capital expenditures, working capital, and enrollment with a comprehensive and strategic business plan.

During the fiscal year 2024-25 budget cycle, Covered California performed a fiscal sustainability and participation fee rate study. The findings indicated that the organization's working capital had increased beyond its target level. As a result, the Board decided to temporarily reduce the individual market participation fee from 3.25% to 2.25% for the 2025 plan year. This fee reduction requires Covered California to use a portion of its working capital to fund its operations, thereby lowering its overall working capital. As part of the business plan, it was understood that the participation fee would be temporarily lowered and later increased to a rate that ensured interperiod equity.

Covered California plans to use approximately $86.9 million of its surplus working capital in the current budget year. This outcome stems from a reduction in the individual market participation fee, which aims to decrease Covered California's surplus working capital gradually. In FY 2025-26, projected operating and capital expenditures are anticipated to exceed operating revenue, making it necessary to tap into working capital to cover the deficit. This brings down the working capital towards Covered California's target level.

Working capital is anticipated to decrease from $577.9 million to $491 million during the fiscal year 2025-26, which will fund about 11.9 months of budgeted operations. Because the individual market participation fee rate is forecasted to be raised to 2.75% in plan year 2027, working capital will continue to be reduced in FY 2026-27 and FY 2027-28, before reverting to a breakeven participation fee rate. The long-term budget and fiscal sustainability plan assume that Covered California will raise the individual market participation fee rate to approximately 3.1% in plan year 2028 and for the remainder of the forecast period. This 3.1% participation fee rate is projected to reach breakeven by fiscal year 2028-29.

By the end of the forecast period, working capital is expected to decline to around $388.3 million, covering approximately 7.8 months of budgeted operations. Covered California aims to maintain its working capital within a range that supports 6 to 8 months of budgeted operations.

Table 1: Forecasted Budgetary Financial Outcomes- Base Forecast

	Budget Year FY 2025-26	Forecasted FY 2026-27	Forecasted FY 2027-28
Beginning Fund Balance At July 1	$ 577,902,447	$ 490,971,635	$ 413,205,353
Adjusted Beg. Fund Balance	$ 577,902,447	$ 490,971,635	$ 413,205,353
Additions	$ 409,146,254	$ 436,639,099	$ 502,605,465
Deductions	$ (496,077,066)	$ (514,405,381)	$ (533,410,134)
Increase / Decrease in Fund From Operations	$ (86,930,812)	$ (77,766,282)	$ (30,804,669)
Ending Fund Balance At June 30 (Working Capital)	$ 490,971,635	$ 413,205,353	$ 382,400,685
	$ -	$ -	$ -
Unrestricted Working Capital/Fund Balance	$ 490,971,635	$ 413,205,353	$ 382,400,685
Months of Budgeted Operations Funded	11.9	9.6	8.6
	Forecasted FY 2028-29	**Forecasted FY 2029-30**	**Forecasted FY 2030-31**
Beginning Fund Balance At July 1	$ 382,400,685	$ 382,773,158	$ 383,780,844
Adjusted Beg. Fund Balance	$ 382,400,685	$ 382,773,158	$ 383,780,844
Additions	$ 553,489,381	$ 574,559,297	$ 599,207,549
Deductions	$ (553,116,907)	$ (573,551,611)	$ (594,741,111)
Increase / Decrease in Fund From Operations	$ 372,474	$ 1,007,686	$ 4,466,438
Ending Fund Balance At June 30 (Working Capital)	$ 382,773,158	$ 383,780,844	$ 388,247,282
	$ -		$ -
Unrestricted Working Capital/Fund Balance	$ 382,773,158	$ 383,780,844	$ 388,247,282
Months of Budgeted Operations Funded	8.3	8.0	7.8

Much of the uncertainty we currently face is unlikely to be resolved before we adopt the fiscal year 2025-26 budget. As a result, Covered California has developed a flexible financial plan that will allow us to address upcoming challenges as they arise, ensuring we achieve our goal of providing access to high-quality healthcare coverage.

We have constructed the budget assuming the federal enhanced PTCs expire on December 31, 2025. However, we have also considered the possibility that they may be extended. If the federal enhanced PTCs are indeed extended, it will significantly impact the financial outcomes for Covered California. Specifically, if the enhanced PTCs are extended, the breakeven rate for the individual market participation fee is forecasted to be roughly 2.5%.

Recognizing the uncertain environment and the possible range of financial outcomes, Covered California has created a flexible financial plan that anticipates these changes. If any changes materialize, we are prepared to modify our business plan in collaboration with the board to meet Covered California’s goals and objectives.

Covered California is committed to continuously evaluating the evolving circumstances within our dynamic healthcare environment. As we assess our situation, we are dedicated to reviewing our operations to provide exchange services that meet the needs of our consumers and stakeholders. A sound and financially responsible planning approach is central to our budget development efforts. We aim to manage our finances effectively, efficiently, and productively, ensuring value for consumers and stakeholders.

As we discuss and deliberate on the fiscal year 2025-26 budget, we look forward to collaborating with board members and stakeholders to create a budget that reflects our shared values.

I. Introduction

Covered California's budget is a planning tool that matches the services desired by Covered California stakeholders to the estimated resources available to provide exchange services. Covered California's budget provides a detailed plan for the next fiscal year and takes a long-term view of Covered California's fiscal sustainability.

The FY 2025-26 budget has been prepared in a challenging and uncertain environment. Factors such as the potential extension of enhanced PTCs beyond December 31, 2025, an unpredictable economic landscape, and possible changes in Federal Government policy all contribute to the complexities of budgeting and business planning. In response to these challenges, Covered California has modeled several budget scenarios and business plans and understands that it must be flexible as it enters FY 2025-26.

Highlights of the FY 2025-26 Proposed Budget

Comprehensive budget: Covered California's proposed operating and capital budget for FY 2025-26 totals $496.1 million, representing an increase of $21.7 million compared to the FY 2024-25 approved budget of $474.4 million, or 4.6% (**Table 2**). The budget provides 1,506 authorized positions — 12 authorized permanent positions more than in the FY 2024-25 approved budget, a total of 1,494. One position was added through a baseline adjustment, and 11 positions were added through the FY 2025-26 budget augmentations.

Table 2: FY 2025-26 Proposed Operating and Capital Expenditure Budget

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Adjustments	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget Changes	Fiscal Year 2025-26 Proposed Budget
Positions	1494	1	1495	11	1506
Operating Expenditures					
Personnel Expenditures	$ 189,644,435	$ 13,268,257	$ 202,912,692	$ 1,412,260	$ 204,324,952
Other Operating Expenditures	$ 258,351,875	$ (6,641,999)	$ 251,709,876	$ 14,548,768	$ 266,258,644
Subtotal	$ 447,996,310	$ 6,626,258	$ 454,622,568	$ 15,961,028	$ 470,583,596
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 21,582,415	$ (2,914,945)	$ 18,667,470	$ -	$ 18,667,470
Total Operating Expenditures	$ 469,578,725	$ 3,711,313	$ 473,290,038	$ 15,961,028	$ 489,251,066
Capital Investments					
	$ -	$ -	$ -	$ -	$ -
Capital Investments	$ 4,825,000	$ 501,000	$ 5,326,000	$ 1,500,000	$ 6,826,000
Total Capital Projects	$ 4,825,000	$ 501,000	$ 5,326,000	$ 1,500,000	$ 6,826,000
Total Budgeted Expenditures	**$ 474,403,725**	**$ 4,212,313**	**$ 478,616,038**	**$ 17,461,028**	**$ 496,077,066**

Consistent with Covered California's incremental budgeting process, the FY 2025-26 budget started with the FY 2024-25 approved budget. The FY 2024-25 approved budget was modified with FY 2025-26 baseline adjustments. The most significant baseline adjustment was the $13.3 million associated with personnel expenditures. The adjustment was primarily driven by a 3% general salary increase, benefit cost increases, and a reduction in the assumed vacancy rate. The net baseline adjustments total $4.2 million, resulting in a FY 2025-26 baseline budget of $478.6 million. The FY 2025-26 proposed budget augmentations totaled $17.5 million. Personnel expenditures accounted for $1.4 million, other operating expenditures accounted for $11.5 million, and capital expenditures totaled $1.5 million.

Forecasted Budgetary Fiscal Outcome

Covered California is an independent, self-sustaining government entity that must generate revenue to cover its operating and capital expenditures. It collects operating revenue through a participation fee charged to insurance carriers, which is based on the premiums they charge consumers.

To ensure fiscal sustainability, Covered California must manage the growth of its operating expenditures and set a reasonable participation fee that generates enough revenue to cover these costs. Additionally, it must manage its working capital carefully and maintain an appropriate level to mitigate future risks and uncertainty.

In the fiscal year 2024-25 budget cycle, Covered California assessed its working capital and long-term fiscal sustainability. Based on the rate study, Covered California determined that it had accumulated more working capital than necessary. As a result, the Board decided to reduce the participation fee rate from 3.25% to 2.25%. This lower participation fee rate is intended to decrease revenue inflows, necessitating the use of working capital to fund operations until the target level of working capital is achieved. Covered California aims to maintain sufficient working capital to cover approximately 6 to 8 months of its operating and capital expenditures. Covered California forecasts that it will utilize $86.9 million of its working capital in FY 2025-26 and move to a breakeven participation fee rate by FY 2028-29, with the breakeven rate equating to roughly 3.1% (**Table 3**).

Table 3: Forecasted Budgetary Financial Outcomes (Base Enrollment Forecast)

	Budget Year FY 2025-26	Forecasted FY 2026-27	Forecasted FY 2027-28	Forecasted FY 2028-29
Beginning Fund Balance At July 1	$ 577,902,447	$ 490,971,635	$ 413,205,353	$ 382,400,685
Adjusted Beg. Fund Balance	$ 577,902,447	$ 490,971,635	$ 413,205,353	$ 382,400,685
Additions	$ 409,146,254	$ 436,639,099	$ 502,605,465	$ 553,489,381
Deductions	$ (496,077,066)	$ (514,405,381)	$ (533,410,134)	$ (553,116,907)
Increase / Decrease in Fund From Operations	$ (86,930,812)	$ (77,766,282)	$ (30,804,669)	$ 372,474
Ending Fund Balance At June 30 (Working Capital)	$ 490,971,635	$ 413,205,353	$ 382,400,685	$ 382,773,158
	$ -	$ -	$ -	$ -
Unrestricted Working Capital/Fund Balance	$ 490,971,635	$ 413,205,353	$ 382,400,685	$ 382,773,158
Months of Budgeted Operations Funded	11.9	9.6	8.6	8.3

Reader's Guide to The Budget Detail

In the following budget chapters, Covered California offers more detailed budget information related to the previously mentioned topics.

Chapter II outlines Covered California’s budgeted operating and capital expenditures for the upcoming fiscal year. It breaks down allocations across five functional areas and nineteen business units. The chapter also explains how the previous year's budget was adjusted to create the FY 2025–26 baseline budget and identifies any proposed increases or decreases for the current budget year. Together, the baseline budget and the changes for the current year comprise the proposed budget.

Chapter III summarizes the financial outcomes for FY 2024-25. It includes forecasts of operating and non-operating revenue, and operating expenditures based on transactions completed thus far. Also identified are changes to the fund balance for FY 2024–25. These forecasted values are compared to the approved FY 2024-25 budget, and any favorable or unfavorable variances are identified.

Chapter IV presents Covered California's enrollment forecast for fiscal year 2025-26 and continues through the forecast range, spanning fiscal years 2025-26 to 2030-31. The chapter describes the forecasting method used and the key assumptions made. It presents three scenarios: a **Base** forecast, a **Low** forecast, and a **High** forecast. These forecasts assist Covered California in developing its financial strategy by considering different enrollment and financial scenarios.

Chapter V presents Covered California's long-term budget assessment and fiscal sustainability analysis. This process involves evaluating changes in carrier premiums, the operating and capital expenditures of Covered California, and the participation fee rate charged to carriers. Pro forma financial statements are prepared to assess Covered California's financial position on a budgetary basis over the forecast period, identifying interperiod equity and working capital/fund balance from period to period. The Base, Low, and High enrollment forecasts are analyzed, and Covered California determines the necessary participation fee rate to achieve breakeven, assuming carrier premiums and expenditure growth remain constant.

II. Covered California's FY 2025-26 Proposed Operating and Capital Budgets

The program-level detail for Covered California's fiscal year 2025-26 proposed operating and capital budgets provides information on staffing levels and expenditures for each of Covered California's six functional areas and 20 budget units, comparing the FY 2024- 25 budget to the FY 2025-26 proposed budget.

Covered California utilizes an incremental budgeting method. We start with developing the FY 2025-26 **baseline** budget. The baseline budget represents the FY 2024-25 proposed budget after making specific adjustments for the upcoming fiscal year. We summarize and discuss changes made to the FY 2024-25 budget to arrive at the FY 2025-26 baseline budget.

Next, we identify changes made to the FY 2025-26 baseline budget to arrive at the FY 2025-26 **proposed** budget. Each program has submitted budget proposals that reflect its recommendations for changing the baseline budget. These proposals generally identify new program implementation resource needs, workload issues, or resource requests prompted by newly enacted mandates. We evaluate these changes by expenditure category, focusing on personnel expenditures, other operating expenditures, and capital investment expenditures. We discuss and highlight the significant differences between the FY 2025-26 baseline budget and the FY 2025-26 approved budget.

We then provide functional area and budget unit program details. Each section starts at the functional area and is followed by individual budget unit summaries. **Table 4** presents a key showing each budget unit's functional area. Each budget unit summary includes a brief description of the budget unit and presents its key objectives for FY 2025-26 and significant changes in its budget from the prior budget year. The descriptions explain any material increases in expenditure and staffing included in the budget.

The budget unit operating expenditures are categorized as follows: Personnel Services, which includes salary and benefits, and Other Operating Expenditures, which includes expenditures associated with contracts and all other operational expenditures. Allocated expenditures refer to statewide shared enterprise costs. These expenditures are allocated to each program and are presented as a separate line-item within each budget unit's program summary. Capital project expenditures are presented separately and are detailed in a Capital Investments budget unit.

Covered California's FY 2025-26 Baseline Budget

The FY 2025-26 baseline budget totals $478.6 million, $4.2 million more than the FY 2024-25 approved budget of $474.4 million (**Table 4**). Covered California's annual budget process commences with establishing a baseline budget. The baseline budget represents the prior year's budget adjusted for inflation, one-time expenditures from the prior year that are eliminated in the current budget year, adjustments to personnel expenditures related to negotiated labor agreements, benefit adjustments, and vacancy rate assumptions.

Table 4
Covered California's FY 2025-26 Proposed Budget

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Adjustments	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget Changes	Fiscal Year 2025-26 Proposed Budget
Positions	1,494	1	1,495	11	1,506
Operating Expenditures					
Personnel Expenditures	$189,644,435	$13,268,257	$202,912,692	$1,412,260	$204,324,952
Other Operating Expenditures	$258,351,875	($6,641,999)	$251,709,876	$14,548,768	$266,258,644
Subtotal	$447,996,310	$6,626,258	$454,622,568	$15,961,028	$470,583,596
Allocated Expenditures					
Prorata/Supp. Pension/Other	$21,582,415	($2,914,945)	$18,667,470	$0	$18,667,470
Total Operating Expenditures	$469,578,725	$3,711,313	$473,290,038	$15,961,028	$489,251,066
Capital Investments					
	$0	$0	$0	$0	$0
Capital Investments	$4,825,000	$501,000	$5,326,000	$1,500,000	$6,826,000
Total Capital Projects	$4,825,000	$501,000	$5,326,000	$1,500,000	$6,826,000
Total Budgeted Expenditures	**$474,403,725**	**$4,212,313**	**$478,616,038**	**$17,461,028**	**$496,077,066**

Changes to Baseline Expenditures

FY 2025-26 baseline adjustments included eliminating one-time expenditures from prior years and adding personnel and other operations expenditures.

Covered California's baseline budget increased by $4,212,313 in FY 2025-26, growing from $474.4 million to $478.6 million. This increase is primarily due to a $ 13.3 million increase in personnel-related expenditures and a $501,000 increase in capital investments. These increases were offset by a $6.6 million decrease in other operating expenditures (OOE) and a $2.9 million reduction in state-shared expenditures (**Table 4**).

The rise in baseline personnel expenditures is due to a scheduled 3% general salary increase and a decrease in the expected vacancy rate, which has dropped from 7.4% to 5%. Additionally, the reduction in state-shared expenditures results from the expiration of Covered California's supplemental pension obligation, with the final scheduled payment occurring in FY 2024-25. The net $501,000 increase in capital investments reflects a $1.8 million increase for scheduled tenant improvements, offset by eliminating the allocations for brokerage fees and network support for Service Center representatives who relocated to the Expo facility.

Fiscal Year 2025-26 Proposed Budget Changes

The FY 2025-26 proposed budget increases funding by $17.5 million above the baseline. This includes $1.4 million in additional personnel funds, $14.3 million in other operating funds, and $1.5 million for an Information Technology equipment refresh (**Table 4**).

Personnel Expenditures

The FY 2025-26 proposed budget for personnel expenditures totals $204.3 million, representing a $1.4 million increase over the baseline budget. The requested increase in personnel expenditures results from the addition of eleven additional permanent, full-time positions (**Table 5**). Total permanent staffing increases by twelve positions over the FY 2024-25 approved budget, from 1,494 to 1,506, and eleven authorized positions over the baseline (1 position was added during FY 2024-25 as a mid-year addition).

Staffing Changes

The FY 2025-26 proposed budget adds eleven new positions above the baseline (**Table 5**).

Table 5
FY 2025-26 Proposed Budget Changes: Staff and Personnel Expenditures

Division	Additional Permanent Positions	Dollars
Business Services	2	$262,638
Covered California University	1	$141,007
Communications and Public Relations	1	$201,449
Financial Management Division (Position Reclass)	0	8,322
Information Technology (convert temporary position to permanent)	1	$0
Marketing	2	$314,694
Policy, Eligibility, and Research	4	$484,150
Total	**11**	**$1,412,260**

Other Operating and Capital Expenditures

The FY 2025-26 proposed budget for other operating expenditures (OOE) totals $266.3 million (**Table 4**). The FY 2025-26 proposed other operating expenditures are $14.5 million greater than the baseline expenditures. OOE includes all contract and operational expenses, such as paid media, CalHEERS, IT enterprise services, the service center surge vendor, Navigators, Covered California for Small Business administration, sales and administrative support, and IT contractors.

Capital Expenditures

For FY 2025-26, proposed capital investment expenditures total $6.8 million (**Table 4**). This includes a proposed budget increase of $1.5 million to fund the replacement of outdated or worn computer equipment (**Table 6**).

Table 6
FY 2025-26 Proposed Other Operating Expenditure and Capital Investment Budget Augmentations

Area	Investments
Capital Investments	• Enterprise-wide IT equipment refresh plan
Operations	• Mail Support and Postage • Change Management Training and Coaching • Development and Modernization of New Consumer-Facing Website • Audit, Internal Control, and Risk Management consulting – Gartner, Inc.
Consulting Services and Research Support	• California Advanced Primary Care Roadmap • Quality Transformation Initiative and Population Health Implementations • Comprehensive People Strategy for HR – Gartner, Inc. • APTC Affordability and Financial Well-Being Study • Increased funding for the Consumer Research • Health Payments Database (HPD) User Access (4 Licenses) • Maximus / policy and regulatory guidance for consumer-facing content
Information Technology	• Information Security Office Contractor Support • CCSB Data Management for Billing and Payment
Other	• Inter-agency agreement with the California Department of Social Services
Total	**$16,048,768**[2]

[2] Total includes Other Operating Expenditures ($14,548,768) and Capital Investments ($1,500,000)

Budget Expenditures by Functional Area and Budget Unit

Table 7
Functional Budget Area Key to Covered California Budget Units

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

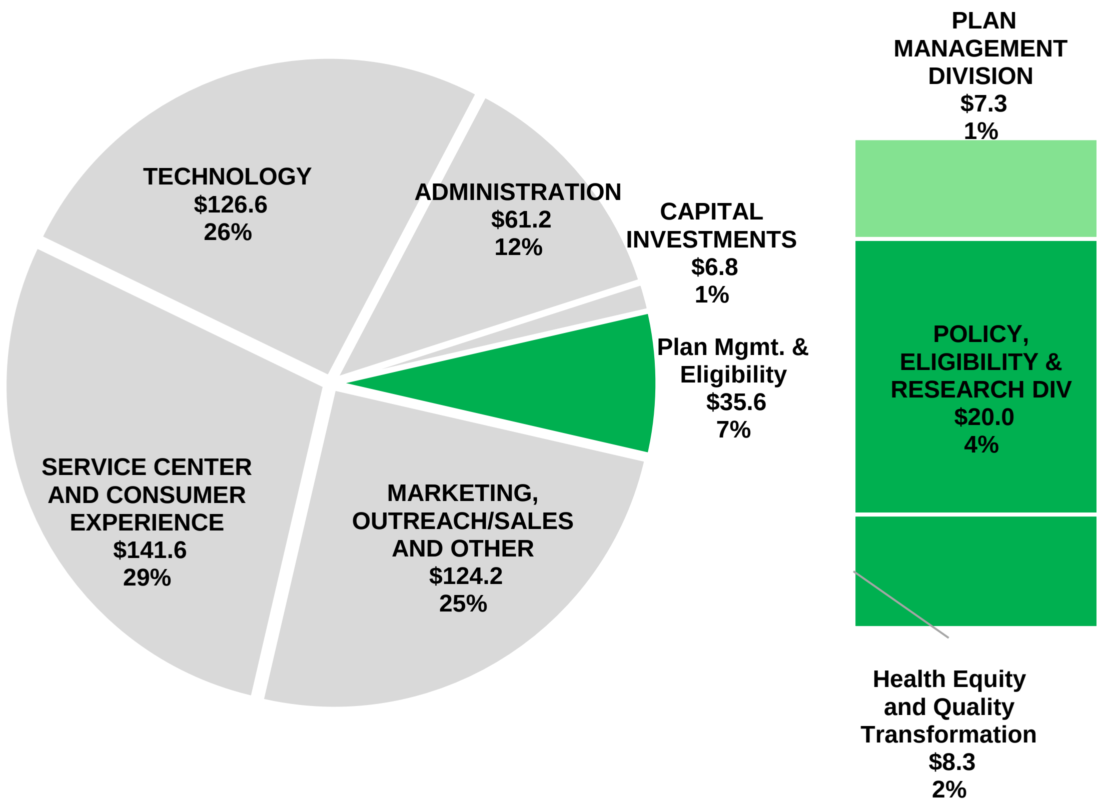
Plan Management, Eligibility, and Health Transformation

The Plan Management, Eligibility, and Health Transformation functional area includes the Plan Management Division, the Policy, Eligibility, and Research Division, and the Health Equity and Quality Transformation Division. The proposed budget for FY 2025- 26 totals $35.6 million.

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

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	120	124	128	4	4
Personnel Expenditures	$ 17,615,291	$20,197,240	$20,681,390	$484,150	$2,581,949
Other Operating Expenditures	$ 15,059,650	$9,801,795	$13,398,795	$3,597,000	($5,257,855)
Subtotal	**$ 32,674,941**	**$29,999,035**	**$34,080,185**	**$4,081,150**	**($2,675,906)**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 1,768,271	$1,385,166	$1,529,834	$144,668	($383,104)
Total Operating Expenditures	**$ 34,443,212**	**$31,384,201**	**$35,610,019**	**$4,225,818**	**($3,059,011)**

Plan Management, Eligibility and Health Transformation FY 2025-26 Proposed Expenditure Budget: $496.1
(Dollars in Millions)



Plan Management Division

Budget Unit Description

The Plan Management Division's purpose is to improve the cost, quality and accessibility of health care delivered to consumers by selecting, negotiating with, and holding Covered California's contracted health insurance carriers accountable for delivering quality health care while fostering improvements in care delivery to benefit all Californians. The proposed budget for FY 2025- 26 totals $7.3 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	34	34	34	0	0
Personnel Expenditures	$5,069,935	$5,504,071	$5,504,071	$0	$434,136
Other Operating Expenditures	$1,580,262	$1,505,261	$1,505,261	$0	($75,001)
Subtotal	**$6,650,197**	**$7,009,332**	**$7,009,332**	**$0**	**$359,135**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$383,017	$325,027	$316,735	($8,292)	($57,990)
Total Operating Expenditures	**$7,033,214**	**$7,334,359**	**$7,326,067**	**($8,292)**	**$301,145**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Plan Management Division's baseline budget increased by $301,145 over the approved budget for FY 2024-25.

Personnel expenditure increased by $434,136 due to the combined effect of scheduled salary increases and a decrease in the assumed vacancy rate from 7.4% to 5%[3].

Baseline Other Operating Expenditures decreased by $75,001, primarily due to reductions in funding for the Purchaser Business Group on Health and Kiefer Consulting, to align with actual expenditure trends.

Shared expenditures (Pro Rata, Supplemental Pension, and Department of General Services (DGS)) allocated to the Plan Management Division decreased by $57,990.

FY 2025-26 Proposed Budget Adjustments

Funding for the Plan Management Division decreased by $8,292 below the baseline for FY 2024-25, reflecting a reduction of the division's share of Covered California's allocated state shared expenditures.

Key Objectives for FY 2025-26

The Plan Management Division is focusing on the following core areas in fiscal year 2025-26:

- Negotiate, maintain oversight, and ensure accountability of the 12 contracted health plan issuers and five contracted dental plan issuers, as well as consider applications for new health and dental plan issuers.
- Enforce 2023-25 Qualified Health Plan (QHP) and Qualified Dental Plan (QDP) contracts and implement changes targeted to promote affordability, quality, and access to care.
- Administer the 2025 California Enhanced Affordability Program, including reconciliation and facilitating timely monthly payments.

[3] The Director of Plan Management is an exempt position. It will have a monthly salary in FY 2025-26 of $19,616. This information is

- Work with internal and external stakeholders to develop the 2026 California Enhanced Affordability Program, including benefit designs and obtaining Board approval.
- Ensure and collaborate on technical readiness activities with Issuers for new system implementations, updates, etc.
- Coordinate operational communication between the Issuers and other Covered California divisions.

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

- Update the Qualified Health Plan (QHP) contract for the 2026-28 contract period, focused on quality and equity initiatives, disparities reductions, health promotion, and targeted measurements to drive improvements in care delivery.
- Build upon lessons learned from health and dental plan issuer contracting experience, continue engaging with external stakeholders, and increase alignment with other purchasers to improve the value and quality of care delivered to individual market consumers and Californians in general.
- Monitor contractual requirements in the QHP issuer contracts for the 2023-25 contract term, including implementation of the Quality Transformation Initiative program to drive quality performance improvements from QHP Issuers, and requirements from contract attachments focused on behavioral health innovation, addressing health equity and the promotion of advanced primary care, as guided by Covered California's vision for health care in 2030.
- Work with contracted QHP issuers, aligned purchasers, and other interested stakeholders to ensure Covered California enrollees, and Californians in general, receive the best possible health care.
- Support development of uses for Quality Transformation Initiative funds.
- Implement use of IHA's Symphony Provider Directory to streamline monthly provider directory updates and facilitate the development of Primary Care Physician selection functionality for enrollees.
- Increase access to high quality, diverse providers who practice with cultural humility.
- Increase access to and quality of behavioral health car

Policy, Eligibility and Research Division

Budget Unit Description

The Policy, Eligibility & Research Division develops, implements, and evaluates innovative policies and programs to increase health insurance coverage and affordability and supports department, federal, and statewide efforts to lower health care costs and reduce health disparities by leveraging team expertise, data, research, and user-friendly consumer tools. The proposed budget for FY 2025- 26 totals $20.0 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	62	66	70	4	4
Personnel Expenditures	$8,759,519	$10,022,363	$10,506,513	$484,150	$1,262,844
Other Operating Expenditures	$12,064,384	$6,929,500	$8,666,500	$1,737,000	($5,134,884)
Subtotal	**$20,823,903**	**$16,951,863**	**$19,173,013**	**$2,221,150**	**($3,872,040)**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$1,091,967	$781,613	$860,114	$78,501	($310,354)
Total Operating Expenditures	**$21,915,869**	**$17,733,476**	**$20,033,127**	**$2,299,651**	**($4,182,394)**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Policy Eligibility & Research Division's baseline budget decreased by $4.2 million from the approved budget for FY 2024-25.

Personnel expenditures increased by $1.3 million due to the combined effect of the transfer of 4 positions from Customer Care to PERD, scheduled salary increases and adjustments, and reduced salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%[4]. Baseline Other Operating Expenditures decreased by $5.1 million, primarily due to transfers of $4.0 in funding for postage to the CalHEERs division and $1.2 million in funding for the Consumer Research Pool to the Marketing division. These decreases were partially offset by increases of $135,388.

Shared state expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Policy Eligibility & Research Division decreased by $310,354.

FY 2025-26 Proposed Budget Adjustments

Funding for the Policy, Eligibility, and Research Division increased by $2.3 million above the FY 2025-26 baseline, reflecting a $2.2 million increase in funding for personnel and other operating expenditures and a $78,501 increase in the division's share of Covered California's allocated state shared expenditures.

The additional funding will support four new permanent positions for the Policy, Eligibility, and Research division's new Consumer Experience section. These individuals will join a team focusing on identifying areas related to the enrollment and eligibility processes. They will generate modifications to the electronic enrollment portal to improve the consumer enrollment experience and facilitate more effective and efficient communication with consumers.

[4] The Policy, Eligibility and Research Division Director is an exempt position. It will have a monthly salary in FY 2025-26 of $20,735. This information is reported in compliance with Government Code 100503, Section 2(A).

