Proposed Fiscal Year 2026 Budget

July 2025 – June 2026

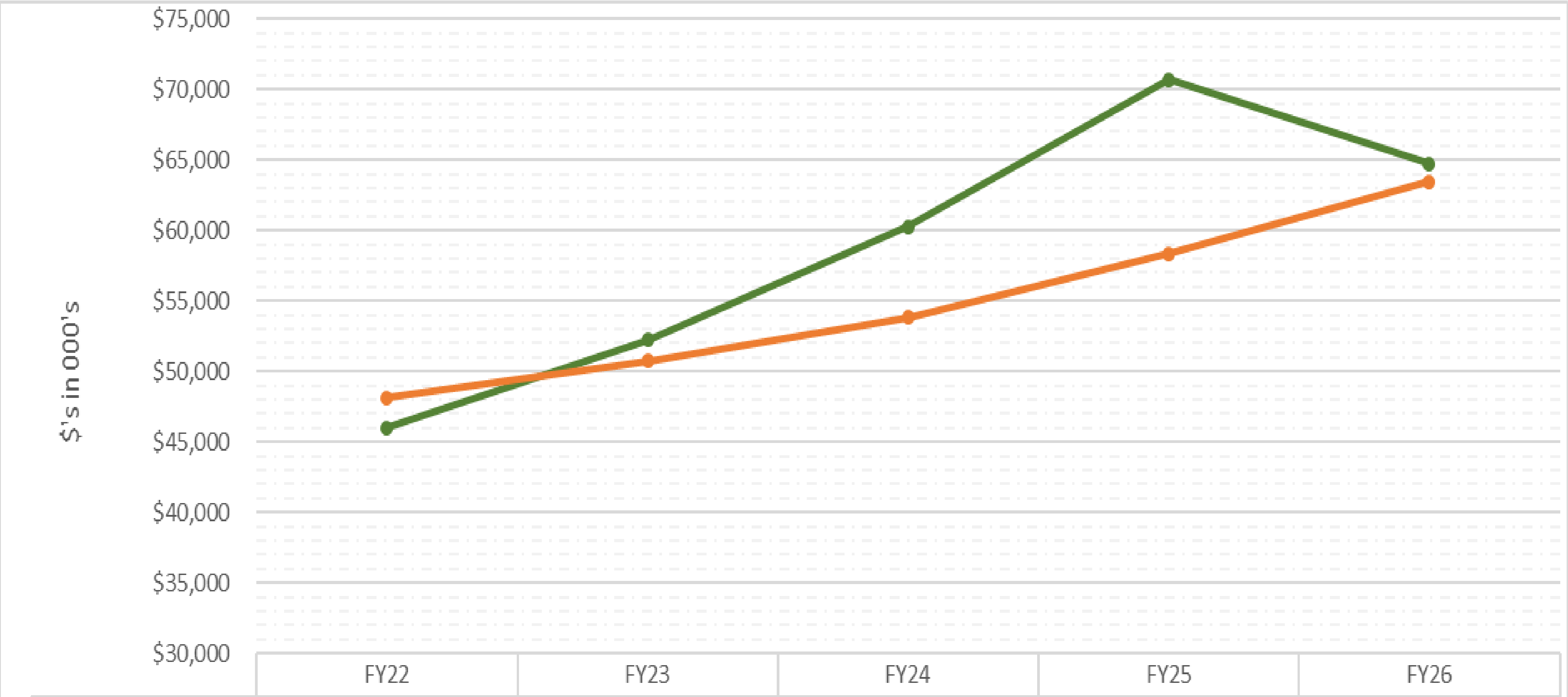
Board of Directors Meeting

June 9, 2025



ConnectforHealthCO.com

Proposed FY26 Budget Summary
Fiscal Year Comparisons (FY22 – FY26)



	FY22	FY23	FY24	FY25	FY26
Revenue	$46,009	$52,225	$60,286	$70,699	$64,743
Expenditures	$48,149	$50,755	$53,814	$58,374	$63,465
Surplus/(Deficit)	$(2,140)	$1,470	$6,472	$12,325	$1,278

- Revenues decrease 8% from FY25 due in large part to assumed 25% lower enrollments for plan year 2026.
- Net surplus of $1.3 million for FY26 is after accounting for funding of capital expenditures
- Operating expense increase of 9% over FY25 levels due to inflationary impacts and staffing growth carryover from FY 25 - further explanation provided in budget materials

Proposed FY26 Budget Details
Fiscal Year Comparisons (FY21 – FY26)

$'s in 000's	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Budget Fiscal Year 2026	% Change FY25 vs FY26
Revenues							
Issuer Fees	30,963	34,008	37,200	45,792	57,493	53,009	-8%
Tax Credit Donations	5,000	5,000	6,890	6,785	5,282	5,300	0%
Grants/Contracts	175	3,637	3,541	1,300	1,670	875	-48%
Cost Reimbursements	5,089	3,348	3,264	3,372	3,109	2,889	-7%
Service Fees (CoCo)			935	2,270	2,470	1,625	-34%
Interest/Other	53	16	396	767	675	1,045	55%
Total Revenue	**41,281**	**46,009**	**52,225**	**60,286**	**70,699**	**64,743**	**-8