Key Objectives for FY 2025-26

The Policy, Eligibility, and Research Division will focus on the following core areas in fiscal year 2025-26:

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

Health Equity and Quality Transformation Division

Budget Unit Description

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

In partnership with stakeholders and purchaser partners, the EQT Division provides expertise and analysis, and holds health plan issuers accountable, so that Covered California enrollees and all Californians receive high-quality, equitable care to improve their health. EQT is organized into the Population Care, Quality Improvement, and Health Informatics and Clinical teams. The proposed budget for FY 2025- 26 totals $8.3 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	24	24	24	0	0
Personnel Expenditures	$3,785,837	$4,670,806	$4,670,806	$0	$884,969
Other Operating Expenditures	$1,415,004	$1,367,034	$3,227,034	$1,860,000	($47,970)
Subtotal	**$5,200,842**	**$6,037,840**	**$7,897,840**	**$1,860,000**	**$836,998**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$293,287	$278,527	$352,985	$74,458	($14,760)
Total Operating Expenditures	**$5,494,129**	**$6,316,367**	**$8,250,825**	**$1,934,458**	**$822,238**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Health Equity Quality Transformation Division's baseline budget increased by $822,238 over the approved budget for FY 2024-25.

Personnel expenditure increased by $884,969 due to the combined effect of scheduled salary increases and adjustments and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%[5].

Baseline Other Operating Expenditures decreased by $47,970. This decrease was the net effect of eliminating $238,500 for completed or expired consulting contracts, offset by a $85,000 increase for Population Health Investments, a $75,000 increase for Translation services, and a $39,534 increase for Training and Travel.

Shared expenditures (Pro Rata, Supplemental Pension, and Department of General Services (DGS)) allocated to the Plan Management Division decreased by $14,760.

FY 2025-26 Proposed Budget Adjustments

Funding for the Health Equity and Quality Transformation Division increased by $2.0 million above the baseline for FY 2025-26, reflecting the combined effect of a $74,458 increase in the division's share of Covered California's allocated state shared expenditures and a $1.9 million increase in funding for other operating expenditures.

The $1.9 million increase for Other Operating Expenditures includes:

- $1.8 million to augment funding for several consulting services engagements. These include the Consumer Research and Health Program Consulting Pools to support high-profile and time-sensitive efforts related to Quality Care and Catalyst for Change programs, and the Quality Transformation Initiative and

[5] The Chief Medical Officer and Director in the Health Equity Quality Transformation Division are exempt positions. The Chief Medical Officer's monthly salary in FY 2024-25 will be $39.557. The Division Director's monthly salary will be $15,946. This information is reported in compliance with Government Code 100503, Section 2(A).

Population Health Investments and implementations.

- $85,000 to support the development and implementation of the California Advanced Primary Care Roadmap. This funding will cover the first year of a projected three-year project. During the first year, we will create a roadmap to align efforts among California's public and private purchasers. By implementing advanced primary care on a large scale throughout California, Covered California aims to improve access to care, enhance the quality of care, and achieve better health outcomes.

Key Objectives for FY 2025-26

The Health Equity and Quality Transformation Division will focus on the following core areas in fiscal year 2025-26:

- Working with Plan Management Division, continue to hold contracted health plan issuers accountable for new and continuing requirements in Attachment 1, Attachment 2, and Attachment 4, including disparities reduction, behavioral health, value-based payments to support advanced primary care, data exchange, and initiatives to address affordability and cost.
- Continue administration of the Quality Transformation Initiative (QTI), a program that ties QHP issuer performance on a parsimonious core set of quality measures to significant financial incentives to spur improved performance. EQT will prepare for implementation of health equity accountability requirements taking effect in the 2026-2028 QHP Issuer contract, with contracted plans accountable for quality measured by racial and ethnic subpopulations for certain measures.
- Evaluate first year Population Health Investments (Beyond Covered Grocery Support Program, Beyond Covered Child Savings Account Program, and Equity and Practice Transformation Program) funded by QTI quality payments and evaluate potential new investments for 2026.
- Collaborate with the Plan Management Division to ensure dental plan issuers meet the contractual requirements outlined in Attachments 1 and 2, including priorities for care delivery and the submission of Healthcare Evidence Initiative data.
- Track health plan primary care spend, establish baseline, and share learnings as part of continued promotion of investments in primary care as the foundation of a high functioning delivery system, in alignment with contracted health plan issuers, purchasers and other key private and public stakeholders.
- Continue to improve demographic data collection to support and expand disparities initiatives, facilitate sharing of disparities reduction intervention learnings among contracted health plans, and implement QTI health equity measurement.
- Continue development and implementation of a comprehensive framework to efficiently and effectively utilize the variety of existing data sources such as the Quality Rating System, the Healthcare Evidence Initiative, and other Qualified Health Plan direct submissions to enhance QHP issuer accountability for quality and health equity performance while reducing administrative burden.

- Advance and expand public reporting on plan performance using newly available data to share learnings from the qualified health and dental plan issuer contract Attachment 1 requirements with a focus on cost, quality, and health disparities.
- In partnership with CalPERS and building on the success of the inaugural annual Clinical Leaders' Summit, convene clinical, quality, and equity health plan leaders to collaboratively identify solutions and strategies to address challenges in healthcare delivery.
- Continue to strengthen alignment with Medi-Cal and CalPERS through continued collaboration on priority areas including disparities, common measures for financial incentives, behavioral health, value-based payments, and population health management as well as with OHCA and DMHC.

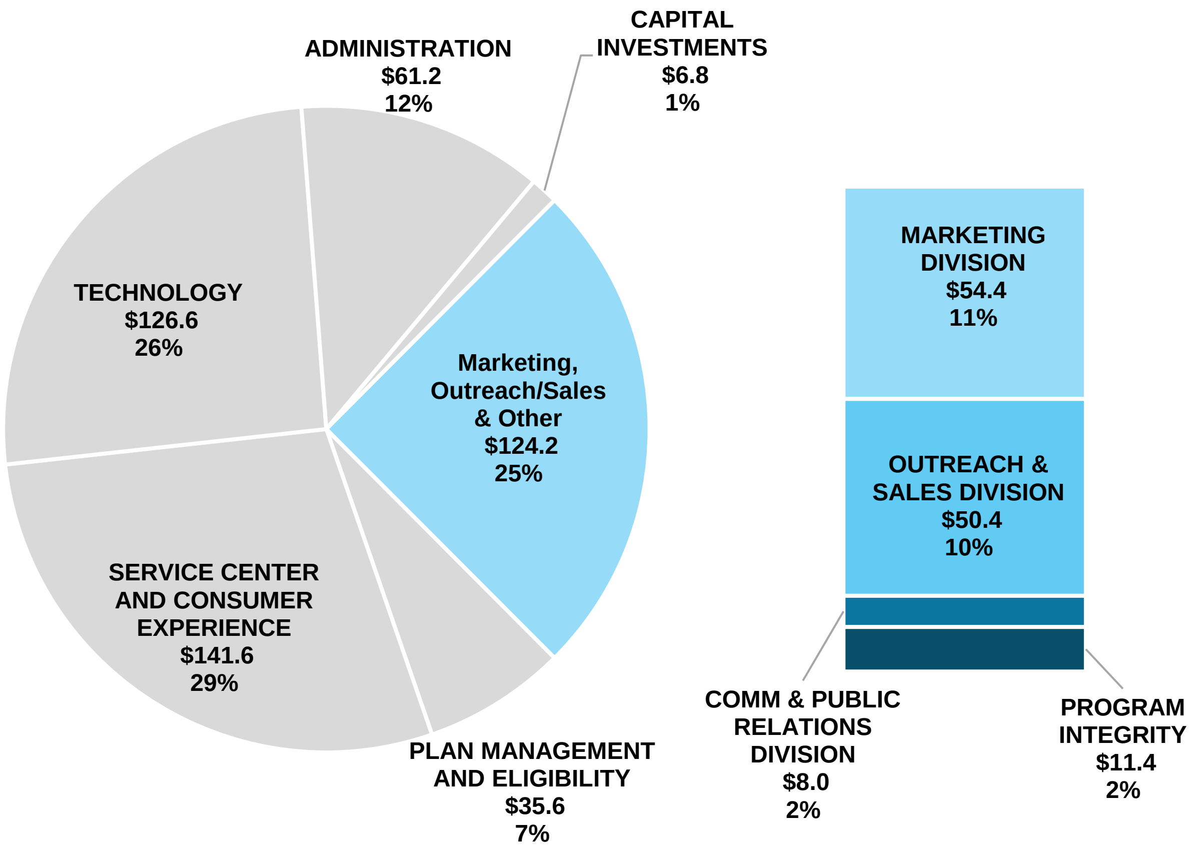
Marketing, Outreach/Sales, and Other

Marketing, Outreach/Sales, and Other includes the following divisions: Marketing, Outreach and Sales, Communications and Public Relations, and Program Integrity. The proposed budget for FY 2025-26 totals $124.2 million.

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

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	186	189	192	3	3
Personnel Expenditures	$26,305,908	$28,488,889	$29,005,032	$516,143	$2,182,981
Other Operating Expenditures	$85,783,560	$88,297,722	$89,947,722	$1,650,000	$2,514,162
Subtotal	**$112,089,467**	**$116,786,611**	**$118,952,754**	**$2,166,143**	**$4,697,144**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$5,545,148	$5,311,834	$5,270,272	($41,562)	($233,314)
Total Operating Expenditures	**$117,634,615**	**$122,098,445**	**$124,223,026**	**$2,124,581**	**$4,463,830**

Marketing, Outreach/Sales, and Other FY 2025-26 Proposed Expenditures Budget
$496.1
(Dollars in Millions)



Marketing Division

Budget Unit Description

The Marketing Division builds and sustains trust in Covered California's brand, aligned with Covered California's mission and vision to reach all Californians and connect them with comprehensive and affordable coverage. Marketing drives membership growth and retention in close collaboration with Covered California outreach partner divisions, using data-driven insights to understand and connect with diverse audiences. Our omni-channel, multicultural advertising and direct response messaging engages and supports Californians throughout their healthcare coverage decision-making journey. The proposed budget for FY 2025- 26 totals $54.4 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	**Fiscal Year 2025-26 Baseline Budget**	**Fiscal Year 2025-26 Proposed Budget**	**Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget**	**Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline**
Positions	36	36	38	2	0
Personnel Expenditures	$5,370,516	$5,751,331	$6,066,025	$314,694	$380,815
Other Operating Expenditures	$42,727,950	$46,022,050	$46,022,050	$0	$3,294,100
Subtotal	**$48,098,466**	**$51,773,381**	**$52,088,075**	**$314,694**	**$3,674,915**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$2,263,293	$2,341,703	$2,295,237	-$46,466	$78,411
Total Operating Expenditures	**$50,361,758**	**$54,115,084**	**$54,383,312**	**$268,228**	**$3,753,326**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Marketing Division's baseline budget increased by $3.8 million over the approved budget for FY 2024-25.

Personnel expenditures increased by $380,815. due to the combined effect of scheduled salary increases and adjustments and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%[6]

Baseline Other Operating Expenditures increased by $3.3 million. This increase is the net effect of a $3.0 million increase for Covered California's primary advertising and marketing consulting firm, VML, which is replacing Duncan-Channon, $1.2 million in funding for consumer research assumed from the Policy, Eligibility, and Research division, a $600,000 increase in funding for the Office of State Publishing, partially offset by the elimination of $2.1 million in funding for to align more closely with its actual vacancy rate.

Shared expenditures (Pro Rata, Supplemental Pension, and Department of General Services DGS) allocated to the Marketing Division increased by $78,411.

FY 2025-26 Proposed Budget Adjustments

Funding for the Marketing Division increased by $268,228 above the baseline for FY 2025-26, reflecting the net effect of a $46,466 reduction in the division's share of Covered California's allocated expenditures and a $314,694 increase in funding for personnel.

The additional funding will support two new permanent Staff Service Manager II positions.

[6] The director of the Marketing Division is an exempt position. It will have a monthly salary in FY 2025-26 of $18,926. This information is reported in compliance with Government Code 100503, Section 2(A).

A Staff Service Manager II, who will lead the Language Consistency, Cross-Divisional & Performance Marketing branch, will develop tailored messaging for consumers via email, direct mail, and SMS/text to achieve organizational, enrollment, and retention goals. The team develops, writes, and reviews content and designs graphics and a layout for the content, in alignment with the marketing brand strategy. The team translates the content into Spanish and develops alternative graphics for the Latino market. This volume will increase dramatically as Marketing drives to support other languages, further tailor outreach and message segmentation, and provide outreach support for other Divisions.

A Staff Service Manager II will lead the Paid Media and Performance Marketing section, overseeing a team of more than 15 media planners and strategists within our creative and media agencies. This role will fully support Covered California's media planning and execution needs and enable Covered California to deploy its paid media initiatives more strategically and effectively.

Key Objectives for FY 2025-26

The Marketing Division will focus on the following core areas in fiscal year 2025-26:

- Develop and implement a brand campaign to generate positive brand perceptions and build trust to lay a strong foundation for all other outreach efforts.
- Develop go-to-market plans for open and special enrollment that reach and engage California’s diverse populations including Hispanic, Asian American, Black/African American and LGBTQ+ with tailored messages that reflect their social, cultural, and linguistic needs and designed to drive enrollment actions.
- Enhance retention marketing as part of the integrated organization-wide effort to reach and engage consumers most at risk of losing ARP subsidies to minimize the number of people that drop coverage to become uninsured.
- Conduct strategic research projects to gain insights about members, uninsured Californians, and specialized populations. Projects will include brand health tracking, ad recall tracking, message testing, creative concept testing and potentially deep-dive research into areas where further understanding would improve program efficacy and the consumer journey.
- Continue to utilize consumer lists from the California Department of Healthcare Services (DHCS), Employment Development Department (EDD), Franchise Tax Board (FTB) and health insurance companies as prescribed by state laws and in coordination with key internal stakeholders to deliver personalized direct communications tailored to each unique population to maximize awareness of Covered California as an option for health insurance. These populations include

consumers that have terminated health coverage from insurance carriers in California, consumers that have paid a tax penalty for not having health insurance, consumers who have been determined to no longer be eligible for Medi-Cal and consumers applying for unemployment insurance.

- Develop and implement strategies for addressing the Strategic Plan Pillar, Reaching Californians to enhance outreach to hard-to-reach populations across the state.

Outreach and Sales Division

Budget Unit Description

The purpose of the Outreach and Sales Division is to educate, empower, and support Covered California's network of 15,000 certified sales partners. These partners perform a vital role in informing and expanding the number of eligible individuals enrolled in affordable, quality health care coverage. The division oversees contracting, compliance, regulations, and policy implementation for all sales channel partner programs, ensuring both program integrity and consumer protection.

Sales channel partners include independent insurance agents as well as the Navigator program, a statewide partnership with community organizations, who have experience in reaching and assisting California's diverse populations and have proven success enrolling consumers in health care programs. The division also operates the Covered California for Small Business program that helps small businesses in obtaining coverage that aligns with their needs and those of their employees. The proposed budget for FY 2025- 26 totals $50.4 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	68	68	68	0	0
Personnel Expenditures	$9,557,485	$10,190,123	$10,190,123	$0	$632,638
Other Operating Expenditures	$38,653,360	$38,107,672	$38,107,672	$0	($545,688)
Subtotal	**$48,210,845**	**$48,297,795**	**$48,297,795**	**$0**	**$86,950**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$2,345,657	$2,193,951	$2,137,149	($56,802)	($151,707)
Total Operating Expenditures	**$50,556,502**	**$50,491,746**	**$50,434,944**	**($56,802)**	**($64,756)**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Outreach & Sales Division's baseline budget decreased by $64,756 from the approved budget for FY 2024-25.

Personnel expenditure increased by $632,638 [7]. This net increase was due to the combined effect of scheduled salary increases and adjustments and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%, which were partially offset by reductions in overtime and temporary employees.

Baseline Other Operating Expenditures decreased by $545,688, primarily due to a $1.1 million reduction in the Navigator program to align with the contract amount and the elimination of the $250,000 Squared Up contract, as these duties are now handled in-house. These decreases were partially offset by a $776,000 increase due to escalator clauses in the Pinnacle contracts.

Shared state expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Outreach and Sales Division decreased by $151,707.

FY 2025-26 Proposed Budget Adjustments

Funding for the Outreach and Sales Division decreased by $56,802 below the baseline for FY 2025-26, reflecting a decrease in the division's share of Covered California's allocated state shared expenditures.

[7] The Director of the Outreach and Sales Division is an exempt position. It will have a monthly salary in FY 2025-26 of $16,233. This information is reported in compliance with Government Code 100503, Section 2(A).

Key Objectives for FY 2025-26

The Outreach and Sales Division will focus on the following core areas in the fiscal year 2025-26 budget:

- Strengthen active outreach, communications, and education programs to more than 15,000 certified enrollers who provide personalized enrollment assistance to hundreds of thousands of Californians who seek their guidance each year. Focus areas will include improving renewal and retention strategies and continuing to empower users with self-service capabilities in the Enroller Portal.

- Implement and manage improvements to the Navigator program for grant cycle 2024-27 by incorporating innovative program enhancements. Ensure that our Navigator partners are equipped with the necessary tools and resources to conduct effective outreach, education, enrollment assistance, and post-enrollment services to Californians. The Navigator program will continue to deepen Covered California's reach into the underserved and underrepresented populations to broaden healthcare coverage accessibility, enhance health literacy, and nurture a community of well-informed and empowered healthcare consumers.

- Engage Californians through robust community interactions and outreach by fostering strong community connections, utilizing certified sales partners to reach out to Californians and building relationships with local organizations, community leaders, and health advocates to extend our outreach and increase the accessibility and understanding of health coverage options.

- Leverage the feedback from the Marketing, Outreach, and Enrollment Assistance Advisory Group for the 2025-2027 term to shape enrollment outreach strategies.

- Further enhance Covered California for Small Business's enrollment and eligibility platform and processes. The improved capability will more efficiently and accurately onboard employer groups, employees, and covered dependents and increase the number of Californians who can access affordable and comprehensive health coverage. Covered California for Small Business will continue to support efforts to connect small business owners and their employees to affordable coverage either in the small business or individual market.

- Covered California for Small Business will continue to support programs that further strengthen our relationship with enrollment channel partners in the small group insurance market.

Communications and Public Relations Division

Budget Unit Description

The Communications and Public Relations Division administers an extensive program of communications and public relations activities and campaigns, provides video and graphic design creative services, and manages CoveredCA.com, the organization's consumer-facing website. The division works to secure earned media coverage from national, statewide and local media outlets to promote awareness of Covered California and drive enrollment; designs and executes annual statewide open enrollment and special enrollment period earned media campaigns; and supports executive communications, crisis communications, writing and design for publications, briefs, and the employee newsletter. The proposed budget for FY 2025- 26 totals $8.0 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	30	21	22	1	-9
Personnel Expenditures	$2,624,055	$3,060,745	$3,262,194	$201,449	$436,690
Other Operating Expenditures	$3,124,250	$2,890,000	$4,390,000	$1,500,000	($234,250)
Subtotal	**$5,748,305**	**$5,950,745**	**$7,652,194**	**$1,701,449**	**$202,440**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$332,548	$273,780	$341,664	$67,884	($58,768)
Total Operating Expenditures	**$6,080,853**	**$6,224,525**	**$7,993,858**	**$1,769,333**	**$143,672**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Communications and Public Relations Division's baseline budget increased by $143,672 above the approved budget for FY 2024-25.

Personnel expenditure increased by $436,690. This increase was due to the combined effect of absorbing one position from the recently eliminated Customer Care division, scheduled salary increases and adjustments and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%[8].

Baseline Other Operating Expenditures decreased by $234,250, driven by reductions of $125,000 for the "Back to Basics" program, $100,000 for the "In Language Content Evaluation" program, and $25,000 for Website Strategy Consulting.

Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Communications and External Affairs Division decreased by $58,768.

FY 2025-26 Proposed Budget Adjustments

Funding for the Communications and Public Relations Division increased by $1.8 million above the baseline for FY 2025-26, reflecting the combined effect of a $67,884 increase in the division's share of Covered California's allocated shared state expenditures and a $1.7 million increase in funding for personnel and other operating expenditures.

The additional funding will support one new Deputy Director position. This individual will lead and execute Covered California's strategic communications and public relations program, strategic efforts, and large-scale campaigns at the local, state, and/or national levels to strengthen branding and consumer awareness of Covered California. This includes overseeing Covered California's consumer-facing website, ensuring alignment with the CalHEERS enrollment portal, and managing video content production for social and mainstream media outlets.

$1.5 million in funding is also provided to upgrade and expand Covered California's website, a main conduit for providing health care coverage and enrollment information to California health care consumers. Funding will support design, development, and integration so Californians can quickly find important information and choose health plans that fit their needs. This comprehensive redevelopment will bolster marketing outreach, introduce new self-service features, streamline content updates, and advance the state's commitment to

[8] The Communications and External Affairs division has one exempt positions. The Director of Communications and External Affairs with a monthly salary in FY 2025-26 of $18,880. This information is reported in compliance with Government Code 100503, Section 2(A).

accessible, affordable healthcare. The new platform will offer a more agile content management system, specialized sub-domains, and landing page experiences. These will enable tailored user experiences by language and audience segment, including specialized health plan information for small businesses and multilingual sub-sites for underserved communities.

Key Objectives for FY 2025-26

Communications and Public Relations will focus on the following core areas in Fiscal Year 2025-26 budget:

- Enhance how we share innovative work Covered California is doing by improving internal and external information sharing. Leverage new forms of media and digital communications to promote Covered California and broaden and deepen our reach to consumers, health leaders, and policymakers.
- Build upon the successful “Let’s Talk Health” initiative to help promote health literacy and improve awareness and understanding of Covered California and its offerings in a culturally resonant and linguistically appropriate way; enhance efforts to reach and historically marginalized communities through the development of multilingual, multicultural educational resources.
- In partnership with other external-facing divisions like Marketing and Outreach and Sales, continue efforts towards developing more modernized, holistic integrated communications strategies and approaches that reflect a shifting media environment and evolving consumer media consumption habits and behaviors, with a specific focus on the consumer journey.
- Based on data and insight, update and refine the CoveredCA.com website including content, design and layout improvements to ensure consumers have access to critical information, in multiple languages, and seamless pathways to resources and enrollment.
- Strengthening the Communications and PR team by hiring and onboarding new staff to support existing operations, CoveredCA.com and integrated communications efforts.

Program Integrity Division

Budget Unit Description

The Program Integrity Division ensures accuracy and alignment of data between Covered California and carrier systems and conducts system testing and performance review of CalHEERS. The division also conducts internal and external audits and assists the organization in identifying and remediating enterprise-wide risks. The division encourages accountability, transparency, effectiveness, and efficiency by independently reviewing key business areas to help ensure compliance with federal and state laws, regulations, and policies. The proposed budget for FY 2025- 26 totals $11.4 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	62	64	64	0	2
Personnel Expenditures	$8,753,852	$9,486,690	$9,486,690	$0	$732,838
Other Operating Expenditures	$1,278,000	$1,278,000	$1,428,000	$150,000	$0
Subtotal	**$10,031,852**	**$10,764,690**	**$10,914,690**	$150,000	$732,838
Allocated Expenditures					
Prorata/Supp. Pension/Other	$603,649	$502,400	$496,222	($6,178)	($101,250)
Total Operating Expenditures	**$10,635,502**	**$11,267,090**	**$11,410,912**	**$143,822**	**$631,588**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Program Integrity Division's baseline budget increased by $631,588 over the approved budget for FY 2024-25.

Personnel expenditures increased by $732,838. This net increase was due to the combined effect of the addition of two positions transferred from the recently eliminated Customer Care division, scheduled salary increases and adjustments and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%, partially offset by reductions in overtime and temporary employees.

Baseline Other Operating Expenditures remained unchanged.

Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Program Integrity Division decreased by $101,250.

FY 2025-26 Proposed Budget Adjustments

Funding for the Program Integrity Division increased by $143,822 above the baseline for FY 2025-26, reflecting the combined effect of a $6,178 decrease in the division's share of Covered California's shared state allocated expenditures and a $150,000 increase in funding for other operating expenditures.

The $150,000 will purchase four licenses, at $37,500 each, providing access to audit, internal control, and risk management guidance and resources available through Gartner, Inc.

Key Objectives for FY 2025-26

The Program Integrity Division will focus on the following core areas in fiscal year 2025-26:

- Improve the accuracy and consistency of consumer eligibility information between CalHEERS and the carrier systems.
- Streamline and enhance the CalHEERS testing processes to improve operational efficiencies and effectiveness.
- Refine and enhance data analytics and processes to detect potential fraud, waste, and abuse trends.

- Strengthen the enterprise-wide risk intelligent culture throughout Covered California.
- Improve and protect organizational value by providing independent and objective assurance, advice, and insight.
- Embed diversity, equity, and inclusion efforts within the division’s culture.

Service Center and Consumer Experience

Service Center and Consumer Experience includes the following divisions: Service Center, Ombuds Office, and Customer Care. The proposed budget for FY 2025-26 totals $141.6 million.

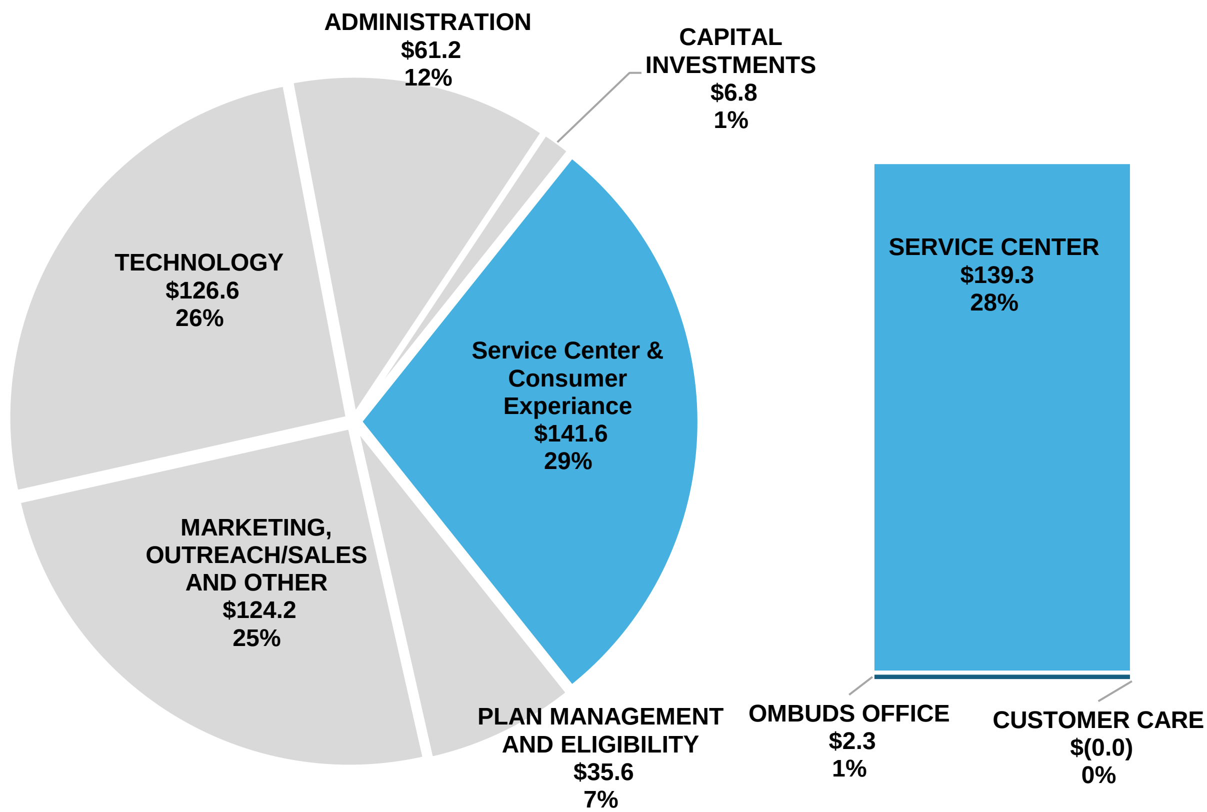
Service Center and Consumer Experience: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	826	819	819	0	-7
Personnel Expenditures	$85,133,483	$89,146,441	$89,146,441	$0	$4,012,957
Other Operating Expenditures	$46,013,553	$44,535,801	$46,319,811	$1,784,010	($1,477,752)
Subtotal	**$131,147,036**	**$133,682,242**	**$135,466,252**	$1,784,010	$2,535,205
Allocated Expenditures					
Prorata/Supp. Pension/Other	$7,928,908	$6,245,741	$6,165,513	($80,228)	($1,683,167)
Total Operating Expenditures	**$139,075,944**	**$139,927,982**	**$141,631,764**	**$1,703,782**	**$852,038**

Service Center and Consumer Experience FY 2025-26 Proposed Expenditure Budget:

$496.1

(Dollars in Millions)



Service Center

Budget Unit Description

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

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

The proposed budget for FY 2025- 26 totals $139.3 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	804	805	805	0	1
Personnel Expenditures	$81,948,416	$86,962,190	$86,962,190	$0	$5,013,774
Other Operating Expenditures	$45,209,553	$44,501,801	$46,285,811	$1,784,010	($707,752)
Subtotal	**$127,157,969**	**$131,463,991**	**$133,248,001**	**$1,784,010**	**$4,306,022**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$7,695,281	$6,141,990	$6,064,392	($77,597)	($1,553,292)
Total Operating Expenditures	**$134,853,250**	**$137,605,981**	**$139,312,393**	**$1,706,413**	**$2,752,730**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Service Center Division's baseline budget increased by $2.8 million over the approved budget for FY 2024-25.

Personnel expenditures increased by $5.0 million. This increase was due to the combined effect of adding one position transferred from the recently eliminated Customer Care division, scheduled salary increases and adjustments and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%[9].

Baseline Other Operating Expenditures decreased by $707,752, primarily due to a $966,000 reduction in TTEC to align with the contract amount. This decrease was partially offset by a $259,000 increase to Language Line to accommodate rising demand for interpretive services.

Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Service Center Division decreased by $1.6 million.

FY 2025-26 Proposed Budget Adjustments

Funding for the Service Center increased by $1.7 million above the baseline for FY 2025-26, reflecting the net effect of a $77,597 reduction in the division's share of Covered California's allocated shared state expenditures and a $1.8 million increase in funding for other operating expenditures.

The additional $1.8 million will raise funding for Covered California's Interagency Agreement (IA) with the California Department of Social Services (CDSS) from $6.0 million to $7.8 million. CDSS administers and supports Covered California's appeal adjudication and

hearing requests. These services support Covered California's eligibility and enrollment activities. By statute, CDSS is designated as Covered California's appeals entity. These services are critical and legally required for Covered California to remain in compliance with Federal and State Regulations under the Affordable Care Act (ACA)

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[9] The Director of the Service Center is an exempt position. It will have a monthly salary in FY 2025-26 of $18,933. This information is reported in compliance with Government Code 100503, Section 2(A).

Key Objectives for FY 2025-26 Budget

The Service Center division will continue its core focus on effectively responding to as many consumer inquiries as possible by leveraging all available planning tools and resources. Through February 2025 in fiscal year 2024-25, the Service Center provided personal assistance over 1.8 million times to consumers. There were over 900 thousand additional occasions of consumers being served through responses provided by the Integrated Voice Response automated response system that addresses consumers' issues with recorded messages.

For fiscal year 2024-25, consumers registered a very high level of satisfaction in the services provided, stating they were satisfied over 93% of the time. The Service Center's goal is to maintain the rate at which consumers who complete calls are "very satisfied" at or above the 85% mark in the coming year. Additional key deliverables for the upcoming fiscal year are:

- **Open-enrollment support:** The Service Center anticipates over 800 thousand consumer contacts during open enrollment through inbound calls, outbound enrollment campaigns and live chat interactions. The forecast is projected to be comparable to fiscal year 2024-25 volumes. The division's goal is to meet key performance objectives, improve the consumer experience, and enable more consumers access to affordable care. In the very high call volume period of open enrollment, Covered California has always "staffed up" and at the same time recognized that it is not possible to meet daily service goals in a fiscally sound manner. With the surge staffing capacity, the Service Center anticipates providing prompt assistance to our consumers.

- **Special-enrollment support:** Early projections anticipate approximately 1.7 million consumer contacts during the special-enrollment period, which is forecasted to be comparable to fiscal year 2024-25 volumes. Funding should provide the Service Center with the resources most needed to handle consumer contacts while maintaining a reasonable abandonment rate effectively. There remains a degree of uncertainty in planning for the coming year, including the unknown impact related to federal subsidies.

- **Ancillary Service Center functions:** In addition to inbound phone and live chat support, the Service Center is responsible for the processing of enrollment verification documents, Licensed Insurance Agent call center overflow support, appeals, escalations, large-scale complex enrollment-related projects, processing of State exemptions, and subsidy tax disputes. The additional inbound phone and live chat funding allows the Service Center to repurpose existing staff to support these ancillary programs during critical periods.

- **Service Center support functions:** The Service Center also supports the consumer-facing branches, focusing on efficiencies, quality, and improving consumer and staff experiences. This is achieved through vendor management, Information Technology (IT) enhancement projects, evaluating consumer-facing workloads to identify trends, best practices, administrative support, staffing, and scheduling in an efficient, cost-effective manner while ensuring the Service Center meets consumer demand and provides quality, exceptional service.

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Ombuds Office

Budget Unit Description

The Ombuds Office consists of two units. Its Ombuds Affairs Unit provides consumers with an objective, unbiased, and accessible resource when other resolution or customer service channels have been exhausted. Its Appeals Fulfillment Unit serves as an independent resource for implementing administrative law judge decisions following eligibility-determination appeals. Together, these units identify systemic challenges and promote solutions to prevent issues from recurring in order to improve the experience of Covered California consumers. The proposed budget for FY 2025- 26 totals $2.3 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	14	14	14	0	0
Personnel Expenditures	$1,978,959	$2,184,251	$2,184,251	$0	$205,292
Other Operating Expenditures	$34,000	$34,000	$34,000	$0	$0
Subtotal	**$2,012,959**	**$2,218,251**	**$2,218,251**	**$0**	**$205,292**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$124,892	$103,751	$101,120	($2,631)	($21,141)
Total Operating Expenditures	**$2,137,852**	**$2,322,002**	**$2,319,371**	**($2,631)**	**$184,150**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Ombuds Office's baseline budget increased by $184,150 over the approved budget for FY 2024-25.

Personnel expenditures increased by $205,292, due to the combined effect of scheduled salary increases and adjustments and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%[10].

The Ombud's division's baseline other operating expenditures remained unchanged at $34,000.

Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Ombud's Division decreased by $21,141.

FY 2025-26 Proposed Budget Adjustments

Funding for the Ombuds Office decreased by $2,631 below the baseline for FY 2025-26, reflecting a reduction of the division's share of Covered California's allocated shared state expenditures.

Key Objectives for FY 2025-26

The Ombuds Office will focus on the following core areas in FY 2025-26:

- Continue to explore new and innovative Ombuds services that can be used internally (organization) and externally (consumer).
- Updating and enhancing internal procedures to ensure we are assisting consumers effectively and efficiently through our customer service channels (i.e., phone, online form, mail, webpage, IVR, etc.).
- Fostering closer collaboration among our internal and external partnerships to create a seamless consumer support experience.
- Promote the understanding and use of Ombuds Office Services to external and internal partners.
- Optimize operational processes to maximize efficiency and enhance the consumer journey to result in a seamless experience.
- Continue updating and enhancing internal procedures to ensure we are assisting consumers effectively and efficiently through our customer service channels (i.e., phone, online form, mail, webpage, IVR, etc.).

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[10] The Ombud's Office director is an exempt position. It will have a monthly salary in FY 2025-26 of $15,419. This information is reported in compliance with Government Code 100503, Section 2(A).

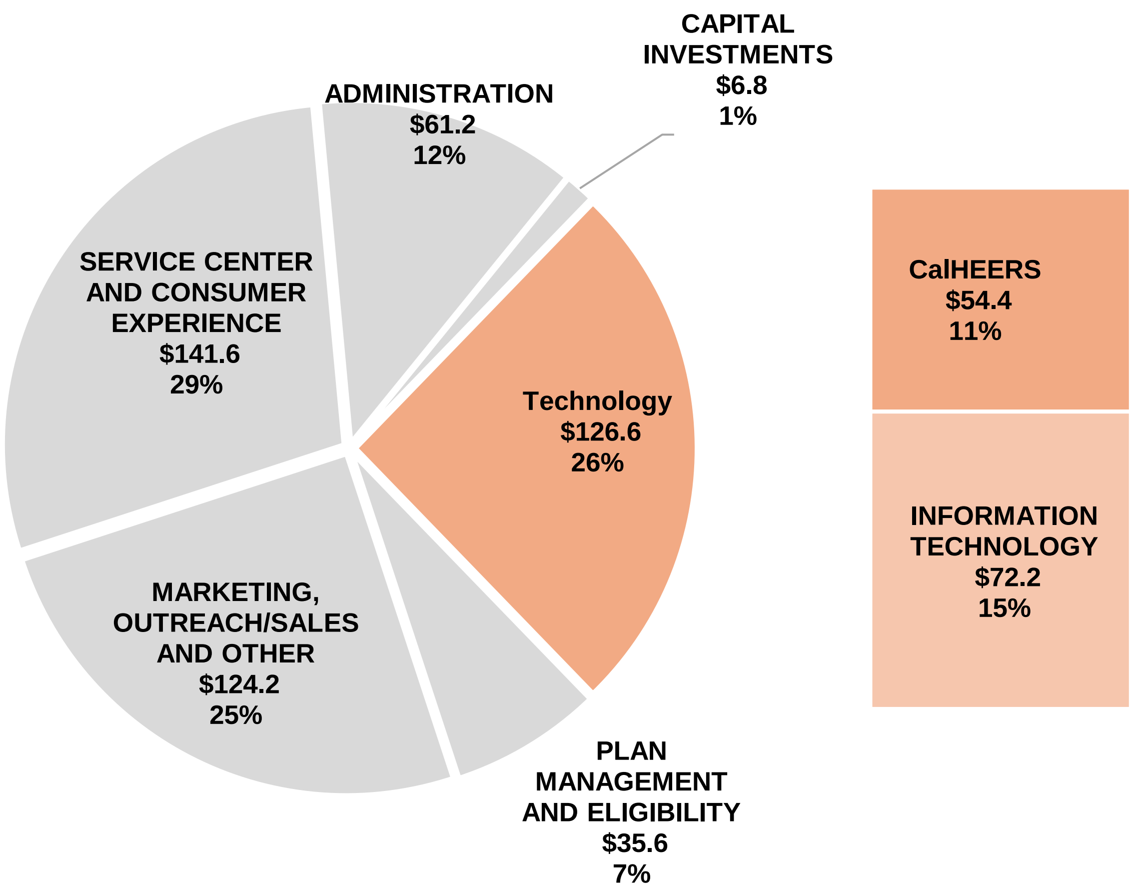
Technology

Technology includes the Information Technology (IT) Division and the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) consumer enrollment system. The FY 2025-26 proposed budget totals $126.6 million.

Technology: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	113	113	114	1	0
Personnel Expenditures	$21,033,331	$22,569,634	$22,569,634	$0	$1,536,303
Other Operating Expenditures	$96,661,583	$93,734,353	$100,953,418	$7,219,065	($2,927,230)
Subtotal	**$117,694,914**	**$116,303,987**	**$123,523,052**	**$7,219,065**	**($1,390,927)**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$3,301,876	$3,050,564	$3,064,070	$13,506	($251,313)
Total Operating Expenditures	**$120,996,790**	**$119,354,551**	**$126,587,122**	**$7,232,571**	**($1,642,240)**

Technology FY 2025-26 Budget:
$496.1
(Dollars in Millions)



CalHEERS

Budget Unit Description

The California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) is a single streamlined application for affordable health insurance plan programs in California. CalHEERS facilitates subsidy eligibility determination, qualified health plan comparison shopping, and enrollment for millions of Medi-Cal and Covered California consumers. CalHEERS is co-sponsored by Covered California and the California Department of Health Care Services. The California Health and Human Services Agency's Office of Technology and Solutions Integration supports CalHEERS by providing program and contract management services, including oversight of Deloitte Consulting, the system integrator responsible for platform development, maintenance, and operations on behalf of the co-sponsors. The proposed budget for FY 2025- 26 totals $54.4 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions				0	0
Personnel Expenditures	$0	$0		$0	$0
Other Operating Expenditures					
CDSS SAWS	$1,750,000	$1,750,000	$1,750,000	$0	$0
OTSI	$49,002,923	$47,511,103	$52,630,168	$5,119,065	($1,491,820)
Total Other Operating Expenditures	$50,752,923	$49,261,103	$54,380,168	$5,119,065	($1,491,820)
Subtotal	**$50,752,923**	**$49,261,103**	**$54,380,168**	**$5,119,065**	**($1,491,820)**
	$0	$0	$0	$0	$0
Allocated Expenditures					
Prorata/Supp. Pension/Other	$0	$0	$0	$0	$0
Total Operating Expenditures	**$50,752,923**	**$49,261,103**	**$54,380,168**	**$5,119,065**	**($1,491,820)**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The CalHEERS Division's baseline budget, consisting only of Other Operating Expenditures, decreased by $1.5 million. This decrease was the net effect of a $5.1 million reduction in the budget for Covered California system Change Requests, a $497,475 decrease in Change Requests share with DHCS, and a $5.1 million decrease for OTSI support contracts, which were offset by an $8.7 million increase for OTSI Mail Support Services. The $8.7 million consists of $4.0 million reallocated from the Policy, Eligibility, and Research Division's FY 2024-25 budget to the CalHEERS budget, along with an additional $4.7 million added to the CalHEERS FY 2025-26 baseline budget.

FY 2025-26 Proposed Budget Adjustments

Funding for CalHEERS was increased by $5.1 million above the baseline for FY 2025-26. The additional $5.1 million will fund an additional $4.9 million in OTSI mail support services above the baseline amount, bringing the total amount available for mail support services up to $18.9 million. The other $219,000 is available to address any shortfalls in CR funding.

Key Objectives for Fiscal Year 2024-25

CalHEERS will focus on the following key initiatives in fiscal year 2025-26:

- **Expand Intelligent Document Verification Platform (IDP):** Leverage artificial intelligence to validate uploaded consumer documents in real-time, reducing manual workstreams in Covered California's Service Center.

- **Complete Transition of Physician Provider Network Service:** Move to a new solution custom-tailored to California's unique needs by IHA/Symphony.

- **Implement New Remote Identity Proofing (RIDP) Platform:** Streamline consumer application process and reduce application abandonment rate.

- **Continue Enhancing Integrated Eligibility Determination:** Maintain an easy-to-navigate, integrated eligibility determination, enrollment, and retention solution. Provide consumer-centric product features promptly to support the delivery of affordable, high-quality healthcare to millions of California consumers.

- **Improve Consumer Plan Choice and Support for Agents and Assisters:** Enhance the Plan Choice and Assister Portal to support consumer health plan enrollment better.

- **Enhance Consumer Experience:** Utilize human-centered design, consumer focus group engagement, A/B testing in production, and consumer journey map data-driven initiatives.

- **Ensure Seamless Transition from Medi-Cal to Covered California:** Auto-enroll consumers moving from Medi-Cal to Covered California based on income redeterminations. Supported by Senate Bill 260, this ensures marketplace-eligible individuals losing Medi-Cal coverage post the Public Health Emergency transition seamlessly to Covered California qualified health plans.

- **Improve Enroller and Service Center Efficiency:** Apply findings from human-centered design research.

- **Develop Paperless Communication Features** Allow consumers to receive notices via SMS and email, enhancing access to important information and reducing paper, printing, and postage costs.

- **Enhance Consumer Engagement and Retention:** Utilize Salesforce Marketing Cloud to provide personalized consumer communication. Reduce enrollment abandonment and improve outreach.

- **Optimize Service Center Operations:** Continue to enhance Service Center call handling, information management, and customer engagement solutions to cost-effectively improve the consumer experience.

Information Technology Division

Budget Unit Description

The Information Technology Division provides technology acquisition, design, development, maintenance, and support; program and project management; and information security services supporting Covered California business operations, including health plan eligibility determination and enrollment, delivery of the enterprise strategic plan, business process optimization, applied innovation, and oversight of CalHEERS.

Three Information Technology Division branches deliver a broad array of services supporting this mission:

- Consumer Experience, Data, Strategy, and Portfolio Management
- Employee Experience, Service Delivery, Infrastructure, and Operations
- Information Security Office.

The proposed budget for FY 2025- 26 totals $72.2 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	113	113	114	1	0
Personnel Expenditures	$21,033,331	$22,569,634	$22,569,634	$0	$1,536,303
Other Operating Expenditures	$45,908,660	$44,473,250	$46,573,250	$2,100,000	($1,435,410)
Subtotal	**$66,941,991**	**$67,042,884**	**$69,142,884**	$2,100,000	$100,893
Allocated Expenditures					
Prorata/Supp. Pension/Other	$3,301,876	$3,050,564	$3,064,070	$13,506	($251,313)
Total Operating Expenditures	**$70,243,867**	**$70,093,448**	**$72,206,954**	**$2,113,506**	**($150,420)**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Information Technology Division's baseline budget decreased by $150,420.

Personnel expenditures increased by $1.5 million due to the combined effect of scheduled salary increases and adjustments and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%[11].

Baseline Other Operating Expenses decreased by $1.4 million, primarily due to the elimination of one-time expenditures for FY 2024-25 and the expiration of contracts. ITD staff and other divisions (CalHEERs) of Covered California now assume those responsibilities.

Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Information Technology Division decreased by $251,313.

FY 2025-26 Proposed Budget Adjustments

Funding for the Information Technology Division increased by $2.1 million above the baseline for FY 2025-26, reflecting the combined effect of a $13,506 increase in the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension, and DGS) and a $2.1 million increase in funding for other operating expenditures.

The additional $2.1 million for other operating expenditures will support:

- The addition of one Staff Services Manager I, converted from temporary to permanent status. This position serves as the central point of contact for IT strategy and operations, including the management of budgeting, training, and coordinating division responses related to policies, procedures, and audit findings.
- $1.4 million for Information Security Office Contractor Support, increasing funding from $1.5 million to $2.8 million. This funding will support existing ongoing consulting services, expand the use of project-based and full-time contractors, and provide additional full-time contractors to support the team while searching for qualified

[11] The Chief Technology Officer is an exempt position. It will have a monthly salary in FY 2024-25 of $28,482. This information is reported in compliance with Government Code 100503, Section 2(A).

candidates to fill open positions.

- $750,000 for data management support for Covered California for Small Business (CCSB) related payment and accounting activities. Some of this support will involve redesigning, streamlining, and automating current work processes.

Key Objectives for FY 2025-26

The Information Technology Division will focus on the following key initiatives in fiscal year 2025-26:

- **Enterprise-Wide Information Security Program:** Protect Covered California’s brand and reputation by expanding and operating a comprehensive information security program that reduces risk, increases awareness, addresses emerging threats, and ensures compliance with state and federal regulations.

- **Hybrid Work Environment Solutions:** Equip Covered California employees and contractors with solutions to thrive in a hybrid work environment that integrates physical workplaces with home offices, incorporating technology, organizational change management, and human communication/collaboration.

- **Consumer, Assister/Agent, and Employee Experience:** Lead initiatives to enhance Consumer, Assister/Agent, and Employee experiences. This includes creating a unified view of consumer engagements, leveraging generative artificial intelligence, and implementing a data strategy promoting literacy and data-driven decision-making.

- **CalHEERS Oversight:** Provide cost-effective oversight for the maintenance and operation of the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), with platform enhancements and new solutions including real-time consumer document verification, remote identity proofing, and optimizing the physician provider directory.

- **Service Center Engagement:** Partner with the Service Center Division to leverage integration between Amazon Connect and Salesforce, enhancing tools and information for service representatives and improving service quality.

- **Workday and Human Capital Management:** Collaborate with the Human Resources Division to enhance Workday, providing HR representatives with advanced tools for better employee engagement and streamlined operations.

- **Contract Lifecycle Management and Workflow Automation:** Collaborate with the Administrative Services and Financial Management divisions to improve contract management efficiency and service delivery using DocuSign CLM and ServiceNow.

- **Use of Generative AI Tools:** Deploy generative artificial intelligence solutions to employees to complement and empower our workforce, enabling them to achieve greater creativity and efficiency in their roles.

- **Cloud-Based Solutions:** Accelerate our transition to cloud-based solutions to support infrastructure and network needs – cost-effectively supporting scalability, reliability, and resource access for both remote and on-site employees.

- **Diversity, Equity, and Inclusion (DEI):** Promote DEI within ITD and across Covered California by elevating diverse perspectives and adopting inclusive approaches in recruiting, retaining, and promoting workforce and leadership.

- **Innovation and Human-Centered Design:** Develop an innovation program that partners with Program and Business divisions to support their ability to achieve their goals through the effective application of innovation and empower CCIT staff to maintain a customer-centric perspective and lead IT as an innovative service provider and top employer supporting seamless, accessible consumer experiences through human-centered design.

- **Proactive Service Delivery:** Enhance services and delivery through the effective use of self-service, automation, process enhancement, and tool capabilities, ensuring a proactive, customer-centric model.

- **Security Posture Enhancement:** Continually safeguard Covered California's brand by enhancing security measures across endpoints and infrastructure, increasing response capabilities, and adhering to evolving regulatory requirements.

- **Data Strategy Implementation:** Lead the implementation of organizational data strategies to foster data literacy and deploy insight-based decision support processes.

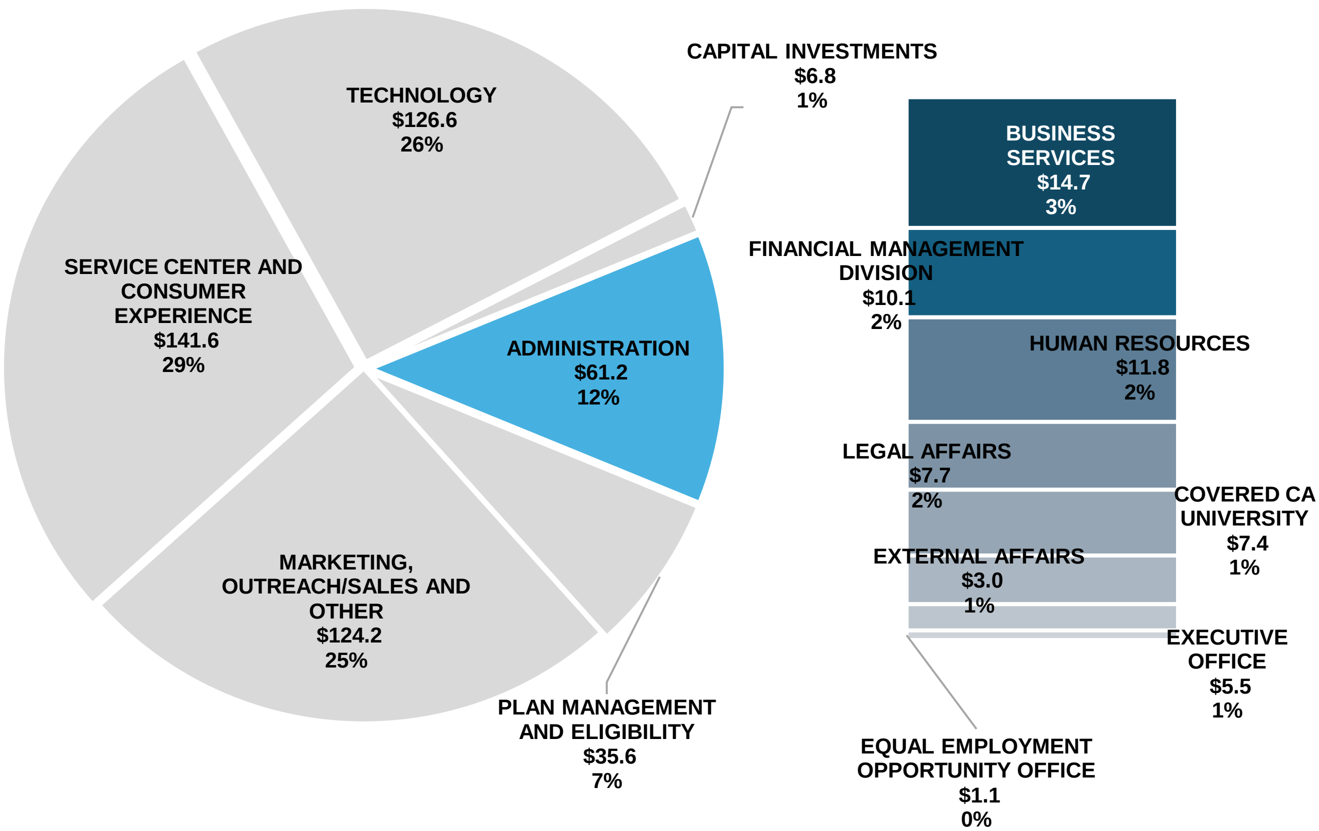
Administration

Administration includes the following program areas: the Business Services Branch, the Financial Management Division, the Human Resources Branch, the Office of Legal Affairs, Covered California University, External Affairs and Community Engagement, the Executive Office, and the Equal Employment Opportunity Office. The proposed budget for FY 2024-25 is $61.2 million.

Administration: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	249	250	253	1	3
Personnel Expenditures	$39,556,422	$42,510,488	$42,922,455	$411,967	$2,954,066
Other Operating Expenditures	$14,833,530	$15,340,205	$15,638,898	$298,693	$506,675
Subtotal	**$54,389,951**	**$57,850,693**	**$58,561,353**	**$710,660**	**$3,460,742**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$3,038,213	$2,674,165	$2,637,782	($36,383)	($364,047)
Total Operating Expenditures	**$57,428,164**	**$60,524,858**	**$61,199,135**	**$674,277**	**$3,096,695**

Administration
FY 2025-26
Proposed Expenditure Budget:
$496.1 Million
(Dollars in Millions)



Business Services Branch

Budget Unit Description

The Business Services Branch is responsible for providing guidance and consultation on contract and purchasing services; carrying out health, safety, and wellness services; providing central support functions for administrative programs enterprise-wide; ensuring facilities are well maintained and secure and managing our physical resources through facilities operations. The proposed budget for FY 2025- 26 totals $14.7 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	41	41	43	2	0
Personnel Expenditures	$5,679,890	$6,002,543	$6,265,181	$262,638	$322,654
Other Operating Expenditures	$7,706,334	$7,844,448	$7,844,448	$0	$138,114
Subtotal	**$13,386,224**	**$13,846,991**	**$14,109,629**	**$262,638**	**$460,767**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$704,713	$634,910	$630,647	($4,262)	($69,803)
Total Operating Expenditures	**$14,090,936**	**$14,481,901**	**$14,740,276**	**$258,376**	**$390,964**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Business Services Division's baseline budget increased by $390,964 over the approved budget for FY 2024-25.

Personnel expenditures increased by $322,654, due to the combined effect of scheduled salary increases and adjustments and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%.

The Business Services Branch's baseline other operating expenses increased by $138,114, reflecting additional funding for architectural services for Phase II of the Expo Modernization Project. Facility costs included in the Business Services Branch budget decreased slightly as reduced funding for security services offset increased funding for lease-related expenditures.

Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Business Services Division decreased by $69,803.

FY 2025-26 Proposed Budget Adjustments

Funding for the Business Services Division increased by $258,376 above the baseline for FY 2025-26, reflecting the combined effect of a $4,262 decrease in the division's share of Covered California's allocated shared state expenditures and a $262,638 increase in funding for personnel expenditures.

The $262,000 will fund two new positions:

- An Associate Government Program Analyst to work in the Fresno Facility unit, and
- A Staff Services Manager I (Specialist) for the Procurement section

Key Objectives for FY 2025-26

The Business Services Branch (BSB) will focus on the following core areas in fiscal year 2025-26:

- Enhance physical worksites with dynamic workplace elements to fully support teams while working onsite. With the assistance of architects, complete future of work initiatives for redesigning the Expo location to develop a tenant improvement project. This is a multi-year project.

- Execute implementation strategies for achieving BSB 2025-26 milestones within the 2023-2026 Covered California strategic plan by monitoring, evaluating, and adjusting strategic initiatives within the plan to complete objectives and address new challenges and organizational concerns.

    - Enhance contractor onboarding and separation procedures to ensure full compliance with CMS ARC-AMPE standards.
    - Advance the management of the ServiceNow: Hardware Asset Management (HAM) program to achieve comprehensive tracking of telework equipment.
    - Normalize Divisional procurement activities through quarterly meetings.
    - Finalize and implement all required corrective actions stemming from internal audits in a timely manner.

Financial Management Division

Budget Unit Description

The Financial Management Division is responsible for planning, implementing, and overseeing all financial activities at Covered California. This includes finance, accounting, forecasting, budgeting, and ensuring compliance with governmental regulations. The division consists of two branches: Accounting and Accounting Systems Operations, and Financial Planning and Forecasting Operations. Within these branches, important accounting functions are performed, such as payroll, financial reporting, accounts receivable and payable, financial modeling, financial forecasting, budgeting, and managing financial systems. The proposed budget for FY 2025- 26 totals $10.1 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	55	55	55	0	0
Personnel Expenditures	$8,353,669	$8,686,186	$8,694,508	$8,322	$332,517
Other Operating Expenditures	$965,268	$947,000	$947,000	$0	($18,268)
Subtotal	**$9,318,937**	**$9,633,186**	**$9,641,508**	**$8,322**	**$314,249**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$554,487	$448,967	$437,920	($11,047)	($105,519)
Total Operating Expenditures	**$9,873,424**	**$10,082,153**	**$10,079,428**	**($2,725)**	**$208,730**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Financial Management Division's baseline budget increased by $208,730 over the approved budget for FY 2024-25.

Personnel expenditures increased by $332,517, due to the combined effect of scheduled salary increases and adjustments and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%[12].

Baseline Other Operating Expenditures decreased by $18,268 primarily due to a $100,000 decrease for payments to the State Controller's Office related to the Strike Lockout subsidy program. This decrease was partially offset by a $48,000 increase for SAS licenses and a $30,000 increase for increased training.

Shared state expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Financial Management Division decreased by $105,519.

FY 2025-26 Proposed Budget Adjustments

Funding for the Financial Management Division decreased by $2,725 below the baseline for FY 2025-26, reflecting the combined effect of a $11,047 decrease in the division's share of Covered California's allocated shared state expenditures and an $8,322 increase in funding for personnel expenditures to support a position reclassification.

Key Objectives for FY 2025-26

The Financial Management Division will focus on the following core areas in FY 2025- 26:

- Continue to document and evaluate internal controls over financial reporting.
- Design, develop and implement the continuous reporting of effectuated enrollment,

[12] The Chief Financial Officer is an exempt position. It will have a monthly salary in FY 2025-26 of $23,648. This information is reported in compliance with Government Code 100503, Section 2(A).

descriptive statistics, terminations, plan selections and average gross premiums through SAS and Tableau software.

- Continue to incorporate analytic tools, such as SAS, to better utilize FI$CAL accounting data to create actionable information for better decisions.
- Explore SAS analytic tools to refine the enrollment forecasting methodology.
- Continue to explore external datasets that may aid in forecasting enrollment, disenrollment, and potential enrollment populations.
- Update the Financial Management Division strategic plan.
- Design, develop, and implement an accounting training program to enhance the skills and knowledge of FMD staff.
- Transition from audited financial statements to Annual Comprehensive Financial reports.

Human Resources Branch

Budget Unit Description

The Human Resources Branch (HR) provides overall policy direction on human resource management and administrative support functions related to employee management. Our mission is to cultivate a supportive and efficient work environment through various specialized units including Career Services (with Diversity, Equity, and Inclusion and Talent Acquisition), Digital Innovation and Operations, Disability Management, Employment and Classification Services, Labor Relations, Payroll and Benefits, Performance Management, and Strategic Solutions and People Analytics. The proposed budget for FY 2025- 26 totals $11.8 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	58	58	58	0	0
Personnel Expenditures	$9,064,264	$9,485,825	$9,485,825	$0	$421,561
Other Operating Expenditures	$1,302,600	$1,609,527	$1,791,220	$181,693	$306,927
Subtotal	**$10,366,864**	**$11,095,352**	**$11,277,045**	$181,693	$728,488
Allocated Expenditures					
Prorata/Supp. Pension/Other	$609,148	$515,645	$510,481	($5,164)	($93,503)
Total Operating Expenditures	**$10,976,012**	**$11,610,997**	**$11,787,526**	**$176,529**	**$634,985**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Human Resources Division's baseline budget increased by $634,985.

Personnel expenditures increased by $421,561 due to the combined effect of scheduled salary increases and adjustments, and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%

Baseline Other Operating Expenditures increased by $306,927, primarily due to a $236,427 increase in funding for the Gartner Consulting engagement, and a $100,000 increase in funding for executive recruitment in anticipation of upcoming recruitment. These increases were partially offset by reductions in several budget lines to better align with actual historical average expenditures.

Shared state expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Human Resources Branch decreased by $93,503.

FY 2025-26 Proposed Budget Adjustments

Funding for the Human Resources Division increased by $176,529 above the baseline for FY 2025-26, reflecting the combined effect of a $5,164 decrease in the division's share of Covered California's allocated shared state expenditures and a $181,693 increase in funding for other operating expenditures.

The $181,693 will fund the Gartner, Inc. "Development of a More Comprehensive People Strategy" consulting engagement. The consultant will assist Covered California in developing strategies to attract top talent, improve employee retention, and address organizational skills gaps.

Key Objectives for FY 2024-2025

The strategic objectives are designed to enhance our operational effectiveness and employee satisfaction:

- **Streamlining Onboarding and Exit Processes:** Enhance the employee onboarding and exit processes by integrating and streamlining all HR activities through technology, ensuring a seamless and efficient experience for employees.
- **Developing a People Analytics Function:** Develop a robust people analytics function to leverage data-driven insights for strategic HR decision-making, aiming to enhance organizational performance, improve employee experience, and optimize workforce management.

- **Enhancing Recruitment and Hiring:** Accelerate recruitment and reduce time-to-fill by integrating enhanced and diversified hiring strategies and developing a detailed hiring manual to optimize hiring practices and outcomes.
- **Enhance Performance Management Skills:** Equip leaders and managers with advanced tools and training for performance management, including effective strategies to enhance leadership skills and effectiveness in managing and supporting our workforce.
- **Enhance and Expand Career Development:** Integrate Career Counselor services into the newly designed Career Management & You program to provide career guidance, ensuring all employees have access to resources and dedicated support to navigate their professional paths successfully.
- **Simplify Access to HR Information:** Launch an HR online manual to centralize and simplify access to HR-related information for all employees.
- **Improving Employee Experience through Technology:** Optimizing business processes and technology by implementing improvements in Workday, making our processes more efficient and user-friendly, and enhancing the overall employee experience.
- **Optimizing Organizational Structure:** Ensure organizational and divisional structures, along with job classifications, are strategically aligned with our mission and operational goals, promoting efficiency and clarity within the workplace.

Office of Legal Affairs

Budget Unit Description

The Office of Legal Affairs partners with staff across the organization to foster innovation, ensure compliance with laws, and mitigate risk as it works to deliver affordable coverage and quality care. Specifically, the Office of Legal Affairs provides legal advice on a variety of matters pertaining to Covered California and its programs, contracts, and operations. The Office of Legal Affairs also ensures that all legal agreements are fulfilled, and that Covered California operates transparently and within its legal authority as a steward of the public's trust. Additionally, the Office of Legal Affairs provides guidance on any statutes or regulations pertaining to Covered California and collaborates with state and federal regulatory agencies. The proposed budget for FY 2025- 26 totals $7.7 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	25	25	25	0	0
Personnel Expenditures	$4,317,600	$4,865,037	$4,865,037	$0	$547,437
Other Operating Expenditures	$2,497,500	$2,458,000	$2,458,000	$0	($39,500)
Subtotal	**$6,815,100**	**$7,323,037**	**$7,323,037**	**$0**	**$507,937**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$368,744	$336,685	$328,043	($8,642)	($32,058)
Total Operating Expenditures	**$7,183,843**	**$7,659,722**	**$7,651,080**	**($8,642)**	**$475,879**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Office of Legal Affairs' baseline budget increased by $475,879 over the approved budget for FY 2024-25.

Personnel expenditures increased by $547,437 due to the combined effect of scheduled salary increases and adjustments and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%[13].

Baseline Other Operating Expenditures decreased by $39,500, primarily due to a $40,000 decrease for Outside Legal counsel due to a new contract with lower rates.

Shared state expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Office of Legal Affairs decreased by $32,058.

FY 2025-26 Proposed Budget Adjustments

Funding for the Office of Legal Affairs decreased by $8,642 below the baseline for FY 2025-26, reflecting a reduction of the division's share of Covered California's allocated shared state expenditures.

Key Objectives for FY 2025-26

The Office of Legal Affairs will focus on the following core areas in fiscal year 2025-26:

- As the landscape of federal policies continues to shift with the new administration, the Office of Legal Affairs aims to provide technical assistance and guidance on anticipated proposals impacting Covered California, consumers, and the broader health care ecosystem, working closely with the Health Consumer Alliance and other partners. Simultaneously, the Office of Legal Affairs will also provide guidance on evolving state policies, including opportunities for additional financial assistance and improved consumer experience.
- Evaluate Covered California's privacy and security protocols, policies, and procedures to ensure alignment with the new Acceptable Risk Controls for ACA, Medicaid, and Partner Entities (ARC-AMPE) requirements while supporting organization-wide implementation efforts to enhance data collection, management, and accessibility methodologies, strengthen security and privacy measures, improve risk management strategies, and drive informed, strategic decision-making in pursuit of Covered California's broader data management objectives.

[13] The Director of the Office of Legal Affairs is an exempt position. It will have a monthly salary in FY 2024-25 of $19,771. This information is reported in compliance with Government Code 100503, Section 2(A).

- Continue collaborating with the Administrative Services Division to enhance and streamline Covered California’s conflicts-of-interest procedures. In addition to updating Covered California’s Conflict-of-Interest Code, the Office of Legal Affairs seeks to improve the steps to proactively identify potential conflicts during employee recruitment and contractor engagement processes, ensuring they maintain integrity and efficiency.
- In accordance with the Administrative Procedures Act, coordinate the timely promulgation of several Covered California rulemaking packages from inception throughout the development and filing process with the Office of Administrative Law, ensuring that each package is thoroughly vetted with internal and external stakeholders to ensure the integration of diverse perspectives throughout the development process.

Covered California University

Budget Unit Description

The Covered California University is the organizational knowledge and enablement branch. It maintains both written materials and training courses that support organizational effectiveness and development. As experts on change adoption strategies, information dissemination, knowledge-sharing and management, and learning programs and systems, the branch collaborates with programs and interacts across the organization, leveraging subject matter experts. The branch manages and administers the technology that supports knowledge and training, including the Knowledge Hub, Knowledge Management Center, Customer Relationship Management Salesforce Knowledge, Absorb Learning Management System and LinkedIn Learning. The branch consists of the following sections: Knowledge and Data Section and the Learning Programs Section with supporting specialists in Diversity, Equity and Inclusion and Organizational Change Management. The proposed budget for FY 2025- 26 totals $7.4 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	36	36	37	1	0
Personnel Expenditures	$5,610,129	$5,649,097	$5,790,104	$141,007	$38,968
Other Operating Expenditures	$1,099,160	$1,184,160	$1,301,160	$117,000	$85,000
Subtotal	**$6,709,289**	**$6,833,257**	**$7,091,264**	**$258,007**	**$123,968**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$390,521	$317,646	$321,146	$3,501	($72,875)
Total Operating Expenditures	**$7,099,810**	**$7,150,903**	**$7,412,410**	**$261,508**	**$51,092**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

Covered California University's baseline budget increased by $51,092 over the approved budget for FY 2024-25.

Personnel expenditures increased by $38,968. This net increase was due to the combined effect of scheduled salary increases and adjustments and reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%, which were partially offset by reductions in overtime and temporary employees.

Baseline Other Operating Expenditures increased by $85,000, primarily due to a $50,000 increase for additional change management training for the administration divisions, a $25,000 increase for additional software, and increases in pricing on several contracts.

Shared state expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to Covered California University decreased by $72,875.

FY 2025-26 Proposed Budget Adjustments

Funding for Covered California University increased by $261,508 above the baseline for FY 2025-26, reflecting the net effect of a $3,501 increase in the division's share of Covered California's allocated shared state expenditures and a $ $258,007 increase in funding for personnel and other operating expenditures.

The $141,007 will fund the addition of one Staff Service Manager I position. This position will provide direct support, resources, and other assistance to executives and front-line managers to facilitate the adoption of new systems and work processes. The funding also includes $117,000 for a one-year Change Management Training and Coaching Services contract.

Key Objectives for FY 2025-26

Covered California University will focus on the following core areas in fiscal year 2025-2026:

- Drive adoption of approved policy, procedure, and technology changes and best practices through various strategies, including change networks, guides, talking points, resources, and training for use by the department and external partners to ensure organizational compliance and effectiveness.

- Assess, develop, and provide organizational learning and development opportunities through various methods, including instructor-led, virtual instructor-led, eLearning, program-led, and vendor training to maintain and improve workforce development and productivity.
- Develop and support knowledge communities of representatives from each division to collaborate and apply knowledge-sharing and knowledge-management strategies.

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

- Execute strategies to achieve CCU's 2025-2026 milestones within the 2023-2026 Covered California strategic plan by monitoring, evaluating, and adjusting strategic initiatives to complete objectives and address new challenges and organizational concerns.
- Begin phase two design and implementation of Knowledge Hub initiatives and integrations, partnering with the Information Technology Division to support Covered California's Workforce and Succession Plan.
- Launch the Change Impact Agent Program with representatives from every Division, giving the members new tools and strategies to support Strategic Plan goals and ensure adoption within their teams.
- Redesign the Learning Management System (LMS) interface and launch the Manager Experience feature.
- Research and plan roadmap for Organizational Skills and Training Needs Assessment and Communities of Practice initiatives.
- Establish data governance practices to ensure data integrity and remedy deficiencies in the LMS to make compliance data easier to understand for stakeholders.

Executive Office

Budget Unit Description

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

The Office of Organizational Culture, Inclusion and Engagement (OOCIE) provides leadership in the areas of strategic planning, workforce and succession planning, employee engagement, recognition, team building, and diversity, equity, and inclusion (DEI) to ensure Covered California is considered an employer of choice and to create and support a workforce reflective of our core values and the people we serve. The proposed budget for FY 2025- 26 totals $5.5 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	14	15	15	0	1
Personnel Expenditures	$3,631,750	$4,576,293	$4,576,293	$0	$944,543
Other Operating Expenditures	$636,708	$676,410	$676,410	$0	$39,702
Subtotal	**$4,268,458**	**$5,252,703**	**$5,252,703**	**$0**	**$984,245**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$226,948	$240,694	$234,501	($6,193)	$13,746
Total Operating Expenditures	**$4,495,406**	**$5,493,397**	**$5,487,204**	**($6,193)**	**$997,991**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Executive Office's baseline budget increased by $997,991 above the approved budget for FY 2024-25.

Personnel expenditures increased by $944,543 due to the combined effect of scheduled salary increases and adjustments, the cashing out of leave balances, reduced estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%, and the addition of one position transferred from the recently eliminated Customer Care division. Reductions in the use of temporary employees partially offset these increases.[14].

Expenses for Other Operating Expenses increased by $39,702. This change is mainly attributed to a $18,000 increase for additional student assistants, a $10,000 increase in travel expenses, and a $10,000 increase in general expenses related to employee recognition awards.

Shared state expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Executive Office increased by $13,746.

FY 2025-26 Proposed Budget Adjustments

Funding for the Executive Office decreased by $6,193 below the baseline for FY 2025-26, reflecting a reduction of the division's share of Covered California's allocated shared state expenditures.

Key Objectives for FY 2025-26

The Executive Office will focus on the following core areas in fiscal year 2025-26:

- Update the 2022 – 2025 Covered California Workforce and Succession Plan to a 2026 – 2029 plan that aligns with Covered California's next strategic plan with the goal of addressing current and future workforce challenges through planning and development opportunities.
- Develop a 2026-2029 DEI Roadmap that aligns with our strategic goals and builds upon our initial roadmap, utilizing insights from our ongoing initiatives to create a data-

[14] The Executive Office has five exempt positions. They include the Executive Director with a monthly salary in FY 2025-26 of $43,271, the Chief Deputy Executive Director, Operations with a monthly salary in FY 2024-25 of $29,292, the Chief Deputy Executive Director, Program with a monthly salary in FY 2025-26 of $38,150, the Chief Deputy Executive Director, General Counsel with a monthly salary in FY 2025-26 of $29,810, and the Administrative Services Division Director and Deputy Chief Operations Officer with a monthly salary in FY 2024-25 of $17,273. This information is reported in compliance with Government Code 100503, Section 2(A).

driven DEI strategy that significantly and measurably enhances our team members' sense of belonging and inclusion.

- Promote and measure employee engagement and DEI activities to foster a workplace culture where our employees feel inspired, connected, and appreciated.
- Execute implementation strategies for achieving OOCIE 2024-2025 milestones within the 2023-2026 Covered California strategic plan by monitoring, evaluating, and adjusting strategic initiatives within the plan to complete objectives and address new challenges and organizational concerns.
- Through collaborative workshops and regular progress reviews, engage leadership teams across the organization to develop, articulate, and begin implementation of the 2026-2029 strategic plan. Incorporate, with applicable training, Objectives and Key Results and Key Performance Indicators into determining and managing objectives and decisions across the organization, ensuring goals are specific, measurable, and achievable and provide a clear roadmap for success.

Equal Employment Opportunity Office

Budget Unit Description

The Equal Employment Opportunity Office plays a pivotal role in upholding civil rights compliance within Covered California, both for its workforce and its consumers. Tasked with the implementation, coordination, and vigilant monitoring of these efforts, the office is dedicated to ensuring adherence to both federal and state mandates concerning diversity, equity, and accessibility. Through strategic partnerships with various program areas, the office spearheads initiatives aimed at enhancing accessibility and nurturing a culture of diversity. It is responsible for reporting on appointments, proactively addressing concerns related to equal employment opportunities to the Executive Director and proposing informed recommendations for necessary actions. The proposed budget for FY 2025- 26 totals $1.1 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	6	6	6	0	0
Personnel Expenditures	$853,019	$916,410	$916,410	$0	$63,391
Other Operating Expenditures	$309,210	$118,910	$118,910	$0	($190,300)
Subtotal	**$1,162,229**	**$1,035,320**	**$1,035,320**	**$0**	**($126,909)**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$67,078	$48,277	$47,050	($1,227)	($18,801)
Total Operating Expenditures	**$1,229,307**	**$1,083,597**	**$1,082,370**	**($1,227)**	**($145,710)**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The Equal Employment Opportunity Office's baseline budget decreased by $145,710 from the approved budget for FY 2024-25.

Personnel expenditures increased by $63,391 due to the combined effect of scheduled salary increases and adjustments, and estimated salary savings which were reduced due to a decrease in the assumed vacancy rate from 7.4% to 5%.

Baseline Other Operating Expenditures decreased by $190,300, primarily due to a $150,000 decrease in funding for investigative services to align with historical average expenditures, and the expiration of a $40,000 Diversity, Equity, and Inclusion consulting contract.

Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Equal Employment Opportunity Office decreased by $18,801.

FY 2025-26 Proposed Budget Adjustments

Funding for Equal Employment Opportunity Office decreased by $1,227 below the baseline for FY 2025-26, reflecting a reduction of the division's share of Covered California's allocated shared state expenditures.

Key Objectives for FY 2025-26

For the fiscal year 2025-2026, the Equal Employment Opportunity (EEO) program at Covered California will focus on the following strategic goals:

1. **Enhance Internal Knowledge Continuity and Onboarding Efficiency**: Develop a comprehensive succession plan that encompasses the creation of detailed processes and procedures centralized within an accessible desk procedure manual. This initiative aims to facilitate the successful onboarding of new employees, streamline internal processes, and ensure consistency in practices among team members. By standardizing and documenting core procedures, we will preserve critical institutional knowledge, making it easier to transfer expertise and maintain operational excellence as personnel changes occur.
2. **Leverage Technology to Streamline EEO Complaint and Investigation Processes**: Implement a new case management system, specifically Salesforce, to automate and manage the workflow of EEO complaints and investigations more efficiently. This technology adoption will not only streamline the complaint handling process but also enhance the transparency, tracking, and reporting capabilities, leading to more timely and effective resolutions.

3. **Automate Civil Rights Complaints Management for Consumers**: Integrate an automated system for managing civil rights complaints from consumers, utilizing the capabilities of Salesforce. This system will enable Covered California to more effectively process, track, and resolve consumer complaints, ensuring that we uphold our commitment to civil rights and provide equitable service to all consumers.
4. **Innovate Reasonable Accommodation (RA) Request Processing**: Introduce a new process for submitting reasonable accommodation requests via the Service Now portal, akin to submitting an IT support ticket. This innovation aims to simplify the RA request process, making it more accessible to employees and enabling more efficient case management. By automating RA case submissions and tracking, we will improve the timeliness and effectiveness of our response.

External Affairs and Community Engagement

Budget Unit Description

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

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

The proposed budget for FY 2025- 26 totals $3.0 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Positions	4	14	14	0	10
Personnel Expenditures	$2,046,101	$2,329,097	$2,329,097	$0	$282,996
Other Operating Expenditures	$316,750	$501,750	$501,750	$0	$185,000
Subtotal	**$2,362,851**	**$2,830,847**	**$2,830,847**	**$0**	**$467,996**
Allocated Expenditures					
Prorata/Supp. Pension/Other	$116,574	$131,342	$127,992	($3,349)	$14,768
Total Operating Expenditures	**$2,479,425**	**$2,962,189**	**$2,958,839**	**($3,349)**	**$482,764**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

The External Affairs and Community Engagement division's baseline budget increased by $482,764 over the approved budget for FY 2024-25.

Personnel expenditures increased by $282,996 due to the combined effect of scheduled salary and benefit increases and adjustments, and a reduction in estimated salary savings due to a decrease in the assumed vacancy rate from 7.4% to 5%. These increases were partially offset by decreases in overtime and average salary level. The Baseline Other Operating Expenditures increased by $185,000. The increase is primarily due to the delay in initiating the Community Engagement and Partnership project, originally intended to start in FY 2024-25, which will increase spending in FY 2025- 26.

Shared state expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Equal Employment Opportunity Office increased by $14,768.

FY 2025-26 Proposed Budget Adjustments

Funding for the External Affairs and Community Engagement Division decreased by $3,349 below the baseline for FY 2025-26, reflecting a reduction in the division's share of Covered California's allocated shared state expenditures.

Key Objectives for FY 2025-26

The External Affairs and Community Engagement division will focus on the following core areas in the Fiscal Year 2025-26 budget:

- Growth, development, and implementation of the new community engagement program designed to deepen and enrich community-based relationships and partnerships. The program will deploy various strategies to meet its goals, hiring new staff, fostering relationships with community-based organizations and leaders; creating pathways for ongoing, meaningful dialogue to inform Covered California's activities and priorities; and generating community-level trusted messengers to help break down cultural, linguistic, and other barriers to coverage and care impacting Californians throughout the state.
- Enhance engagement and communication Covered California's work and policies impacting consumers and the marketplace. Improve internal and external information sharing, strengthen the network of external partners to inform existing and new audiences to broaden our reach to consumers, health leaders, and policymakers. Inform new, ongoing, and emergent legislative and policy issues impacting Covered California, consumers, the insurance market, and the health care landscape through timely, relevant data, information, and technical assistance.

Capital Investments

Budget Unit Description

The Capital Investments budget unit identifies expenditures that are classified as capital assets. Capital assets for purposes of this category are defined as those expenditures totaling $5,000 or more that have a useful life greater than one year. This includes tangible and intangible assets. For budgetary accounting, these expenditures are expensed in the year in which the expenditures are incurred. The procurement, design, construction, maintenance, and operation of capital assets, including intangible assets, are vital activities of Covered California. These investments are generally significant and are primarily related to leasehold improvements and major equipment purchases. The proposed budget for FY 2025-26 totals $6.8 million.

Budget Unit: Multi-Year View

	Fiscal Year 2024-25 Approved Budget	Fiscal Year 2025-26 Baseline Budget	Fiscal Year 2025-26 Proposed Budget	Difference Between FY 2025-26 Baseline and Proposed FY 2025-26 Budget	Difference Between FY 2024-25 Approved Budget and FY 2025-26 Baseline
Capital Investment	$4,825,000	$5,326,000	$6,826,000	$1,500,000	$501,000
Total Investment Expenditures	**$4,825,000**	**$5,326,000**	**$6,826,000**	**$1,500,000**	**$501,000**

Highlights for FY 2025-26 Proposed Budget and Key Changes

Adjustments to the Baseline

Capital Investment's baseline budget increased by $501,000. This change resulted from two main factors: the elimination of $800,000 in brokerage fees and a reduction of $500,000 in funding for IT support related to the relocation of Service Center personnel to the Expo facility. These reductions were offset by an increase of $1.8 million for tenant improvements at the Expo facility.

FY 2025-26 Proposed Budget Adjustments

Capital Expenditures will increase by $1,500,000 above the FY 2025-26 baseline budget. This increase results from the addition of funding for Covered California’s Enterprise-wide Information Technology equipment refresh plan. This investment represents a shift from a piecemeal approach to equipment replacement to using a centralized capital projects fund for new equipment. This change will create a more equitable employee experience, providing staff with more reliable and efficient tools. Implementing a life cycle plan for IT equipment will also provide better budget management and cost savings. The refresh plan includes detailed cost estimates and replacement schedules for various equipment categories, ensuring the budget is used efficiently.

III. FY 2024-25 Projected Year-End Financial Results Compared to Budget

Covered California's FY 2024-25 budgetary financial outcome is forecasted to exceed budget expectations. This favorable outcome is driven by higher operating and non-operating revenues relative to the budget forecast and favorable expenditure budget variances.

Budget to Actual Variances

- The budget assumes that Covered California would recognize an operating loss totaling $63.3 million; however, the forecasted operating loss is projected to total $25.2 million, representing a $38.1 million favorable budget variance.

- It was forecasted that California's fund balance would decrease by $44.9 million during FY 2024-25. Based on actual revenue and expenditure forecasts, the projected change in fund balance will decline by $2.5 million, resulting in a $42.4 million favorable budget variance.

- Operating revenues are forecasted to total $435.1 million, which is $24 million greater than the budgeted $411.1 million.

- Individual market participation fee revenue is forecasted to total $400 million, $22.2 million greater than the budgeted $377.7 million. The favorable budget variance is the result of greater-than-expected individual medical plan enrollment, which exceeded the budget forecast by 1,405,612 member months, or an average of 117,134 per month.

- CCSB participation fee revenue is forecasted to total $35.1 million, $1.7 million greater than the budget forecast. This favorable variance resulted from slightly greater enrollment and higher premium growth than was forecasted in the budget.

- Personnel expenditures are projected to recognize a favorable variance. Forecasted personnel expenditures are $181.4 million, $8.2 million less than the budget total of $189.6 million. The favorable budget variance occurred due to a higher-than-expected vacancy rate in the first six months of the fiscal year, resulting in greater salary savings than anticipated in the budget.

- Other operating expenditures are projected to total $278.8 million, or $5.9 million less than the budgeted $284.8 million. The favorable other operating expenditure budget variance results from expected spending deviating from actual spending. In some cases, this results from estimation error, and in others, the planned work efforts were delayed and are moved into the next budget period.

Table 8: FY 2024-25 Summary Statement of Revenues, Expenditures, and Fund Balance

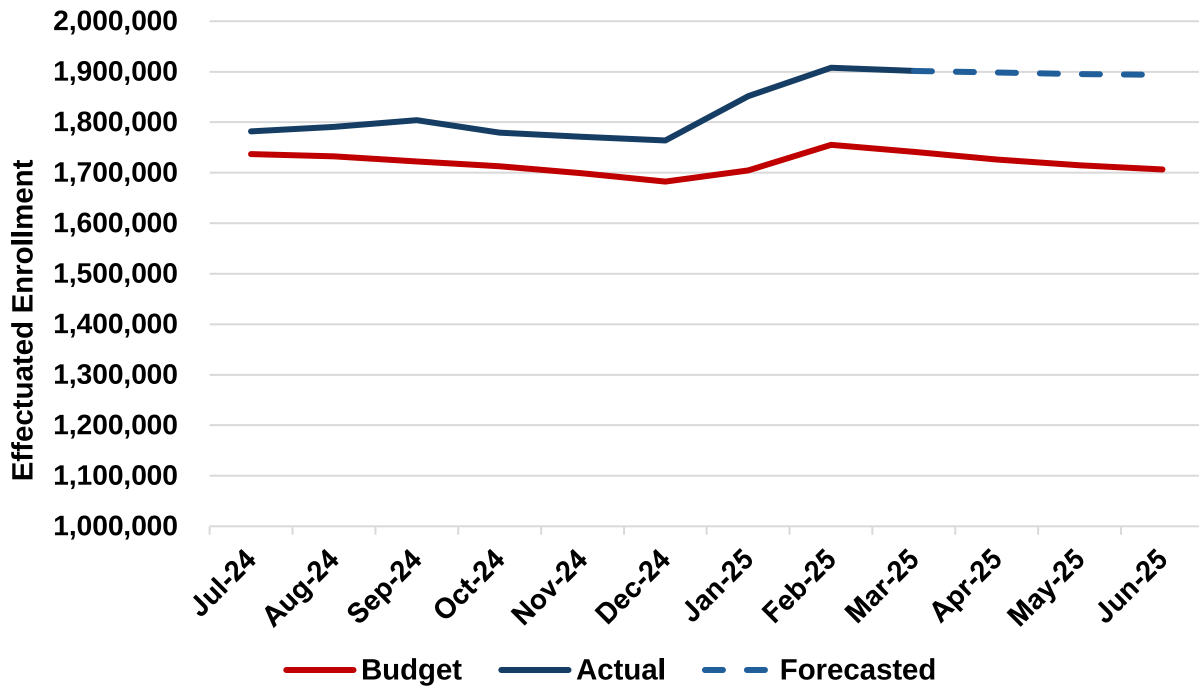
	FY 2024-25 Budget	FY 2024-25 Projected Actual	FY Variance Budget To Forecast
Total Individual Market Member Months	**20,635,059**	**22,040,671**	**1,405,612**
Authorized/Average Filled	**1,494**	**1,494**	**-**
Revenues			
Individual Market	$ 377,711,428	$ 399,941,729	$ 22,230,301
CCSB	$ 33,377,567	$ 35,110,881	$ 1,733,314
Total Operating Revenues	**$ 411,088,995**	**$ 435,052,610**	**$ 23,963,615**
Operating Expenditures			
Personnel Services	$ 189,644,435	$ 181,420,994	$ 8,223,441
Contracts, OOE, Prorata, & Capital Investments	$ 284,759,290	$ 278,851,324	$ 5,907,966
Total Operating and Capital Expenditures	**$ 474,403,725**	**$ 460,272,318**	**$ 14,131,407**
Net Income / (Loss)	**$ (63,314,730)**	**$ (25,219,708)**	**$ 38,095,022**
Non-Operating Revenue	$ 18,416,624	$ 22,714,922	$ 4,298,298
Increase / (Decrease) in Fund Balance	**$ (44,898,106)**	**$ (2,504,786)**	**$ 42,393,320**

Individual Medical Budget to Actual Variance

Covered California's participation fee revenue is driven by three variables: (1) the level of enrollment, (2) the gross premium amount, and (3) the percentage of gross premium participation fee. Of these three variables, the enrollment level has varied the most substantially from budget expectations in FY 2024-25. Higher-than-expected enrollment accounts for all of the favorable revenue variance. Actual average gross premiums are expected to be $662.66, $1.80 less than the $664.46 anticipated in the budget forecast. While the price variance exerted a slightly unfavorable effect on revenue, it was greatly outweighed by the much more favorable impact of higher-than-expected enrollment.

Figure 2 compares the FY 2024-25 budget's forecasted individual medical plan enrollment with the actual and more recently forecasted enrollment. Actual enrollment is expected to total 22,040,671 member months, which is 1,405,612 greater than the budget forecast of 20,635,059. This equates to an average favorable variance of 117,134 individuals monthly. Actual enrollment exceeded the budget forecast at the beginning of the fiscal year and throughout, with the gap widening further following the 2025 open enrollment.

Figure 2: Individual Medical Plan Enrollment for Fiscal Year 2024-25; Budget Forecast Compared to Actual and Forecasted



Three developments drove the higher-than-expected individual market enrollment. The first was the greater-than-expected number of people who continued to lose Medi-Cal eligibility and obtain replacement coverage from Covered California following the official end of the unwind period in June 2024. The backlog of cases awaiting Medi-Cal eligibility redetermination was greater due to procedural issues and federal waivers allowing individuals to defer their eligibility reviews. On average, those in the backlog were more likely to be found ineligible for Medi-Cal based on income. These terminations spilled into FY 2024-25, boosting the number of Medi-Cal-to-Covered California transitions for the fiscal year above earlier forecasts.

Second, the number of new sign-ups from individuals not covered by Medi-Cal was also higher than anticipated. Reports from Navigators and others involved in the enrollment process indicate that the combination of enhanced federal premium tax credits and state-funded cost-sharing reduction assistance significantly improved affordability. This, in turn, provided strong financial incentives for previously uninsured individuals and those with off-exchange coverage to enroll in Covered California.

Finally, a cooling labor market also contributed to higher-than-expected enrollment. California's unemployment rate gradually rose from a post pandemic low of 3.8% in August 2022 to 5.3% in March 2025. Job losses were concentrated in the private sector and were offset by the addition of jobs in the government sector (**Figure 4**). A significant portion of the private sector job losses have occurred in higher-wage occupations, such as IT. Many of these households had dual wage-earners with overall household incomes above 138% of the Federal Poverty Level, the income threshold for Medi-Cal eligibility (**Figure 3**). Many of these newly unemployed people would have been able to find the most affordable health insurance coverage from Covered California.

Economic conditions are marked by heightened business uncertainty in the final months of FY 2024-25. Sharp tariff increases and a lack of clarity regarding possible tariff reductions may disrupt business supply chains and impact purchasing, hiring, and investment decisions. Consequently, labor market conditions are anticipated to remain stagnant until the end of the fiscal year (Chapter IV provides greater detail).

Figure 3: Average Personal Income by Occupational Wage Category

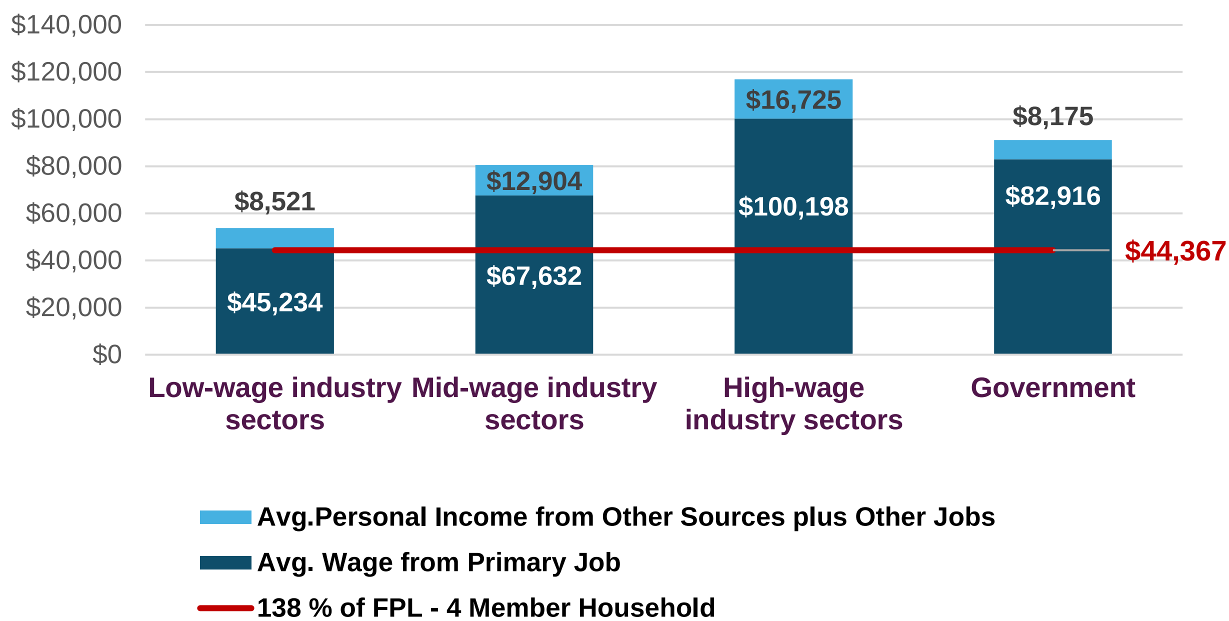
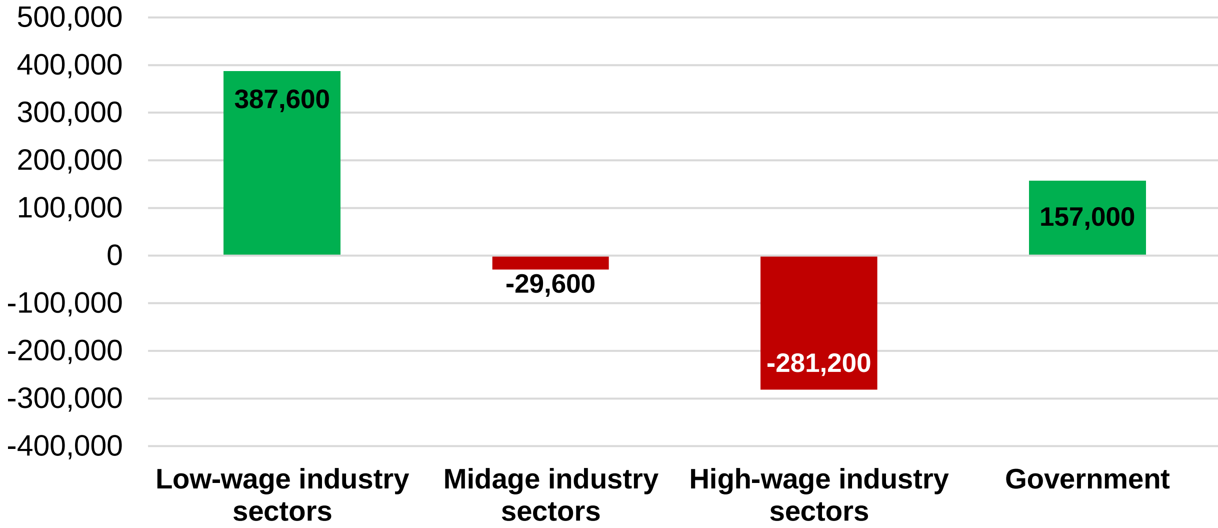


Figure 4: Net Job Change by Occupational Wage Category; August 2022 - February 2025. Source California EDD



IV. FY 2025-26 Enrollment Forecast

Introduction

The enrollment forecast is an integral part of Covered California's annual budget process. Chapter IV provides Covered California's enrollment forecast for the budget year and five fiscal years beyond. It describes the forecasting strategy and discusses major assumptions incorporated into the forecasts. In this chapter, Covered California presents three alternate enrollment forecasts based on varying assumptions. Covered California has prepared a high, base, and low forecast consistent with prior-year budgets.

Individual Medical Enrollment Forecast Strategy

Step 1: Employ a Statistical Time-Series Model to Generate Baseline Forecast

Covered California applies a time-series modeling approach to forecast individual market enrollment to create an initial forecast before factoring in policy changes. This technique identifies long-term enrollment trends, seasonal variations, and past fluctuations influenced by policy, economic, and labor market factors. The primary goal of time-series forecasting is to estimate future enrollment using historical data. Covered California employs the Auto Regressive Integrated Moving Average (ARIMA) model, a data-driven, non-structural method that assumes historical enrollment trends will continue.

Extensive data analysis and preparation help identify the most appropriate time-series model specifications for forecasting future enrollment. Using the monthly enrollment projections from the time-series model, Covered California estimates monthly effectuations, terminations, and plan selections based on historical seasonal trends. The complete time-series forecast includes projected enrollment numbers and patterns of enrollment and disenrollment.

Step 2: Adjust Baseline Forecast for Future Changes Not Captured in Historical Trends

As stated, the time-series model uses historical enrollment trends to predict future enrollment. However, if Covered California anticipates upcoming policies or events that will affect enrollment but are not reflected in the historical data, adjustments to the baseline forecast are required. These adjustments can either increase or decrease the baseline forecast as necessary.

Similar to previous fiscal years, the FY 2025-26 enrollment forecast includes uncertainties regarding the future of enhanced federal PTCs, which are scheduled to expire on December 31, 2025. Enhanced federal PTCs have been critical in driving Covered California's enrollment to an all-time high, exceeding 1.9 million. However, significant enrollment losses are expected to occur if Congress does not extend these subsidies, and the current law remains in effect. This requires a baseline adjustment. In this case, Covered California must predict how many individuals may leave and when those exits will occur. This enrollment change is not picked up in the ARIMA forecast as it is not reflected in past data; therefore, an adjustment must be made to the forecast.

Budgeting for Enrollment Attrition Due to Expiration of Enhanced Federal PTCs

As detailed below, the Financial Management Division (FMD) has analyzed administrative and survey data to identify the groups of enrollees who were motivated to join Covered California by the enhanced federal PTCs. FMD then estimated the potential loss of enrollment if the enhanced PTCs expired on December 31, 2025. Using a comprehensive methodology, FMD developed a "base" forecast, which assumes that a certain number of enrollees will exit Covered California based on their health coverage status before the availability of enhanced federal PTCs as well as demographic factors such as age, gender, and income. Additionally, Covered California created a low forecast scenario, which predicts more exits than the "base" scenario, assuming that consumers will be more sensitive to price changes.

In summary, FMD's enrollment projections include three scenarios: high, base, and low. The "high" forecast assumes that enhanced federal PTCs will be extended beyond December 31, 2025, while the "base" and "low" forecasts assume that these subsidies will expire on that date. The following sections outline the methodology used to determine how many enrollees will likely leave Covered California under both the base and low scenarios.

Logic Model Framework for Estimating Enrollment Losses Due to the Expiration of Enhanced Federal PTCs

The logic model developed to estimate enrollment loss due to the expiration of the American Rescue Plan Act's (ARPA) enhanced federal PTCs offers a structured, evidence-based framework for understanding the scale and timing of potential coverage losses in Covered California's individual medical enrollment. This model methodically tracks how enhanced ARPA PTCs contributed to increased enrollment and, more importantly, predicts how enrollees will respond if these subsidies are withdrawn. The analysis begins with a baseline estimation, step 1, of how many enrollees were enrolled in health coverage specifically due to the availability of the enhanced federal PTCs. Then, it progresses through behavioral segmentation, retention patterns, and phased disenrollments to produce a multi-year enrollment forecast.

The foundation of this model lies in identifying the magnitude of enrollment that can be attributed to ARPA's enhanced affordability. This was achieved using microsimulation techniques based on the Current Population Survey (CPS) estimates. FMD simulated two distinct enrollment environments: one with ARPA subsidies and one with only the state's 2020 subsidy structure. The difference between the average monthly enrollment of these two simulations revealed that a substantial number of enrollees, estimated at

366,000, were induced to enroll with Covered California exclusively due to ARPA's premium-reducing benefits. This number establishes the core group whose enrollment status is most at risk if ARPA subsidies are not extended beyond their current timeline.

Building on this baseline, step 2, this ARPA-induced population was segmented into two categories: those with access to alternative sources of coverage, and those without access to alternative sources of health insurance. We derived these estimates by extrapolating the likely previous sources of health care coverage among individuals enrolled due to ARPA, using survey data collected internally by Covered California. In this survey, new consumers are asked each year to report on their sources of health coverage before enrolling in the marketplace. The sample population of this survey was adjusted to resemble the population induced to enroll in the marketplace by ARPA's enhanced PTCs. Using this inferential method, the model estimates that 209,000 of 366,000 enrollees lack fallback options, such as employer-sponsored insurance or eligibility for public programs like Medi-Cal. The remaining 157,000 enrollees are believed to have viable healthcare alternatives.

This segmentation is a key step in understanding potential behaviors post-ARPA. Some enrollees may be forced to exit the marketplace without an alternative health coverage plan. In contrast, others could transition to alternative forms of coverage or their coverage option before enrolling in the exchange. Step 3 delves into the behavioral effects associated with these two segments using historical data and known price sensitivity dynamics to predict how each group would respond if subsidies expired. Among the 157,000 enrollees with health care alternatives, it is expected that 41,000 will switch to other sources of coverage. ***This is termed the substitution effect.*** Meanwhile, of the 209,000 enrollees without health care alternatives, 116,000 are projected to disenroll as they will no longer be able or willing to pay higher net premium contributions once ARPA-enhanced PTCs expire. ***This is termed the price elasticity effect***. Together, these two behavioral responses account for a loss of 157,000 enrollees from the ARPA-induced enrollment.

However, behavioral responses are not the only driver of coverage loss. Step 4 of the model adds a retention-focused lens, recognizing that even without immediate action, some enrollees will naturally drop out of the system over time. Using decay curve analysis based on historic retention trends, especially for subsidy-sensitive populations, an additional 9,000 enrollees are expected to leave coverage gradually due to accelerated attrition on common issues such as administrative friction, missed payments, or changes in life circumstances. This brings the cumulative projected enrollment loss to approximately 166,000 enrollees, or roughly 45% the original ARPA-induced group.

Finally, the model does not treat these losses as a single event but distributes them across a realistic timeline in Step 5. It anticipates that disenrollment will occur in two phases: 70% the loss (approximately 118,000 enrollees) in January 2026, coinciding with the start of the new plan year and premium hikes, and the remaining 30% (about 48,000 enrollees) will occur gradually throughout the rest of 2026, reflecting a delayed but steady attrition in coverage. This phased approach provides policymakers with a time-sensitive roadmap for when outreach, assistance, or mitigation measures will be most critical.

*The **price elasticity of demand** refers to how much the quantity consumed of a good or service changes as their prices changes. In this case, price elasticity measures the change of effectuated enrollment as net premium contributions for individual enrollees changes due to ARPA subsidies expiration. This model measures unique price elasticity ratios per age, income, and gender subgroups of the enrolled population induced by ARPA enhanced subsidies.*

*The **substitution effect** refers to changes in consumer decisions when they face changes in prices of goods and services. Consumers adjust their purchasing decision by substituting one good or service by another as a response to price changes, assuming consumer's income holds constant. In this model, the substation effect relates to the number of consumers deciding to return to their prior health coverage option as ARPA subsidies expire, and alternative options become more affordable.*

In total, the logic model forecasts that approximately 166,000 ARPA-induced enrollees could lose marketplace coverage if the subsidies expire. Of these, 41,000 are likely to shift to other insurance, while 116,000 may become uninsured, and 9,000 will likely exit over time due to accelerated attrition. By integrating economic behavior, access to alternatives, historical retention data, and time-based phasing, this model offers a decision-support tool for Covered California and policymakers. It helps quantify the risk, target the most vulnerable groups, plan interventions effectively, and clearly communicate the broader implications of ending a temporary but impactful federal subsidy program.

Low Forecast: Assumes Greater Losses Due to Price Sensitivity

The "low" scenario followed the same steps as the "base" scenario but differed in the assumptions about enrollees' price sensitivity, resulting in a higher total enrollment loss of 269,000 enrollees out of the total 366,000 enrollees induced by ARPA subsidies.

The low scenario assumes that all 209,000 enrollees without alternative health coverage will disenroll, as they are unable or unwilling to pay higher net premiums following the expiration of ARPA subsidies.

It also assumes that 107,000 of the 157,000 ARPA-induced enrollees with alternative coverage options will remain in the marketplace, unable to find more affordable alternatives. As a result, the forecast projects a net loss of 50,000 enrollees from this group.

The expiration of ARPA subsidies is also expected to have a larger impact on ongoing enrollment attrition, with an additional 9,500 enrollees expected to leave gradually as the ARPA subsidies expiration accelerates enrollment loss.

The scenario further anticipates that 96% of the total 269,000 projected disenrollments (about 259,000 people) will occur by January 2026, shortly after the December 2025 subsidy expiration. The remaining 4% (9,500 enrollees) are expected to exit gradually over the rest of 2026.

In total, the low scenario projects that approximately 269,000 ARPA-induced enrollees will lose marketplace coverage. Of these, 50,000 may shift to more affordable alternatives, 209,000 are likely to become uninsured, and 9,500 will leave due to an accelerated enrollment attrition. California's marketplace is expected to retain about 97,500 of the original 366,000 ARPA-induced enrollees, whose alternative coverage options remain less affordable even without enhanced federal PTCs.

FMD used a two-step approach to develop the “base” and “low” enrollment forecasts. First, a baseline scenario was constructed assuming that enhanced federal PTCs provided by ARPA and the California Senate Bill 260 (SB 260) would remain in place. This baseline was built by calibrating a time-series model to accurately capture shifts in Medi-Cal inflows and labor market conditions. Next, adjustments were applied to this baseline to account for the projected decline in enrollment beginning in 2026, when the federal subsidies are expected to expire. The base forecast reflects a moderate reduction, while the low forecast represents a more pronounced drop.

The ARPA-based baseline anticipates that ARPA and SB 260 will continue to sustain elevated Medi-Cal enrollment levels compared to the pre-pandemic period, even as redetermination activities resume without significant backlogs. It also assumes that the expiration of temporary federal waivers will not lead to additional enrollment gains. Rather, the end of these waivers is expected to cause more enrollees to lose coverage due to non-responsiveness to eligibility redetermination requests, thereby limiting successful auto-enrollment through CalHEERS.

In addition, this baseline also incorporates current economic constraints that limit the offer of affordable employer-sponsored insurance options. Consequently, a greater number of individuals are expected to rely on subsidized marketplace coverage, a trend in enrollment we have observed during the current fiscal year.

Lastly, beginning in 2026, the baseline is revised to reflect the loss of enhanced federal PTCs. As detailed in earlier sections, microsimulation models and behavior-based analysis were used to estimate the impact on enrollment. These analyses project that new enrollment inflows will decrease by 18.9% under the base forecast and 31.1% under the low forecast.

High Forecast: Continuation of Enhanced Federal PTCs Beyond 2025

The high forecast scenario for FY 2025–26 represents an optimistic projection, grounded in the continuation of supportive federal policies regarding premium subsidies but a possible expiration of federal CMS waivers for Medi-Cal eligibility redeterminations.

A key element of this projection is the assumption that premium subsidies provided under ARPA will be extended beyond their scheduled end date of December 31, 2025. These subsidies lower consumer premium costs, making marketplace coverage more accessible. Their continuation is expected to minimize coverage losses and enhance member retention in Covered California.

The scenario also accounts for the possible expiration of federal CMS waivers, which have reduced procedural Medi-Cal terminations by simplifying renewal requirements. If these waivers lapse in FY 2025–26, an uptick in Medi-Cal disenrollments is likely, increasing transitions to Covered California, especially through the automatic enrollment provisions of SB 260.

Like the base and low forecasts, the high forecast assumes that the labor market will not be strong, and some individuals will seek insurance through Covered California. However, unlike those scenarios, the high forecast also assumes the continuation of enhanced federal PTCs, which are expected to increase enrollment opportunities due to the enhanced affordability support.

In summary, the high forecast anticipates strong FY 2025–26 enrollment, driven by the likely continuation of federal subsidies, the scheduled end of Medi-Cal administrative flexibilities, and ongoing labor market challenges. These factors, especially when combined with federal subsidies, are expected to significantly support demand for affordable coverage through Covered California

Medi-Cal Inflows Assumption During FY 2025–26 and Beyond

On December 29, 2022, President Biden enacted the Consolidated Appropriations Act of 2023, officially ending the COVID-19 Public Health Emergency (PHE) provisions that mandated continuous Medicaid coverage. With this policy change, states resumed normal eligibility reviews and disenrollments starting April 1, 2023. To manage the backlog created by the continuous coverage requirement, counties implemented a 12-month unwinding process throughout FY 2023–24.

During the unwinding phase, Medi-Cal enrollment dropped from 16.1 million to 14.9 million, a net decrease of about 1.1 million. However, 1.6 million pending eligibility reviews remained at the start of FY 2024–25, adding to the regular annual redetermination workload.

As FY 2024–25 draws to a close, the number of pending Medi-Cal redeterminations has fallen to 527,000, returning to levels seen before the pandemic. This indicates that counties have largely resolved the redetermination backlog. Nonetheless, total Medi-Cal enrollment has declined slightly, by fewer than 500,000 enrollees, through the end of the fiscal year.

As backlogs clear and routine redeterminations and disenrollments continue, the number of former Medi-Cal members moving to Covered California is projected to level off. Still, ARPA-enhanced PTCs and SB-260's automatic enrollment feature have contributed to a greater share of disenrolled Medi-Cal beneficiaries enrolling in Covered California plans.

Before the pandemic, roughly 3,000 Medi-Cal beneficiaries who lost eligibility transitioned to Covered California per month. This figure increased to 13,000 per month in FY 2023–24 and rose again to 15,000 per month in FY 2024–25 as counties processed backlogged and routine redeterminations.

With the backlog nearly cleared, monthly transitions from Medi-Cal to Covered California are expected to stabilize at about 12,000, still significantly above pre-pandemic levels due to the continuing impact of federal subsidies and auto-enrollment policies.

In June 2023, Medi-Cal requested federal waivers from CMS to reduce procedural terminations. These waivers streamlined the renewal process by eliminating the need to reapply for other benefits and allowing automatic renewals for individuals with stable incomes. As a result, fewer disenrollments due to income verification have helped keep Medi-Cal enrollment near 15 million—significantly higher than the 12.5 million enrolled before the COVID-19 recession.

However, if these waivers expire in FY 2025–26, procedural terminations may rise sharply, potentially pushing monthly Covered California enrollments from Medi-Cal terminations above the 12,000 baseline. This possibility is factored into the high forecast scenario.

Macroeconomic and Labor Market Conditions Influencing Enrollment Outlook

Economic and demographic trends influence Covered California's enrollment inflows and outflows. The eligible pool for Covered California enrollment moves in tandem with the size and demographic composition of the California population to some extent. For instance, a growing and younger population, on average, will yield a higher pool of eligibles than an ageing and shrinking population over time.

Similarly, the macroeconomic situation also influences the potential decline or growth in Covered California's enrollment. For example, employment losses could trigger higher enrollment inflows if workers and family dependents lose their employer-sponsored insurance. Inversely, employment losses could also trigger enrollment outflows as incomes fall and people become eligible for Medi-Cal.

A strong labor market could also affect enrollment inflows and outflows. For instance, employment expansion with a tight labor market could lead to more employers providing their workers with higher wages and supplemental benefits. Higher enrollment outflows might occur due to offers of affordable employer-sponsored insurance to workers and dependents currently enrolled with Covered California. Higher enrollment inflows might occur in situations where workers increase their income and lose Medi-Cal eligibility but do not have access to employer-sponsored insurance.

Since August 2022, California has experienced a consistent rise in civilian unemployment, marking the first such trend since Covered California's inception, despite overall economic growth. By February 2025, the number of unemployed individuals in the state had reached 1,061,000, accounting for 5.4% of the civilian labor force. This represents an increase of 335,300 unemployed individuals compared to August 2022, when unemployment was at its lowest following the COVID-19 recession.[15] This consistent increase in unemployment began about six months after the Federal Reserve initiated interest rate hikes in March 2022 as part of its efforts to curb rising inflation in the U.S. economy.[16]

We examined how trends in civilian unemployment affect new enrollment inflows to Covered California. The analysis found a statistically significant positive correlation between the unemployment rate and enrollment levels, a pattern that was held true during both economic growth and downturns in California. Notably, this relationship became even stronger following the implementation of enhanced federal PTCs through Covered California.[17]

The rise in civilian unemployment is also associated with a steady decline in high-wage industry sectors in California, which have shrunk by 281,000 jobs since August 2022.[18] This decline represents over 80% of the increase in civilian unemployment during this period. Although smaller in scale, mid-wage sectors[19] have also seen job losses,

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[15] See Labor Market Information, Industry Employment-Official Estimates, Seasonally Adjusted, Statewide, https://labormarketinfo.edd.ca.gov/data/employment-by-industry.html

[16] https://www.thestreet.com/fed/fed-rate-hikes-2022-2023-timeline-discussion#:~:text=In%20March%202022%2C%20the%20Fed%20made%20its,rate%20has%20not%20been%20cut%20since%20then.

[17] FMD conducted an analysis examining the correlation between civilian unemployment rates and new (non-Medi-Cal) health insurance effectuations across ZIP codes in California. The findings indicate that, on average, a one-percentage-point increase in civilian unemployment is associated with a 4.7% increase in new effectuations. The introduction of ARPA subsidies further amplified this relationship, contributing an additional 1.5% increase. As a result, with ARPA incentives included, each percentage-point rise in civilian unemployment corresponds to a total increase of 6.2% in new effectuations. The analysis controlled fixed determinants of enrollment, such as navigator-assisted enrollment and regional market size, and also considered the impact of eligibility for Cost-Sharing Reduction (CSR) programs, expressed as a percentage of new (non-Medi-Cal) enrollment.

[18] California's high-wage sectors include mining, manufacturing, information, financial activities, professional, scientific, and technical services, and the management of companies and enterprises. These sectors have consistently reported average wages equal to or greater than the 75th percentile of all industry sectors. This analysis was prepared using data from the Labor Market Information, Industry Employment – Official Estimates, Seasonally Adjusted, Statewide (available at Labor Market Info) and wage data from the California Department of Finance, Economic Forecasts, U.S. and California.

[19] Mid-wage industry sectors include construction, wholesale trade, utilities, and transportation and warehousing. These sectors report average real wages ranging between the median and the 75th percentile of all industry sectors. *Ibid.*

totaling 30,000 jobs. In contrast, low wage[20] and government sectors have experienced overall job growth.

FMD's analysis indicates that the ongoing labor market trends from August 2022 will continue driving new enrollment inflows to Covered California. Unlike previous economic expansions, the current cycle is marked by slow overall payroll employment growth, coupled with net job losses in high-wage sectors. These shifting dynamics have likely constrained the ability of high-wage workers to negotiate higher wages and supplemental benefits, such as affordable employer-sponsored health coverage.[21] Moreover, high-wage workers who experience job losses are more likely to become eligible and seek coverage through Covered California, rather than Medi-Cal, as they typically have multiple sources of income, such as rental income, interest, dividends, and freelance work compared to lower-wage workers.[22]

Under the FY 2025-26 Governor's Budget, the California Department of Finance (DOF)[23] projects a gradual decline in civilian unemployment, with an average reduction of 23,000 unemployed workers annually from 2025 to 2028. DOF also anticipates growth in total employment across industry sectors, with high-wage sectors expanding by an average of 31,000 jobs per year. By 2028, high-wage employment is expected to reach 4.5 million, matching the levels registered during 2022. However, the forecast indicates that civilian unemployment will remain at 109,000 workers higher than the 819,000 unemployed individuals recorded in 2022. This suggests that the unemployment rate will be 4.7% by 2028, higher than the 4.3% recorded in 2022 and the 4.1% registered in 2019.

Figure 5 illustrates historical and projected trends in California's total unemployment and employment by wage category. Between 2013 and 2024, most sectors experienced steady job growth, except high-wage industries, which declined in 2023 and 2024. DOF anticipates continued overall employment growth, though high-wage job levels are expected to remain stagnant until 2026. Unemployment is projected to stabilize in 2025 and gradually decline the following year.

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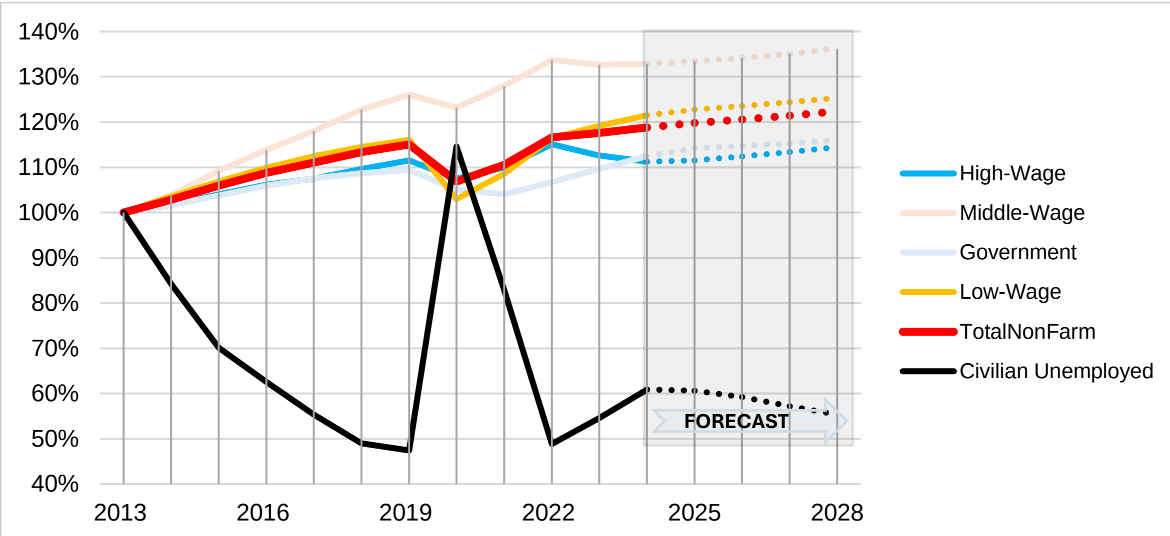
[20] Low-wage industry sectors include retail trade, administrative support, waste management and remediation, private education and health services, leisure and hospitality, and other services. These sectors report average real wages below the median real average wage of all industry sectors. *Ibid.*

[21] High unemployment reduces workers' ability to negotiate better benefits, such as health care, as employers gain more leverage in a labor market with fewer available opportunities (Bargaining Health Benefits in the Workplace: An Inside View - PMC).

[22] The 2024 CPS ASEC survey reports that higher-wage industries earn more from alternative income sources such as interest, rental income, dividends, and secondary jobs than lower-wage industries. In 2023, high-wage industries generated an average annual income of $17,000 in addition to wages from primary jobs. This amount is double the annual income generated from alternative sources by low-wage workers and 30% higher than that of workers in mid-wage sectors. As a result, when combined with unemployment insurance benefits, the average unemployed worker from high-wage sectors will keep a total income reaching approximately 275% of the Federal Poverty Level (FPL), significantly exceeding Medi-Cal eligibility requirements.

[23] FY 2025-26 Governor's Budget's Economic Forecasts, U.S. and California, California Department of Finance, https://dof.ca.gov/forecasting/economics/

Figure 5: California's Total Civilian Unemployment and Nonfarm Employment by Wage Category Since Covered California's Establishment, Indexed, 2023=100%



Source: FY 2025-26 Governor Budget's Economic Forecast, California, California Department of Finance, https://dof.ca.gov/forecasting/economics/

To summarize, the combination of rising unemployment, particularly in high-wage sectors, and a softening economic outlook in 2025 has created an environment for increased enrollment in Covered California, primarily among those transitioning from employer-sponsored plans or losing jobs. While economic forecasts suggest a long-term recovery trajectory, the near-term environment remains fragile, supporting strong enrollment retention and inflows into the marketplace. This phenomenon marks the first time in Covered California's history where job losses have coincided with economic expansion, pointing to structural shifts in the labor market and a changing landscape for health insurance coverage in California.

Drawing on macroeconomic and labor market projections from DOF and other reputable sources like the Federal Reserve, FMD anticipates 76,000 additional new effectuations in 2025. However, in the following years, new effectuations are expected to decline by an average of 13,000 per year, driven by a falling civilian unemployment rate and growth in high-wage employment.

Individual Medical Enrollment Forecast

Covered California developed three enrollment forecasts: high, base, and low. The assumptions incorporated into each forecast are summarized in **Table 9**.

The base and low forecasts assume that the ARPA's enhanced federal subsidies expire on December 31, 2025, consistent with current law, and that the California Legislature approves funding for a health care affordability program beginning on January 1, 2026. The high scenario assumes that the ARPA's enhanced subsidies continue throughout the multi-year forecast period.

Table 9
Summary of Enrollment Assumptions Under Three Possible Forecasts

Category	High Forecast	Base Forecast	Low Forecast
American Rescue Plan Act Enhanced Subsidies	Extended beyond December 2025	Not extended beyond December 2025 Reduced subsidies beginning January 2026	Not extended beyond December 2025 Reduced subsidies beginning January 2026
State Affordability Program	Cost-sharing reduction assistance	Premium Assistance	Premium Assistance
ARPA Enrollment Loss from Existing Enrollment	No loss of enrollment	A total enrollment loss of 166,000	A total enrollment loss of 269,000
Timing of ARPA Losses from Existing Enrollment	N/A	70%n December 2025 30% in 2026	96% in December 2025 4%in 2026
Labor Market Impacts	In the plan year 2025, an additional 76,000 new effectuations are expected above the baseline, assuming continued ARPA subsidies.	In the plan year 2025, an additional 76,000 new effectuations are expected above the baseline, assuming continued ARPA subsidies.	In the plan year 2025, an additional 76,000 new effectuations are expected above the baseline, assuming continued ARPA subsidies.
Ongoing Medi-Cal New Effectuations	Assumes 14,000 average monthly new effectuations during plan years 2025-26 and 12,000 average monthly new effectuations starting 2027, all on the continuing ARPA subsidies baseline	Assumes 11,600 average monthly new effectuations, starting in plan year 2025, on the continuing ARPA subsidies baseline	Assumes 11,600 average monthly new effectuations, starting in plan year 2025, on the continuing ARPA subsidies baseline
ARPA Impacts on Ongoing New Effectuations	N/A	Assumes 18.9%t less monthly new effectuations than those projected on the continuing ARPA subsidies baseline starting in plan year 2026	Assumes 31.1% less monthly new effectuations than those projected on the continuing ARPA subsidies baseline starting in plan year 2026
Termination Rates of 2025	For 2018- 2023, assumes a historical monthly termination rate of 3.0% from January to November	Assumes 2024 monthly termination rate at 3.4% rom January to November	Assumes 2024 monthly termination rate at 3.4% from January to November
Termination Rates of 2026	Assumes 2018-2023 historical termination rates	Assumes 2018-2023 historical termination rates	Assumes 2018-2023 historical termination rates

Multi-Year Medical Enrollment Forecast: FY 2024-25 through FY 2030-31

Figure 2 presents the actual and projected monthly enrollment trend under the high, base, and low forecasts. While the high forecast assumes that Congress will extend the enhanced federal subsidies, the base and low forecasts assume that they will expire in accordance with the current law. The high, base, and low forecasts also represent Medi-Cal and macroeconomic and labor market assumptions outlined in **Table 9**.

Figure 6

Enrollment Trend Through Forecast Period Under High, Base, and Low Forecasts

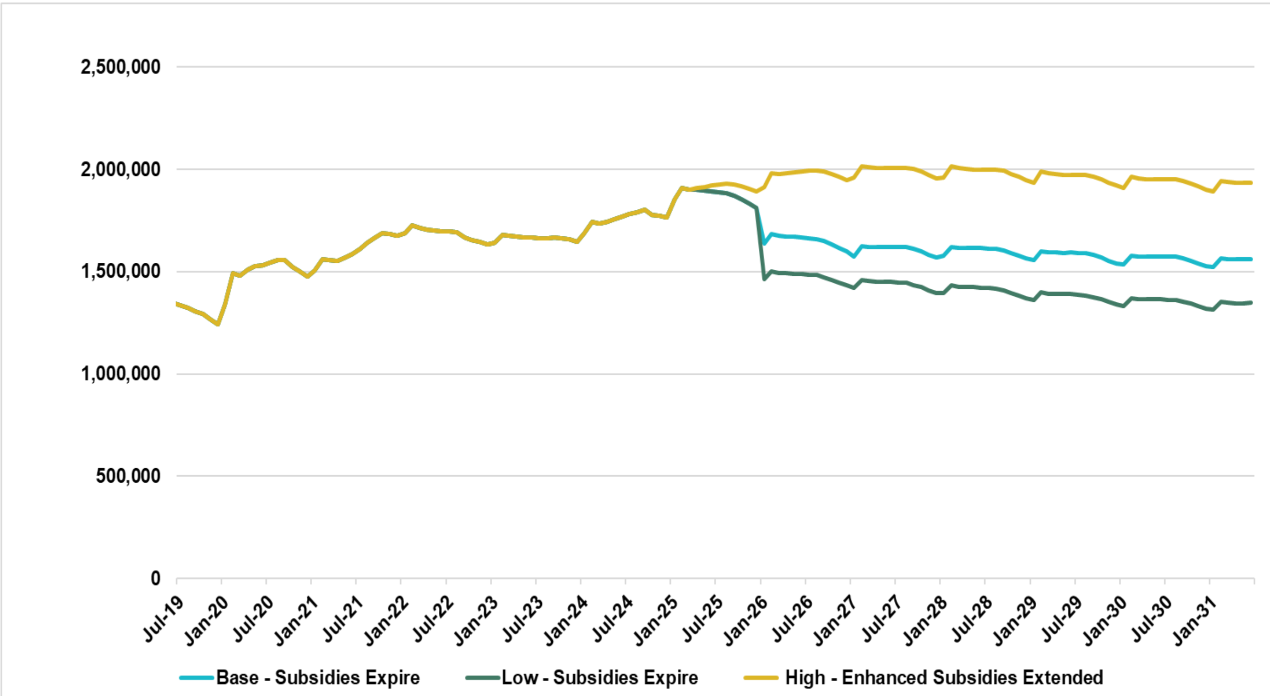


Table 10 outlines the enrollment projections under three scenarios—high, base, and low—summarized as follows:

High Scenario: Average monthly enrollment in individual medical plans is projected at 1,944,248 in FY 2025–26, rising to 1,989,274 in FY 2026–27, and reaching 1,993,053 in FY 2027–28. Enrollment then slightly declines to 1,975,462 in FY 2028–29, 1,949,736 in FY 2029–30, and 1,931,050 in FY 2030–3

Base Scenario: Enrollment is expected to average 1,762,640 in FY 2025–26, then decline to 1,624,583 in FY 2026–27 and 1,605,279 in FY 2027–28. The downward trend continues with 1,590,786 in FY 2028–29, 1,569,774 in FY 2029–30, and 1,554,525 in FY 2030–31.

Low Scenario: Projected average monthly enrollment begins at 1,672,419 in FY 2025–26, dropping to 1,455,529 in FY 2026–27, and 1,423,679 in FY 2027–28. Further decreases are projected with 1,393,392 in FY 2028–29, 1,363,875 in FY 2029–30, and 1,343,380 in FY 2030–31.

Table 10
Individual Medical Plan Enrollment Forecasts
Effectuated Enrollment (Average Monthly Enrollment)

Fiscal Year	High	Base	Low
FY 2025-26	1,944,248	1,762,640	1,672,419
FY 2026-27	1,989,274	1,624,583	1,455,529
FY 2027-28	1,993,053	1,605,279	1,423,679
FY 2028-29	1,975,462	1,590,786	1,393,392
FY 2029-30	1,949,736	1,569,774	1,363,875
FY 2030-31	1,931,050	1,554,525	1,343,380
Avg. FY 2025-26 to FY 2027-28	1,975,525	1,664,167	1,517,209
Avg. FY 2025-26 to FY 2030-31	1,963,804	1,617,931	1,442,046

Covered California's Individual Dental Plans for Children and Families

Covered California provides individual dental coverage options for both children and adults. Pediatric dental benefits are automatically included with all health plans offered through the marketplace. For children enrolled in both a health plan and a family dental plan, the two plans coordinate benefits. Since adult dental care is not classified as an essential health benefit, coverage for adults is available separately from health insurance. Covered California offers two types of dental plans: Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) plans.

As part of the FY 2025–26 budget planning, FMD developed three dental enrollment forecast scenarios, presented in **Table 11**:

High Scenario: Projected average monthly dental enrollment at 358,973 in FY 2025–26, increasing to 367,286 in FY 2026–27 and 367,984 in FY 2027–28. Enrollment then slightly tapers to 364,736 in FY 2028–29, 359,986 in FY 2029–30, and 356,536 in FY 2030–31.

Base Scenario: Enrollment is expected to average 325,442 in FY 2025–26, then decrease to 299,952 in FY 2026–27 and 296,388 in FY 2027–28. Continued declines are projected at 293,712 in FY 2028–29, 289,832 in FY 2029–30, and 287,017 in FY 2030–31.

Low Scenario: Enrollment is forecast at 308,784 in FY 2025–26, falling to 268,739 in FY 2026–27 and 262,858 in FY 2027–28. Further reductions are projected to be 257,266 in FY 2028–29, 251,816 in FY 2029–30, and 248,032 in FY 2030–31.

Table 11

Individual Dental Plan Enrollment Forecasts
Effectuated Enrollment
(Average Monthly Enrollment)

Fiscal Year	High	Base	Low
FY 2025-26	358,973	325,442	308,784
FY 2026-27	367,286	299,952	268,739
FY 2027-28	367,984	296,388	262,858
FY 2028-29	364,736	293,712	257,266
FY 2029-30	359,986	289,832	251,816
FY 2030-31	356,536	287,017	248,032
Avg. FY 2025-26 to FY 2027-28	364,747	307,260	280,127
Avg. FY 2025-26 to FY 2030-31	362,583	298,724	266,249

Covered California for Small Business

Covered California for Small Business (CCSB) is the state's version of the federal Small Business Health Options Program (SHOP), a major element of the Affordable Care Act (ACA), launched in March 2016. It caters primarily to businesses with 50 or fewer full-time equivalent employees. Unlike most states, which limit small-group health market regulations to such businesses, California, along with Colorado, New York, and Vermont, applies these rules to employers with up to 100 workers.[24]

CCSB serves nearly 9,000 employer groups and their 80,000 employees with health and dental options. CCSB operates on a separate enrollment platform than CalHEERS that also performs consolidated premium billing for employers, so more than $550 million in payments pass through CCSB annually. The small business market in California is approximately 80% direct to carrier, 16% with California Choice (a private exchange that started up in 1996 – nearly 20 years prior to Covered California's first enrollment year), and the remaining 4% with CCSB.

In accordance with ACA requirements, CCSB is subject to the same regulations as the individual insurance market. These include essential consumer protections, such as banning the denial of coverage due to pre-existing conditions, limiting premium differences through modified community rating, mandating insurers meet minimum

[24] …Small-Group Health Insurance, HealthInsurance.org. URL:https://www.healthinsurance.org/obamacare/are-you-ready-to-offer-small-group-health-insurance/

medical loss ratio thresholds, and ensuring access to essential health benefits. The ACA also supports wellness programs in the workplace, allowing employers to offer incentives. Notably, rewards for health outcome-based wellness programs have increased from 20% 30%of coverage costs, encouraging employee engagement in preventive health activities.[25]

CCSB provides a valuable financial benefit through a small federal business tax credit. To qualify, a business must have fewer than 25 full-time equivalent employees, offer average annual wages below $62,000[26], and pay at least 50% of employee premium costs[27]. This tax credit, which can be claimed for two consecutive tax years, aligns with the ACA's broader mission to improve health coverage, affordability, and accessibility for small employers and their workforce.[28]

In the second quarter of 2024, California's small businesses totaled about 1.8 million and employed approximately 9.9 million people. Making up 98.5% of all businesses in the state, these small firms are a vital engine of California's economy **(Table 12).**[29]

The map below illustrates that rural regions tend to have a greater share of their workforce employed by small businesses. Los Angeles County, the most populous in California, with around 9.8 million residents[30], has fewer than half of its workers employed by small businesses. In contrast, Alpine County with a population of just about one thousand[31] has more than 75% of its workforce employed in small businesses.

[25]Exploring Coverage Options for Small Businesses, HealthCare.gov. URL:https://www.healthcare.gov/small-businesses/learn-more/how-aca-affects-businesses/#:~:text=The%20Affordable%20Care%20Act%20creates,the%20cost%20of%20health%20coverage

[26] Limit has been adjusted for inflation since 2014.

[27] Small Business Health Care Tax Credit and the SHOP Marketplace, IRS. URL:https://www.irs.gov/affordable-care-act/employers/small-business-health-care-tax-credit-and-the-shop-marketplace

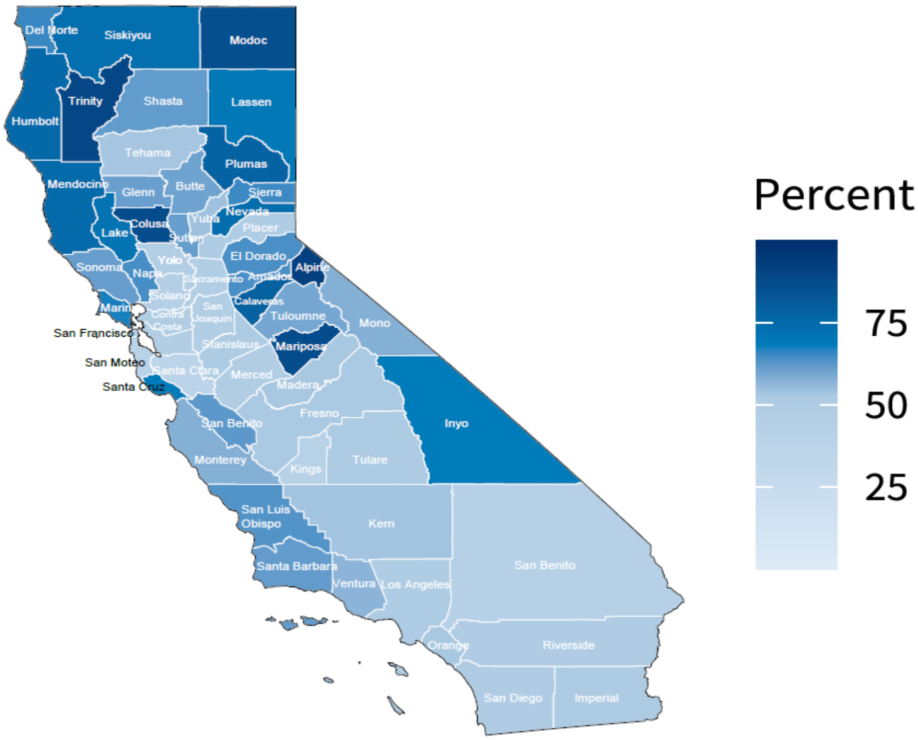
[28] Small Business Health Care Tax Credit and the SHOP Marketplace, IRS. URL:https://www.irs.gov/affordable-care-act/employers/small-business-health-care-tax-credit-and-the-shop-marketplace

[29] Firm Size Data for California (Quarterly), EDD. URL:https://labormarketinfo.edd.ca.gov/file/indsize/Chart_SOB2024_2.pdf

[30] Annual and Cumulative Estimates of Resident Population Change for Counties and County Rankings (March 2025), United States Census Bureau. URL: https://www.census.gov/data/tables/time-series/demo/popest/2020s-counties-total.html#v2024

[31] Annual and Cumulative Estimates of Resident Population Change for Counties and County Rankings (March 2025), United States Census Bureau. URL: https://www.census.gov/data/tables/time-series/demo/popest/2020s-counties-total.html#v2024

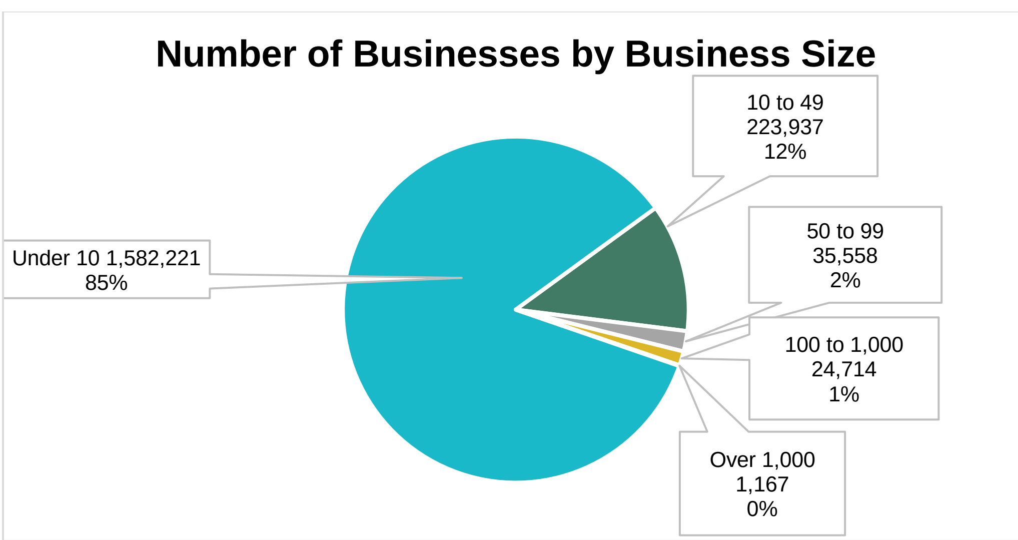
Figure 7: Share of Employees Working at Small Businesses by County



Source: 2024 California Small Business Profile, SBA.
https://advocacy.sba.gov/wp-content/uploads/2024/11/California.pdf

Businesses with fewer than ten employees comprise 85% of the state's total businesses. In contrast, larger firms with over 1,000 employees represent less than one percent of all businesses statewide.

Figure 8: Number of Businesses by Business Size



Size of Business Data for California (Quarterly), 2024 Qtr. 2, EDD. URL: https://labormarketinfo.edd.ca.gov/file/indsize/Chart_SOB2024_2.pdf

Businesses with 50 to 99 employees account for 13% of the small business workforce, employing approximately 2.5 million individuals. In contrast, businesses with 100 to 1,000 employees represent 30% of California's total employed population, or about 5.1 million individuals.

Table 12

Number of Businesses and Number of Employees by Business Size

Business Size	Number of Businesses	Percentage of Businesses	Number of Employees	Percentage of Employees
Under 10	1,582,221	85%	2,852,932	16%
10 to 49	223,937	12%	4,609,992	25%
50 to 99	35,558	2%	2,448,529	13%
100 to 1,000	24,714	1%	5,127,729	30%
Over 1,000	1,167	0%	2,872,629	16%
Total	**1,867,597**		**18,225,617**	

Small business employees can choose from various health insurance options, such as employer-sponsored plans, Medi-Cal, and individual market coverage.[32] The program uses targeted outreach, educational events, and simplified enrollment procedures to enhance access. CCSB assists employers by working with certified insurance agents and offering support through a dedicated service center to help them find and maintain cost-effective health plans. The MyCCSB online portal makes it easy for employers to manage their accounts, allowing them to enroll in plans, update employee details, make changes, and renew coverage. These tools empower small businesses to actively promote their employees' health and well-being.

Covered California for Small Business Enrollment Forecast

CCSB continues its strategic efforts to strengthen and grow the small group health insurance market. These initiatives include improving plan options offered by participating carriers, allowing employer groups to choose multi-carrier selections, and expanding the variety of health insurance choices available to their employees.

For the 2025 plan year, CCSB provides year-round access to health plans through three medical carriers and one dental carrier. Employers can select from four levels of coverage: Bronze, Silver, Gold, and Platinum. They can offer plans to their employees within a single tier or across multiple tiers. This flexibility allows employees to pick a plan that best fits their healthcare needs and budget without increasing the employer's costs.

[32] Exploring Coverage Options for Small Businesses, HealthCare.gov. URL:https://www.healthcare.gov/small-businesses/learn-more/explore-coverage/

Covered California for Small Business Enrollment Forecast

For Fiscal Year 2025–26, CCSB developed three enrollment scenarios **(Table 13)**.

In the High Scenario: Average monthly medical and dental enrollment is forecasted to reach 1,027,969 in FY 2025–26, increasing to 1,025,784 in FY 2026–27, 1,026,989, in FY 2027–28, 1,029,150 in FY 2028-29, 1,032,038 in FY 2029-30, and 1,033,950 in FY 2030-31.

In the Base Scenario: Projections show stable average medical and dental monthly enrollment at 998,028 in FY 2025–26, followed by 995,906 in FY 2026–27, 997,076 in FY 2027–28, 999,174 in FY 2028-29, 1,001,979 in FY 2029-30, and 1,003,835 in FY 2030-31.

In the Low Scenario: Average monthly medical and dental enrollment is forecasted to start at 968,087 in FY 2025–26, then decline to 966,029 in FY 2026–27, 967,164 in FY 2027–28, 969,199 in FY 2028-29, 971,920 in FY 2029-30, and 973,720 in FY 2030-31.

Table 13
Covered California for Small Business
Average Monthly Medical and Dental Enrollment
(Forecasts Medical and Dental Effectuated Enrollment)

Fiscal Year	High	Base	Low
FY 2025-26	1,027,969	998,028	968,087
FY 2026-27	1,025,784	995,906	966,029
FY 2027-28	1,026,989	997,076	967,164
FY 2028-29	1,029,150	999,174	969,199
FY 2029-30	1,032,038	1,001,979	971,920
FY 2030-31	1,033,950	1,003,835	973,720

V. Long-Term Budget Assessment and Fiscal Sustainability Analysis

During the fiscal year 2024-25 budget cycle, Covered California conducted a long-term budget assessment and fiscal sustainability analysis. The findings revealed that the organization's working capital[33] had increased to a level that was no longer considered prudent. Covered California must maintain adequate levels of working capital to mitigate current and future risks and to ensure stable services and participation fee rates. Consequently, the Board temporarily reduced the individual market participation fee from 3.25% to 2.25% for the 2025 plan year (PY). This reduction requires that Covered California utilize a portion of its working capital to fund operations, thereby decreasing its working capital.

As we developed the FY 2025-26 proposed budget, Covered California reevaluated the participation fee rate and assessed long-term budget outcomes and fiscal sustainability. It is essential to highlight that effective expenditure management is critical for achieving positive outcomes in the future and ensuring fiscal sustainability. Expenditure management becomes even more important if the enhanced federal subsidies expire as scheduled on December 31, 2025. The projected expenditure growth for the modeled scenarios is based on various economic indicators, such as the U.S. Bureau of Labor Statistics Employment Cost Index (ECI), the Consumer Price Index (CPI), and historical Covered California expenditure trends. The forecasted values for these economic indicators were obtained from the State of California's economic forecast for the Governor's FY 2025-26 budget. If Covered California's costs deviate from these trends, our financial outcomes may differ from our expectations.

Covered California's long-term budget assessment forecasts revenue and expenditures for six years into the future, spanning FY 2025-26 through FY 2030-31. The multi-year financial forecast allows executives, the board of directors, and other stakeholders to see the implications of decisions and consider a longer time horizon concerning the budget.

This long-term budget assessment and fiscal sustainability analysis help policymakers evaluate expenditure commitments, enrollment, revenue trends, and necessary participation fee rates required to achieve interperiod equity. The multi-year financial plan also highlights anticipated fiscal risks and opportunities. The projection identifies significant known fiscal conditions and projects future budget conditions. The multi-year budget projection does not include any proposed balancing solutions or modified service levels.

[33] Working capital represents the difference between total current assets and total current liabilities. Alternatively, the "fund balance" for the California Health Trust Fund. There are timing differences that materialize when reporting the fund balance and working capital; however, the two figures are generally materially equal for specific reporting periods.

In Chapter V, Covered California presents the **Base**, **Low**, and **High** enrollment forecasts and the corresponding budgetary financial outcomes for the forecast range, covering the period between FY 2025-26 and FY 2030-31. For each enrollment forecast, Covered California considered the required participation fee rate to achieve breakeven, or interperiod equity. Interperiod equity represents a state where revenue inflows equal or exceed expenditure outflows for the FY.

The **Base** forecast phases in the individual market participation fee rate from 2.25% to roughly 3.1%. In addition, the Base forecast assumes that the CCSB participation fee rate is held steady at 4.75%. The **Base** forecast assumes that Covered California's enrollment will decline in response to the expiration of the federal enhanced PTCs, which expire on December 31. 2025. Over the forecast range, average monthly enrollment is forecasted to equal 1,617,931. The Base forecast continues to bring down Covered California's working capital through FY 2026-27, before moving to a breakeven participation fee rate in plan year 2028.

The **Low** forecast phases in the individual market participation fee rate from 2.25% to roughly 3.65 by plan year 2028. The higher participation fee rate results from higher assumed enrollment losses due to the expiration of the enhanced PTCs. Over the forecast range, average monthly enrollment is forecasted to equal 1,442,046. The 3.65% individual market participation fee rate achieves breakeven in FY 2028-29. Like the Base forecast, the **Low** forecast also assumes that the CCSB participation fee rate is 4.75% throughout the forecast range. If enrollment trends align with the **Low** forecast, Covered California would adjust its business plan to ensure that the participation fee rate remains reasonable. This may involve managing operational spending growth alongside increases in the participation fee rate. It is important to note that there is uncertainty regarding premium growth rates and enrollment trends, which could significantly affect the predicted outcomes.

The **High** forecast assumes that the enhanced federal PTCs will be extended beyond December 31, 2025, meaning that enrollment trends will likely remain stable. Over the forecast range, average monthly enrollment is forecasted to equal 1,963,804. In this scenario, Covered California's breakeven individual market participation fee rate is expected to be around 2.5%. If Covered California maintains a participation fee rate of 2.5% throughout the forecast period, its working capital will stay around $520 million.

What is a Long-Term Budget Assessment?

A long-term budget assessment is a study conducted by federal, state, and local governments. It forecasts revenues and expenditures into the future, projects their balance, and determines the fiscal sustainability of the government entity.

A sound financial strategy involves more than just balancing the current year's budget; it must also ensure that the budget is on a sustainable trajectory and can continue to support programs and services in the future.

For Covered California to remain sustainable, it must maintain a long-term outlook informed by high-quality data and fiscal analysis. Long-term budgeting and fiscal stress tests are vital to understanding today's decisions and how they will affect the future. Will the decisions made by Board members and Covered California executives today be sustainable in the future? The current nature of budgeting generally usurps long-term thinking. The focus is generally on short-term policy implementation and whether there will be funds to meet the current budget period.

Long-term budgeting allows Covered California to consistently measure risks, anticipate potential shortfalls, and identify options for addressing impending challenges. Ongoing deficits and temporary shortfalls may have different causes that require different solutions, but they jeopardize Covered California's ability to afford future commitments made today. Long-term fiscal sustainability requires ensuring that Covered California's participation fee rate, operating and capital expenditures, working capital, and enrollment are harmonized to ensure fiscal sustainability.

What is Fiscal Sustainability?

While there are various definitions of fiscal sustainability, common themes running through the various definitions of fiscal sustainability include:

- The ability to continue public services or existing programs.
- The ability to meet financial commitments both now and in the future.
- The ability to maintain the stability and predictability of future tax burdens, or in Covered California's case, participation fee rate.
- The ability to support long-term decision-making.

In the case of Covered California, the exchange provides access to affordable, quality healthcare services by connecting buyers and sellers. To offer these affordable services, Covered California must effectively manage its expenses to ensure stable participation fees and prevent them from rising excessively. This requires controlling operating expenditures on a year-over-year basis. If the exchange's operating costs grow faster than revenue, Covered California may need to raise its participation fees, reduce services in the future to cut costs, or implement a combination of both strategies.

Overview of the Fiscal Sustainability Analysis

Covered California begins its budget process by forecasting both operating and non-operating revenues. Operating revenues mainly come from enrollment, carrier premiums, and the participation fee rate established by Covered California. To estimate operating revenues for the budget year, Covered California forecasts enrollment and carrier premiums and applies the expected participation fee rate. Additionally, non-operating revenues, primarily consisting of interest income from investments in the state's Surplus Money Investment Fund (SMIF), are also projected.

The enrollment forecast includes uncertainties regarding the future of enhanced federal subsidies set to expire on December 31, 2025. If Congress does not extend these subsidies, they will end on that date. In accordance with existing law, Covered California prepares its budget assuming that these subsidies will not be renewed. Consequently, the "base" and “low” enrollment forecasts consider the possibility of enrollment declines and the resulting impact on revenue.

Like all forecasts, multiple outcomes are possible. To assess these outcomes, the Financial Management Division (FMD) has analyzed more significant potential enrollment losses. It is possible that enrollment could decline by more than FMD’s base forecast. A larger decline in enrollment would necessitate that Covered California take appropriate actions regarding its participation fee rate and expenditures in the future, increasing the participation fee rate and/or reducing expenditures.

FMD's enrollment and revenue forecasts consist of three scenarios: High, Base, and Low. The High forecast assumes that enhanced federal subsidies will be extended beyond December 31, 2025. In contrast, both the Base and Low forecasts assume that these enhanced federal subsidies will expire on December 31, 2025, in accordance with current law.

The differences between the Base and Low enrollment forecasts and revenue arise from varying assumptions about the substitution effect, elasticities, and the application of a decay curve, which relates to enrollment duration assumptions.

After creating a revenue forecast, the next phase of the budget process focuses on forecasting expenditures. What will Covered California's expenditure budget be for the fiscal year 2025-26 and beyond? The Financial Management Division (FMD) forecast covers the period from FY 2025-26 to FY 2030-31. This long-term fiscal forecast aims to assess Covered California's financial sustainability and provide the Board, Finance Committee, and executives with the necessary information to make informed fiscal decisions.

The FY 2025-26 expenditure budget is developed using an incremental approach, starting from the previous year's budget and adjusting for inflation, changes in workload, and other relevant factors. The next step involves evaluating and deciding on proposed budget augmentations from the 19 divisions. The FY 2025-26 proposed budget includes $17.5 million in budget augmentations.

By combining the base budget adjustments with the proposed augmentations, the proposed budget for FY 2025-26 totals $496.1 million. To project expenditures throughout the forecast period, FMD applied specific growth factors derived from the U.S. Bureau of Labor Statistics employment cost index (ECI) and consumer price index (CPI) forecasts. The expenditure growth is projected to range from 2.6% to 3.5%. These growth factors were applied to personnel costs, other operating expenditures, state-shared expenditures, and capital investments.

To evaluate fiscal sustainability and assess fiscal outcomes, Covered California projected pro forma statements detailing revenues, expenditures, and changes in fund balance over the forecast period. Because Covered California has reduced its individual market participation fee rate from 3.25% to 2.25% for the plan year 2025, it is anticipated that operating losses will occur early in the forecast period as the working capital or fund balance decreases. In this scenario, operating expenditures will exceed both operating and non-operating revenues. The shortfall between revenues and expenditures will be covered by working capital, which will then be reduced to an acceptable level. Once the working capital equals the target level, the participation fee rate will be raised to achieve interperiod equity, which means that operating and non-operating revenues will equal the projected operating expenditures.

Fiscal sustainability means that Covered California will remain fiscally solvent and continue to provide exchange services into the future. To achieve this outcome, Covered California must manage operating expenditures and align revenue inflows with expenditure outflows while maintaining a prudent level of working capital. In light of the fiscal strategy adopted in the FY 2024-25 budget cycle, the forecast range necessitates evaluating the decline in working capital and appropriately adjusting the participation fee rate to achieve interperiod equity and arrest the erosion of working capital. The participation fee rate is expected to be gradually increased to the breakeven point by raising it by 25 basis points in both the 2026 and 2027 plan years. This phased approach will decrease the working capital during the transition period.

Enrollment Assumptions

Covered California created a **Base** forecast that anticipated enrollment losses following the expiration of enhanced subsidies after 2025. These estimated losses were based on substitution and elasticity effects. Additionally, Covered California developed a **Low** estimate that utilized more aggressive assumptions regarding substitution and elasticity to predict further enrollment losses due to the ending of enhanced subsidies. Lastly, a **High** forecast was produced, which assumed that the enhanced subsidies would be extended beyond December 31, 2025.

Premium Growth Rate

The long-term growth rate of carrier premiums has historically been 4.8%. Recently, year-over-year growth rates have hovered around 6.0%. For forecasting purposes, FMD has developed two scenarios regarding premium growth: one in which the enhanced federal subsidies are extended beyond December 31, 2025, and another where they expire on that date.

If the enhanced federal subsidies are extended beyond December 31, 2025, FMD anticipates that the long-term trend in carrier premiums will persist at approximately 4.8%. However, for the purpose of the forecast, FMD has chosen a slightly higher growth rate of 5.2%, reflecting national health expenditure trends.

Conversely, if the enhanced subsidies expire on December 31, 2025, consistent with current law, FMD expects a higher growth rate for carrier premiums in 2026 and 2027, before returning to the trend. This assumption is based on the expectation that a significant loss of enrollment will lead carriers to anticipate higher costs in the risk pool. Specifically, it is assumed that the exit of healthier young individuals will leave behind a higher-cost risk pool. As a result, FMD projects that the growth in carrier premiums will be 7.0% for the plan year 2026 and 6.0% for the plan year 2027, followed by a return to the 5.2% trend thereafter.

Financial Principles Used to Evaluate the Scenarios

As it prepared the proposed budget, Covered California evaluated numerous fiscal strategies and built many “what-if” scenarios. To evaluate fiscal strategy options, Covered California adhered to the financial principles below, which are designed to guide Covered California toward long-term fiscal sustainability.

1. Covered California must maintain sufficient working capital to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenses) and to ensure stable services and fees. Minimum working capital must be maintained to finance roughly 6 to 8 months of budgeted operations.

2. The individual market participation fee rate will increase by 25 basis points each plan year from 2026 to 2027. For the plan year 2025, the fee rate is set at 2.25%. With the increase of 25 basis points in plan year 2026, the participation fee rate will be 2.50%. In plan year 2027, the rate will rise to 2.75%. After this period, both the participation fee rate and the working capital balance will be reviewed, and a new participation fee rate will be established to ensure interperiod equity.

3. Working capital can be utilized for "one-time" commitments that may disrupt interperiod equity for a specific period. However, this is applicable only if the investment does not lead to a working capital balance that falls below the amount necessary to cover six months of projected operating expenditures.

4. Covered California must achieve interperiod equity by the end of the forecast period. In each unique FY, forecasted operating revenue should match operating expenditures. There may be exceptions to this principle for a unique FY when managing working capital to achieve the targeted balance or when using surplus working capital to fund one-time commitments. If working capital falls below a minimum threshold of six months of budgeted operations, a plan of action must be developed to outline how working capital will be restored, including a timeline. This plan may involve temporarily raising the participation fee, reducing expenditures, or implementing a combination of both strategies.

Overview of Forecasts and Analysis

As noted, the enhanced federal subsidies are expected to expire on December 31, 2025, consistent with current law. Consequently, the projections below assume that enrollment will decrease for the **Base** and **Low** forecasts. The **High** forecast assumes that the enhanced federal PTCs will be extended beyond December 31, 2025, which means that the enrollment trend will continue to align with the current trends, adjusted for macroeconomic changes that influence the labor market.

In the forecasts analyzed, the Financial Management Division (FMD) assessed revenues and expenditures over a forecast period, considering specific rates for participation fees, premium growth, and expenditure growth. For each scenario—**Base**, **Low**, and **High**—the projected financial outcomes were reviewed to establish the breakeven participation fee rate. By keeping operating expenditure growth and premium growth constant, Covered California adjusted the participation fee rate after a two-year phase-in period to achieve breakeven. This analysis enables decision-makers to anticipate the necessary participation fee rate based on various enrollment trends and to consider potential actions required to maintain a stable and reasonable participation fee rate.

Base Forecast

Base Forecast Modeling Assumptions

In the Base forecast, the individual market participation fee rate also increases from 2.25% to 2.50% in the plan year 2026, then 2.75% in the plan year 2027, and finally to roughly 3.15% for the remainder of the forecast period. The CCSB participation fee rate will be lowered from 5.2% to 4.75% in plan year 2026.

Participation Fee Rate-Base Forecast

Scenario	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031
Individual Market	2.50%	2.75%	3.15%	3.14%	3.14%	3.14%
CCSB	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%

Gross premiums are expected to rise by seven percent in plan year 2026, six percent in plan year 2027, and 5.2% in plan years 2028 through 2030. The increases in gross premium rates for 2026 and 2027 assume that carriers will react to the enrollment losses and the forecasted change in the risk mix.

Premium Growth Rate

Scenario	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031
Individual market	**7.0%**	**6.0%**	**5.2%**	**5.2%**	**5.2%**	**5.2%**
CCSB	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**

For the forecast period, ranging from fiscal year 2026-27 to 2030-31, personnel expenditures are anticipated to grow by 3.5% annually. Other operating expenditures are expected to increase by 3.4% yearly, while state-shared expenditures are projected to rise by 2.6% annually. Additionally, capital investments are expected to grow by 3.4% per year.

The projections assume that Covered California will follow a moderate expenditure growth policy, ensuring the expenditure growth does not exceed expected revenue growth.

Expenditure Growth Rates

Category	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Personnel	3.50%	3.50%	3.50%	3.50%	3.50%
OOE	3.40%	3.40%	3.40%	3.40%	3.40%
State Shared	2.60%	2.60%	2.60%	2.60%	2.60%
Cap. Exp.	3.40%	3.40%	3.40%	3.40%	3.40%

Projected Financial Outcomes - Base Forecast

Under the Base forecast, the Health Insurance Marketplace participation fee rate is 2.5% in 2026, 2.75% in 2027, and roughly 3.14% from 2028 to 2031. In addition, the CCSB participation fee rate is lowered from 5.2% to 4.75% in plan year 2025 and is held at 4.75% throughout the remainder of the forecast period. Interperiod equity is achieved by FY 2028-29. Covered California's working capital falls to $382.4 million (**Figure 9**), and funds roughly 8.6 months of budgeted operations by FY 2027-28 (**Figure 10**).

Over a longer time horizon, Covered California's working capital would level off at $388.2 million (**Figure 11**), funding roughly 7.8 months of budgeted operations (**Table 14**) by FY 2030-31. This scenario also assumes expenditure growth will be managed in line with ECI and CPI. Over the forecast range, operating expenditures will increase by no more than 2.6% 3.5%.

Figure 9: Working Capital Trend Over Forecast Period (Base Forecast)

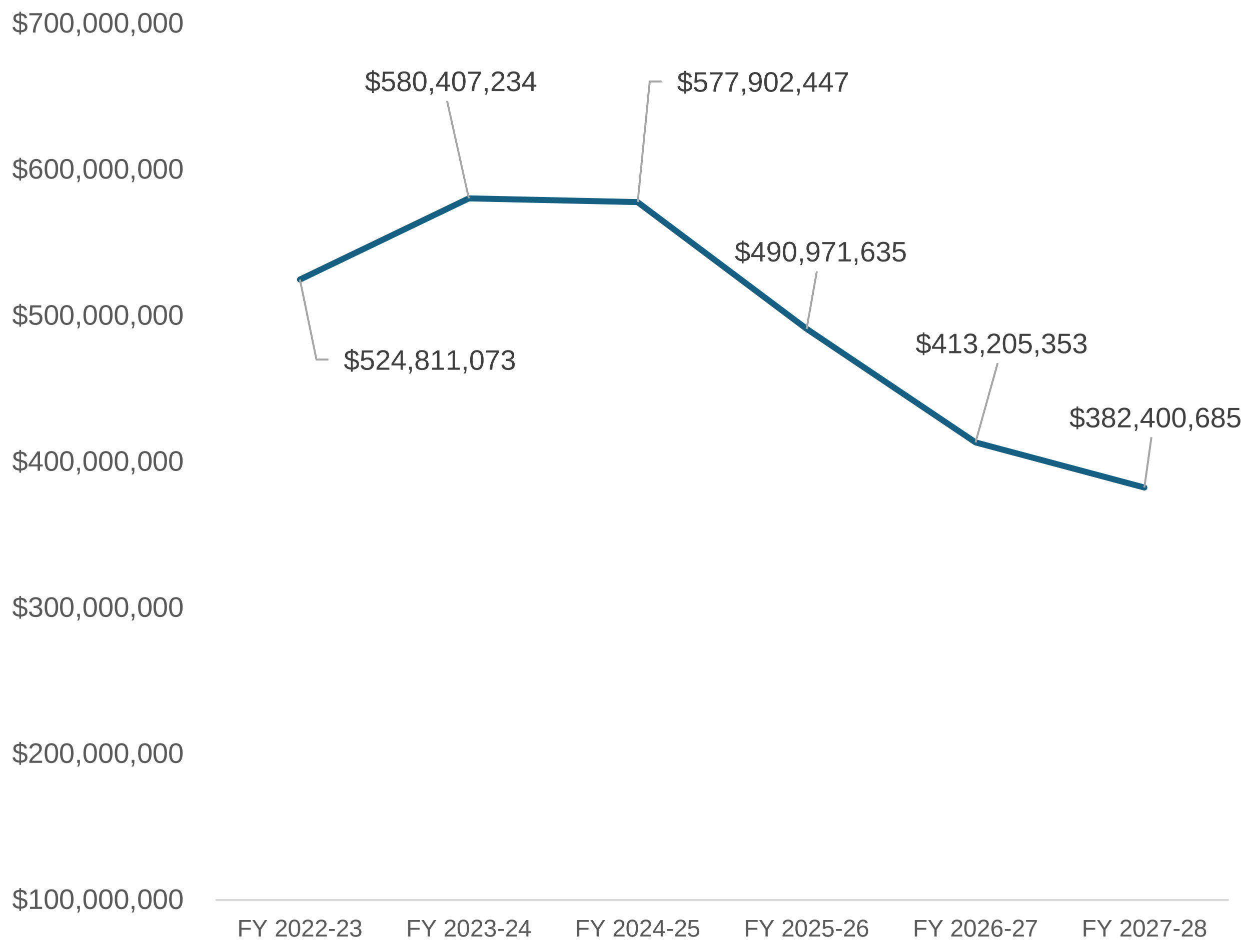


Figure 10: Months of Budgeted Operations Funded (Base Forecast)

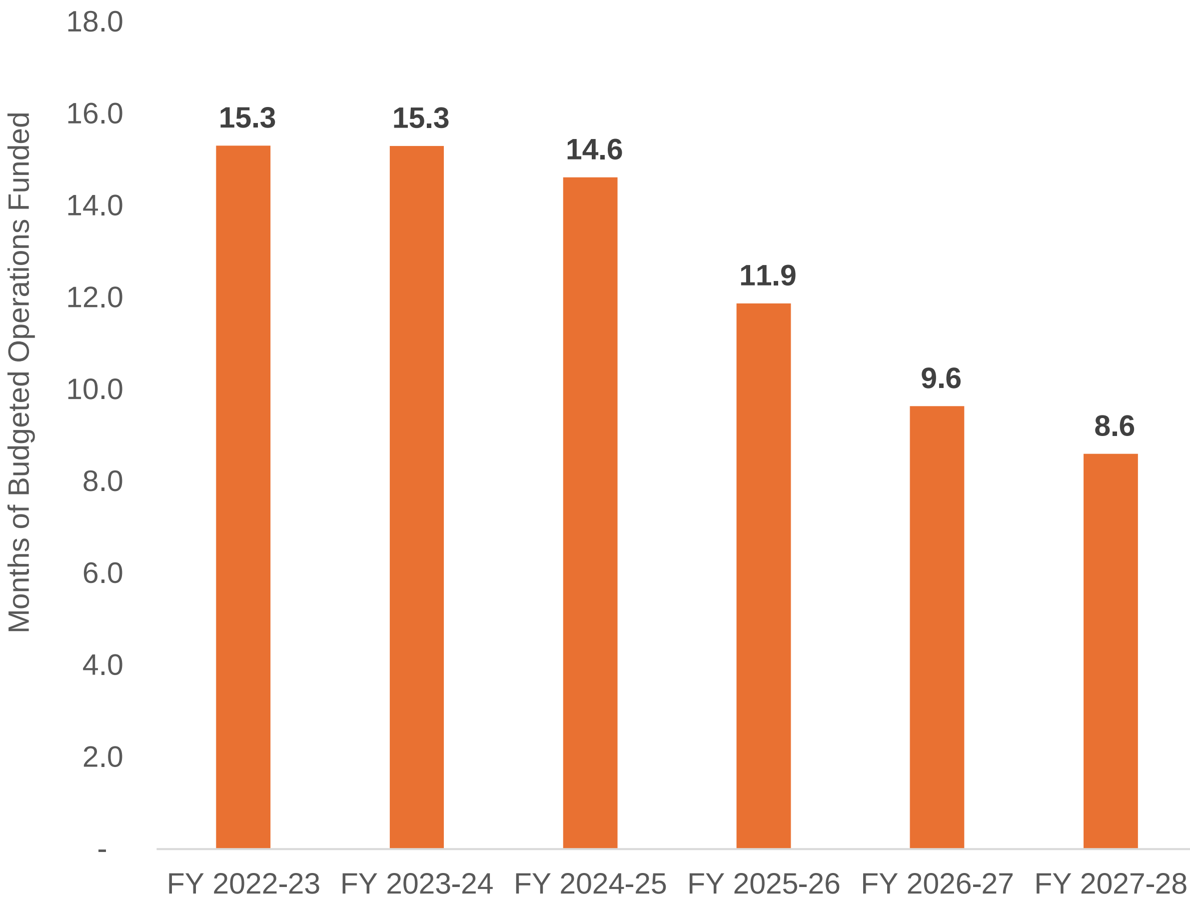


Figure 11: Long-Term Trend in Working Capital (Base Forecast)

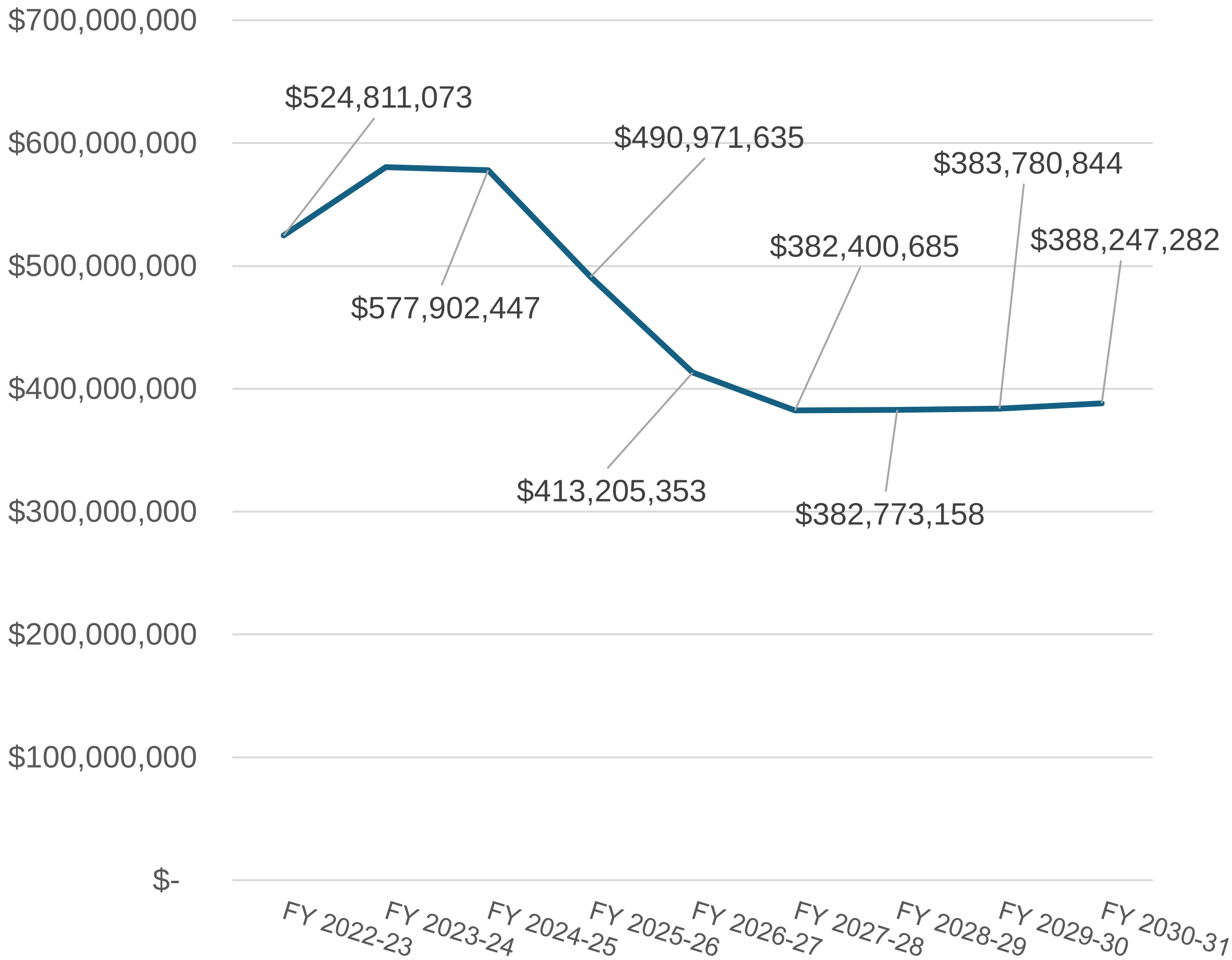
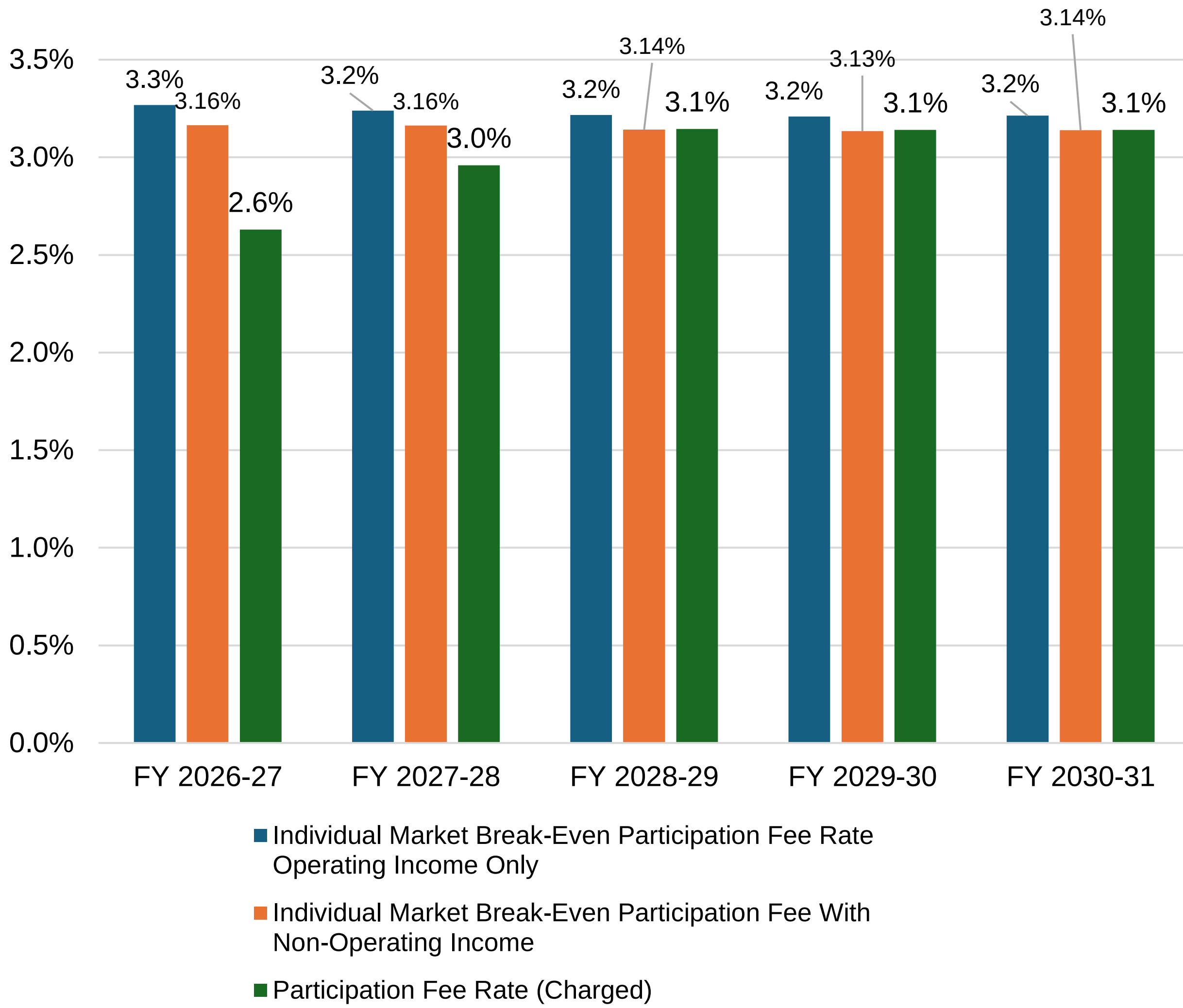


Table 14: Forecasted Financial Outcomes by FY (Base Forecast)

		Forecast Range					
	Est. Actual	*Budget Year*	*Forecasted*	*Forecasted*	*Forecasted*	*Forecasted*	*Forecasted*
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Beginning Fund Balance At July 1	**$ 580,407,234**	**$ 577,902,447**	**$ 490,971,635**	**$ 413,205,353**	**$ 382,400,685**	**$ 382,773,158**	**$ 383,780,844**
Adjusted Beg. Fund Balance	**$ 580,407,234**	**$ 577,902,447**	**$ 490,971,635**	**$ 413,205,353**	**$ 382,400,685**	**$ 382,773,158**	**$ 383,780,844**
Additions	$ 457,767,531	$ 409,146,254	$ 436,639,099	$ 502,605,465	$ 553,489,381	$ 574,559,297	$ 599,207,549
Deductions	$ (460,272,318)	$ (496,077,066)	$ (514,405,381)	$ (533,410,134)	$ (553,116,907)	$ (573,551,611)	$ (594,741,111)
Increase / Decrease in Fund From Operations	$ (2,504,787)	$ (86,930,812)	$ (77,766,282)	$ (30,804,669)	$ 372,474	$ 1,007,686	$ 4,466,438
Ending Fund Balance At June 30 (Working Capital)	**$ 577,902,447**	**$ 490,971,635**	**$ 413,205,353**	**$ 382,400,685**	**$ 382,773,158**	**$ 383,780,844**	**$ 388,247,282**
	$ -	**$ -**	**$ -**	**$ -**	**$ -**		**$ -**
Unrestricted Working Capital/Fund Balance	**$ 577,902,447**	**$ 490,971,635**	**$ 413,205,353**	**$ 382,400,685**	**$ 382,773,158**	**$ 383,780,844**	**$ 388,247,282**
Months of Budgeted Operations Funded	**14.6**	**11.9**	**9.6**	**8.6**	**8.3**	**8.0**	**7.8**

Figure 12: Participation Fee Rates, Break-Even and Charged (Base Forecast)



Low Forecast

If enrollment trends towards the “Low” forecast, Covered California will be compelled to address a widening structural imbalance between revenues and expenditures in the later years of the projection range. This imbalance arises from reduced revenues due to declining enrollment. In this case, individual market enrollment is forecasted to decline, with average monthly enrollment equal to 1,442,046 over the forecast range. At the same time, expenditures are expected to grow throughout the forecast period in line with the Employment Cost Index (ECI) and Consumer Price Index (CPI) forecasts, which are projected to be roughly 3.5% annually.

If enrollment trends towards the low forecast, Covered California would be forced to raise its participation fee rate to 3.6% in plan year 2028. Alternatively, Covered California could lower its expenditures to close the gap between operating expenditures and revenues (**Figure 17**).

Covered California maintains a rolling enrollment and revenue forecast. The original budget forecast is continuously updated as new information is gathered each month. The rolling forecast represents a critical internal control designed to minimize the risk that misalignments between revenues and expenditures are identified early and appropriate actions are taken to prevent future structural imbalances.

Low Forecast Modeling Assumptions

In **Low** forecast, the individual market participation fee rate also increases from 2.25% to 2.5% in the plan year 2026, then to 2.75% in the plan year 2027, and finally to the break-even rate of roughly 3.65% for the remainder of the forecast period.

Participation Fee Rate-Low Forecast

Scenario	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031
Individual Market	2.50%	2.75%	3.64%	3.65%	3.66%	3.66%
CCSB	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%

Premium Growth Rate

Scenario	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031
Individual Market	7.0%	6.0%	5.2%	5.2%	5.2%	5.2%
CCSB	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

Under the **Low** forecast, from fiscal year 2026-27 to 2030-31, personnel expenditures are anticipated to grow by 3.5% annually. Other operating expenditures are expected to increase by 3.4% each year, while state-shared expenditures are projected to rise by 2.6% annually. Additionally, capital investments are expected to grow by 3.4% per year.

Projected Financial Outcomes - Low Forecast

Under the Low forecast, the participation fee rate is set at 2.5% in 2026, 2.75% in 2027, and roughly 3.65% from 2028 to 2030. Covered California's working capital would fall to $297.1 million (**Figure 13**), and working capital will fund roughly 6.7 months of budgeted operations (**Figure 14**) by FY 2027-28.

Over a longer time horizon, Covered California's working capital would level off and rise slightly to $306.1 million by FY 2030-31 (**Figure 15**) and would fund roughly 6.2 months of budgeted operations by that fiscal year (**Table 15**).

Figure 13: Working Capital Trend Over Forecast Period (Low Forecast)

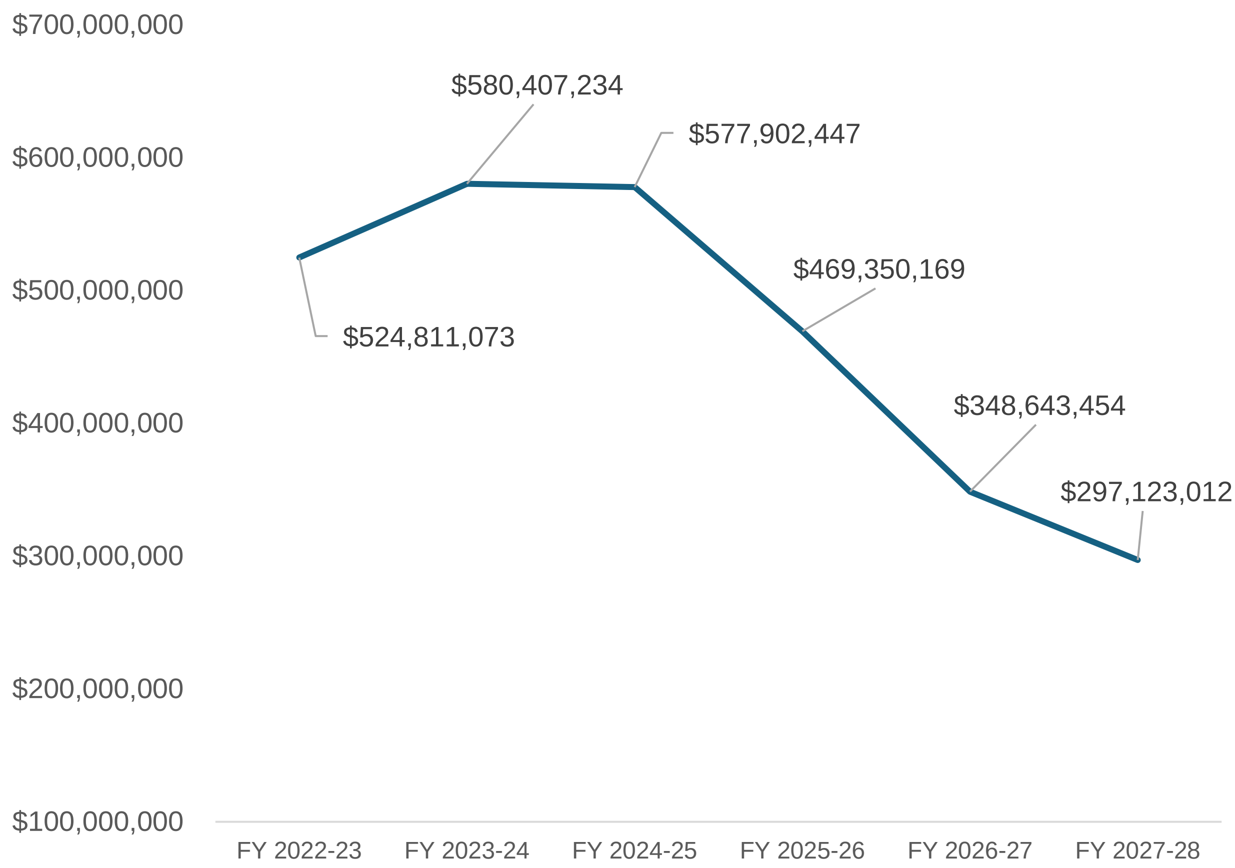


Figure 14: Months of Budgeted Operations Funded (Low Forecast)

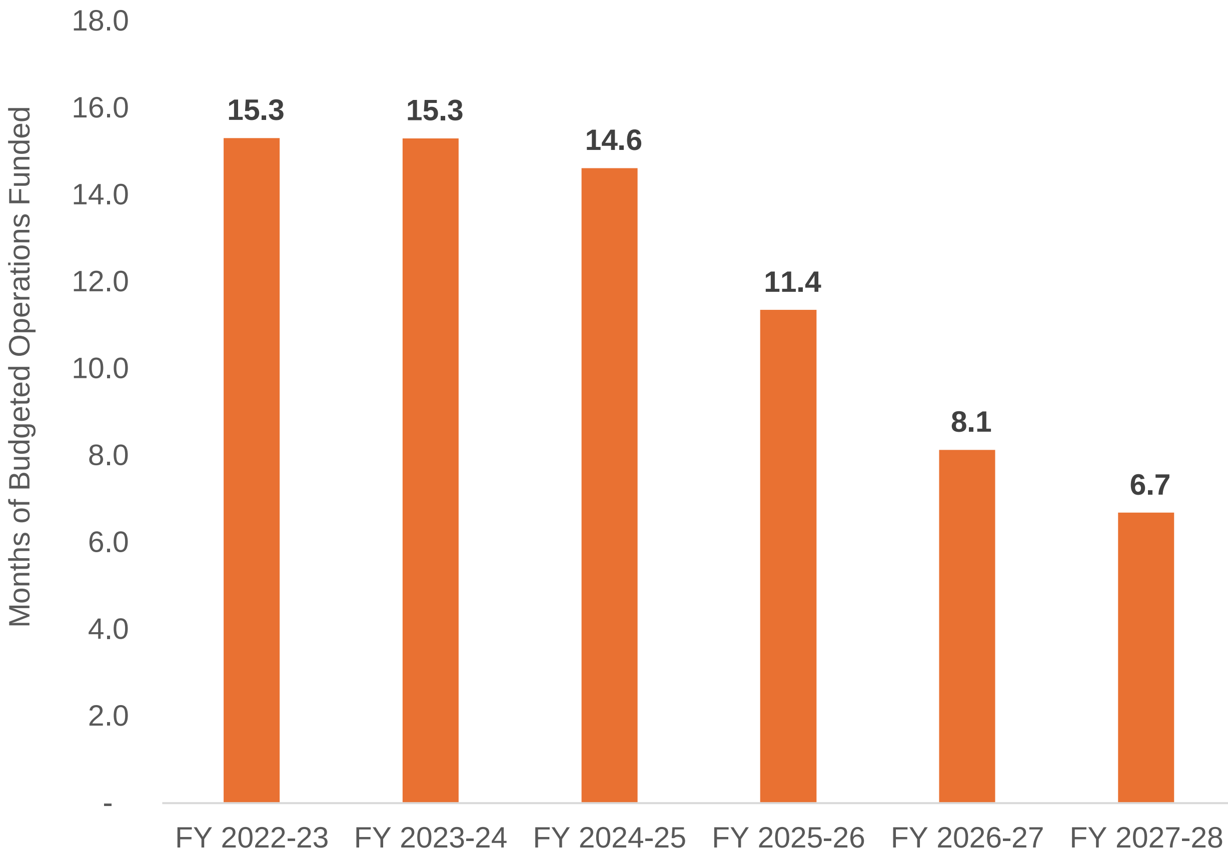


Figure 15: Long-term Working Capital Trend (Low Forecast)

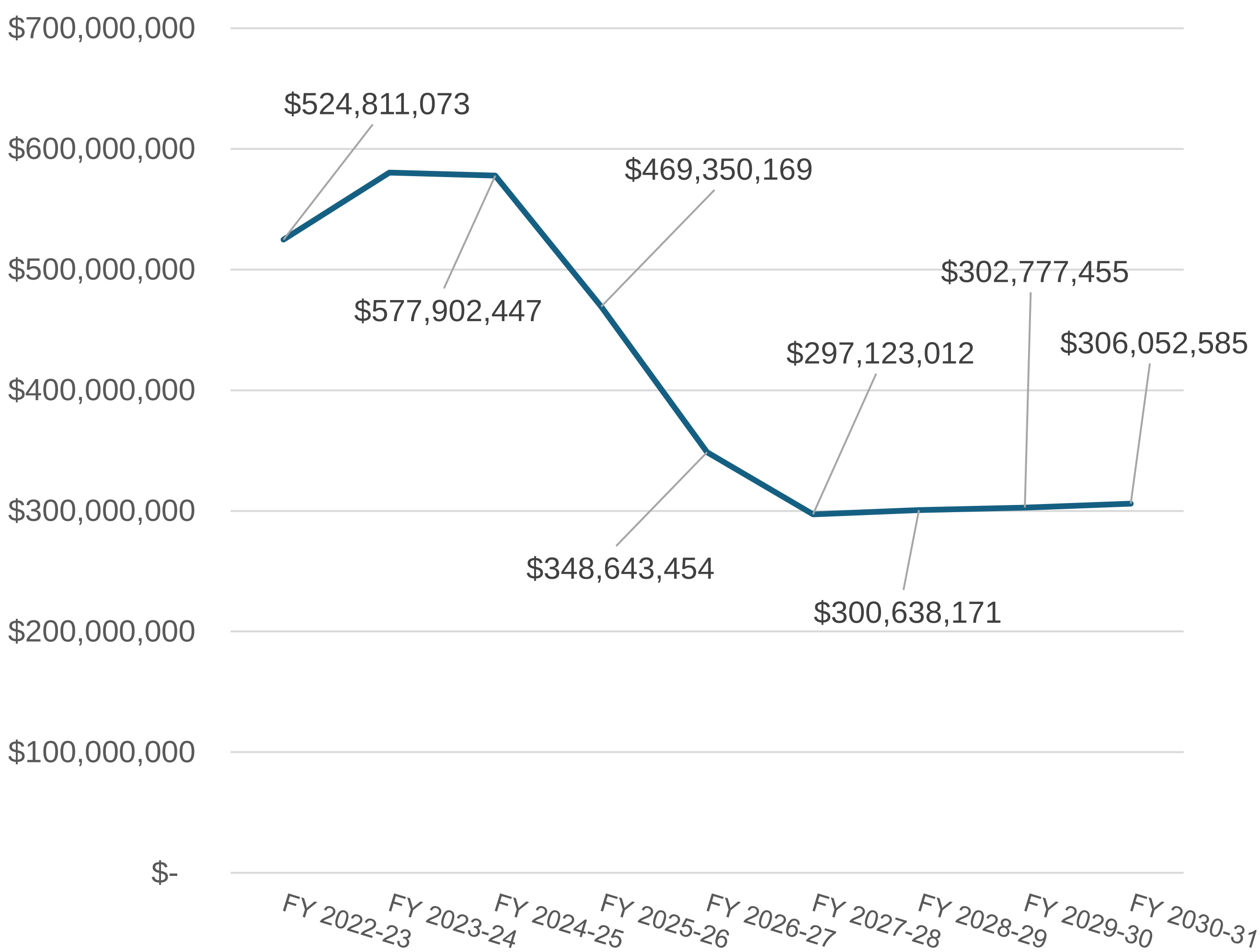


Figure 16: Break-even Participation Fee Rates (Low Forecast)

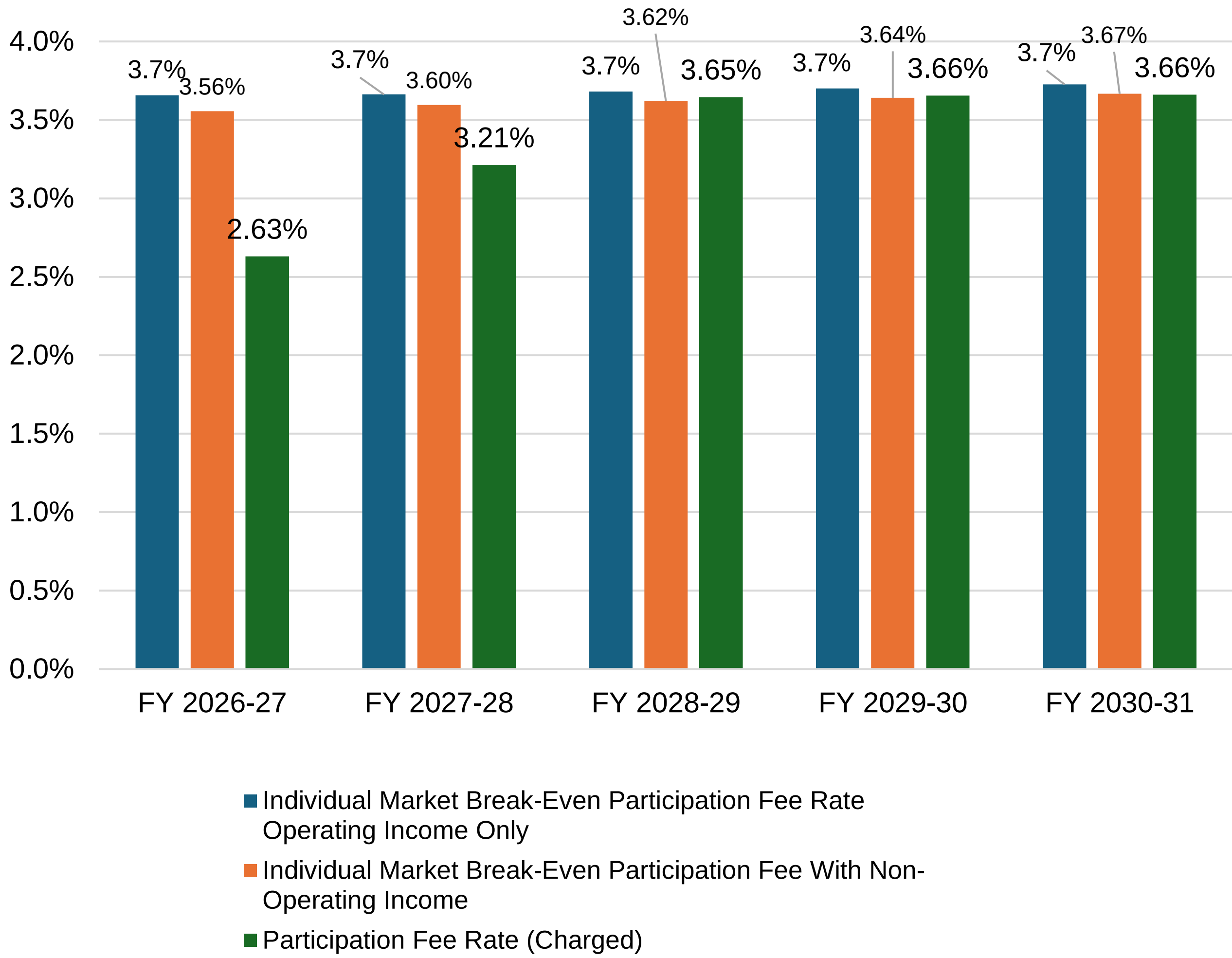


Table 15: Forecasted Financial Outcomes (Low Forecast)

	Est. Actual	*Forecasted*	*Forecasted*	*Forecasted*	*Forecasted*	*Forecasted*	*Forecasted*
		Forecast Range					
	FY 2024-25	**FY 2025-26**	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**	**FY 2030-31**
Beginning Fund Balance At July 1	**$ 580,407,234**	**$ 577,902,447**	**$ 469,350,169**	**$ 348,643,454**	**$ 297,123,012**	**$ 300,638,171**	**$ 302,777,455**
Adjusted Beg. Fund Balance	**$ 580,407,234**	**$ 577,902,447**	**$ 469,350,169**	**$ 348,643,454**	**$ 297,123,012**	**$ 300,638,171**	**$ 302,777,455**
Additions	$ 457,767,531	$ 387,524,787	$ 393,698,666	$ 481,889,692	$ 556,632,066	$ 575,690,894	$ 598,016,242
Deductions	$ (460,272,318)	$ (496,077,066)	$ (514,405,381)	$ (533,410,134)	$ (553,116,907)	$ (573,551,611)	$ (594,741,111)
Increase / Decrease in Fund From Operations	$ (2,504,787)	$ (108,552,278)	$ (120,706,715)	$ (51,520,442)	$ 3,515,159	$ 2,139,283	$ 3,275,131
Ending Fund Balance At June 30 (Working Capital)	**$ 577,902,447**	**$ 469,350,169**	**$ 348,643,454**	**$ 297,123,012**	**$ 300,638,171**	**$ 302,777,455**	**$ 306,052,585**
	$ -	**$ -**	**$ -**	**$ -**	**$ -**		**$ -**
Unrestricted Working Capital/Fund Balance	**$ 577,902,447**	**$ 469,350,169**	**$ 348,643,454**	**$ 297,123,012**	**$ 300,638,171**	**$ 302,777,455**	**$ 306,052,585**
Months of Budgeted Operations Funded	**14.6**	**11.4**	**8.1**	**6.7**	**6.5**	**6.3**	**6.2**

High Forecast

The **High** forecast assumes that the enhanced federal subsidies are extended beyond December 31, 2025. In this case, individual market enrollment is expected to flatten out and continue at a volume of approximately 1,963,804 average member months over the forecast range. Based on forecasted premium growth and budgeted expenditure growth, Covered California's individual market participation fee breakeven rate will be roughly 2.5%.

If Covered California's individual market participation fee rate is set to 2.5 percent in plan year 2026 and remains at 2.5% throughout the forecast period, it would maintain a working capital balance of roughly $520 million. It is assumed that Covered California's business plan would be modified should this outcome materialize. The $520 million would represent more working capital than necessary, which would necessitate a decision regarding expenditures, working capital, and the participation fee rate. Covered California might consider lowering its participation fee rate, investing in priority items, such as capital investments, or restricting a portion of the fund balance for future investments.

High Forecast Modeling Assumptions

In the **High** forecast, the individual market participation fee rate also increases from 2.25% to 2.5% in the plan year 2026, and then 2.5% for the remainder of the forecast period. The 2.5% individual market participation fee rate would achieve interperiod equity.

Participation Fee Rate-Low Forecast

Scenario	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031
Individual Market	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
CCSB	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%

Premium Growth Rate

Scenario	PY 2026	PY 2027	PY 2028	PY 2029	PY 2030	PY 2031
Individual Market	7.0%	6.0%	5.2%	5.2%	5.2%	5.2%
CCSB	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

Under the **High** forecast, from fiscal year 2026-27 to 2030-31, personnel expenditures are anticipated to grow by 3.5% annually. Other operating expenditures are expected to increase by 3.4% annually, while state-shared expenditures are projected to rise by 2.6% annually. Additionally, capital investments are expected to grow by 3.4% annually.

Projected Financial Outcomes - High Forecast

Under the **High** forecast, the participation fee rate is set at 2.5% in 2026, 2.5% in 2027, and roughly 2.5% from 2028 to 2030. Covered California's working capital would fall to $517.1 million (**Figure 17**), and working capital will fund roughly 11.6 months of budgeted operations (**Figure 18**) by FY 2027-28.

Over a longer time horizon, Covered California's working capital would level off and rise slightly to $520 million by FY 2030-31 (**Figure 19**) and would fund roughly 10.5 months of budgeted operations by that fiscal year (**Table 16**).

Figure 17: Working Capital Trend Over Forecast Period (High Forecast)

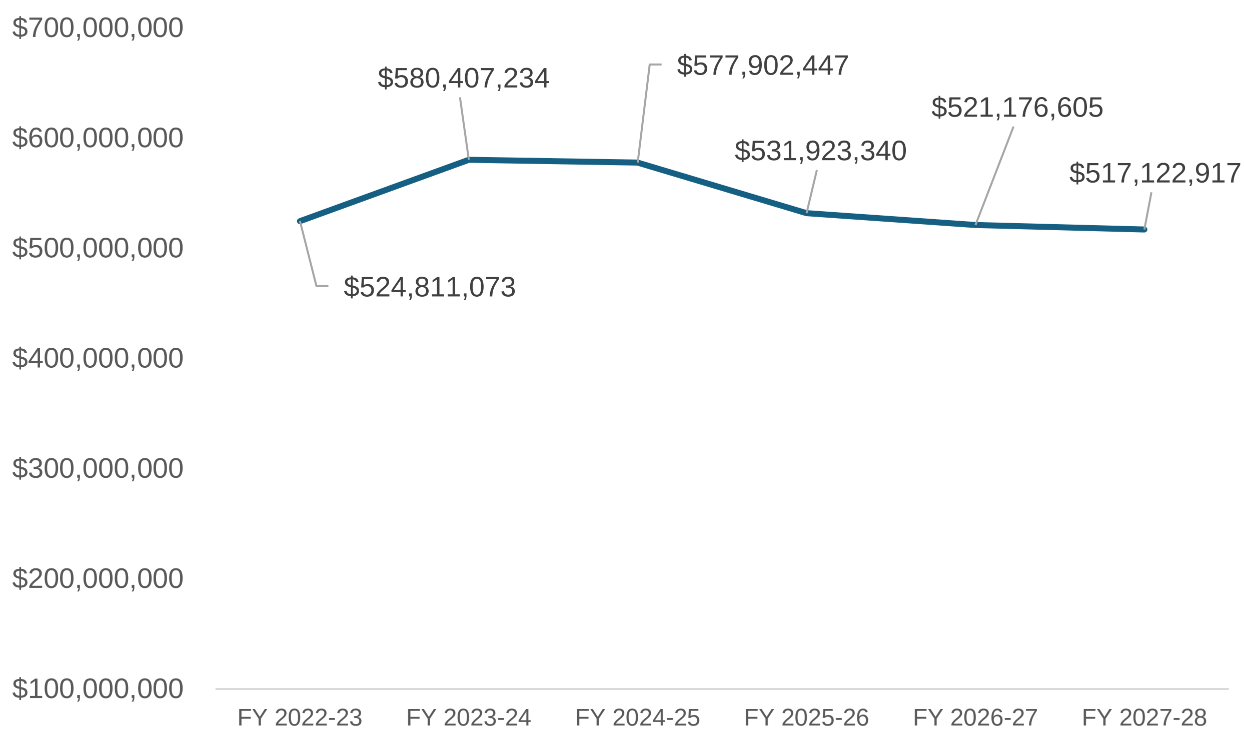
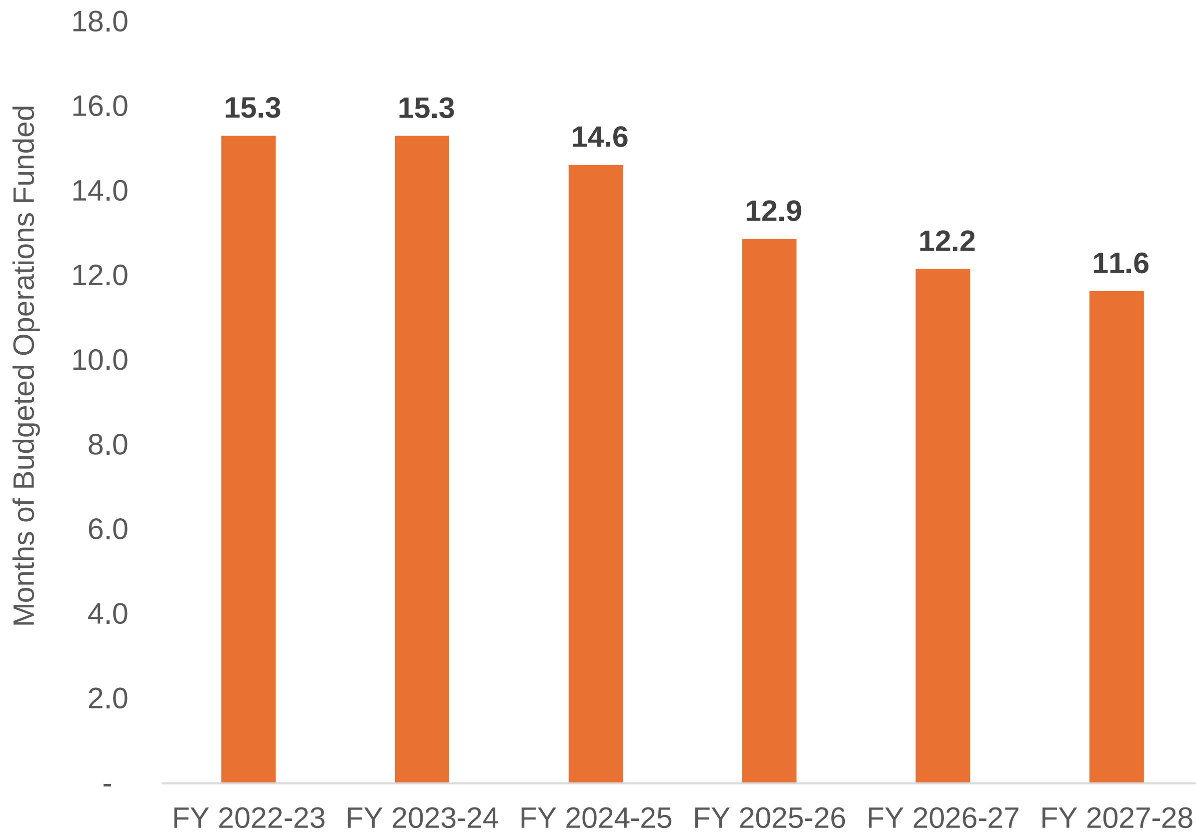


Figure 18: Months of Budgeted Operations Funded (High Forecast)



Months of Budgeted Operations Funded
18.0
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
-
15.3
15.3
14.6
12.9
12.2
11.6
FY 2022-23
FY 2023-24
FY 2024-25
FY 2025-26
FY 2026-27
FY 2027-28

Figure 19: Long-term Working Capital Trend (High Forecast)

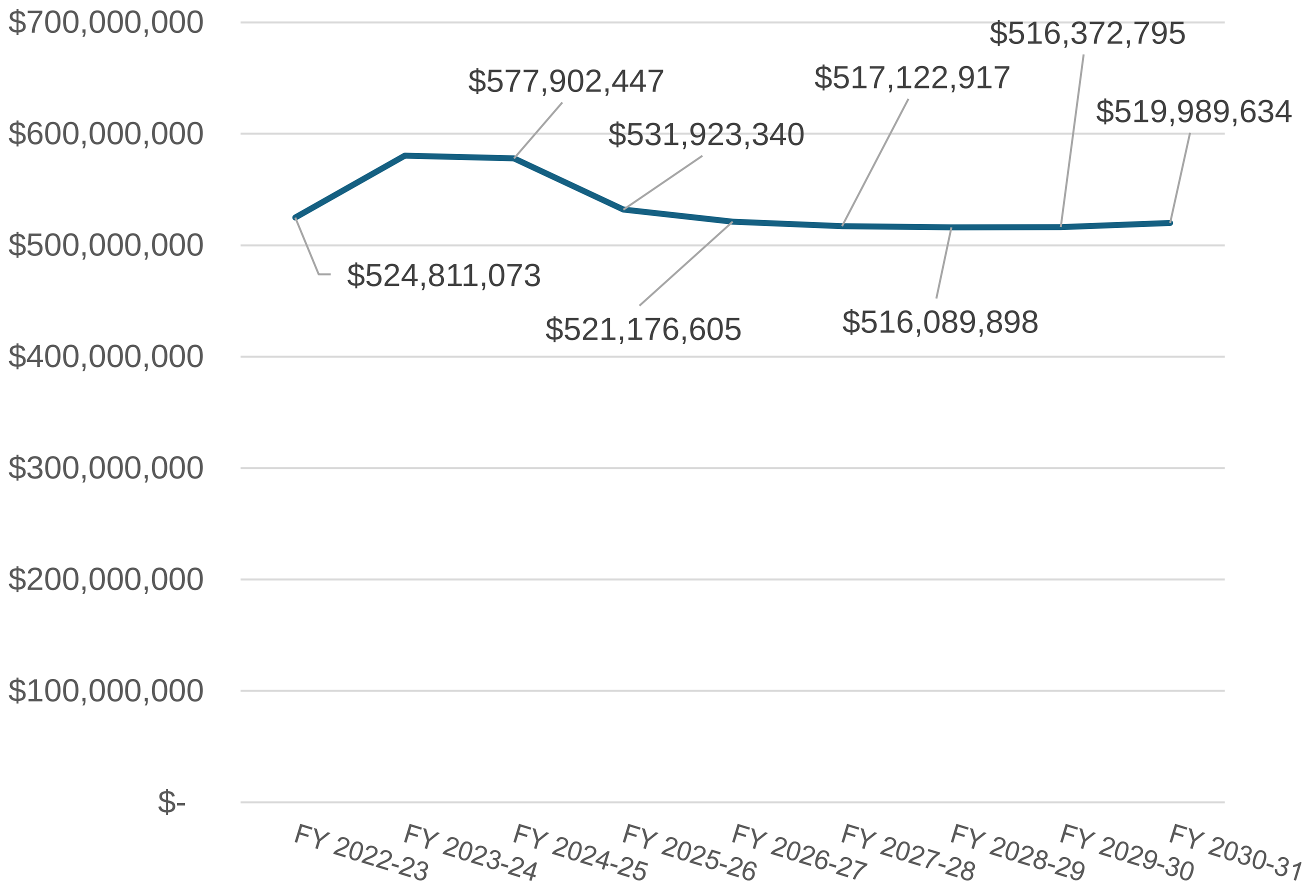


Figure 20: Break-even Participation Fee Rates (High Forecast)

Table 16: Forecasted Financial Outcomes (High Forecast)

		Forecast Range					
	Est. Actual	*Forecasted*	*Forecasted*	*Forecasted*	*Forecasted*	*Forecasted*	*Forecasted*
	FY 2024-25	**FY 2025-26**	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**	**FY 2030-31**
Beginning Fund Balance At July 1	**$ 580,407,234**	**$ 577,902,447**	**$ 531,923,340**	**$ 521,176,605**	**$ 517,122,917**	**$ 516,089,898**	**$ 516,372,795**
Adjusted Beg. Fund Balance	**$ 580,407,234**	**$ 577,902,447**	**$ 531,923,340**	**$ 521,176,605**	**$ 517,122,917**	**$ 516,089,898**	**$ 516,372,795**
Additions	$ 457,767,531	$ 450,097,958	$ 503,658,646	$ 529,356,447	$ 552,083,888	$ 573,834,509	$ 598,357,950
Deductions	$ (460,272,318)	$ (496,077,066)	$ (514,405,381)	$ (533,410,134)	$ (553,116,907)	$ (573,551,611)	$ (594,741,111)
Increase / Decrease in Fund From Operations	$ (2,504,787)	$ (45,979,107)	$ (10,746,735)	$ (4,053,687)	$ (1,033,020)	$ 282,898	$ 3,616,839
Ending Fund Balance At June 30 (Working Capital)	**$ 577,902,447**	**$ 531,923,340**	**$ 521,176,605**	**$ 517,122,917**	**$ 516,089,898**	**$ 516,372,795**	**$ 519,989,634**
	$ -	**$ -**	**$ -**	**$ -**	**$ -**		**$ -**
Unrestricted Working Capital/Fund Balance	**$ 577,902,447**	**$ 531,923,340**	**$ 521,176,605**	**$ 517,122,917**	**$ 516,089,898**	**$ 516,372,795**	**$ 519,989,634**
Months of Budgeted Operations Funded	**14.6**	**12.9**	**12.2**	**11.6**	**11.2**	**10.8**	**10.5**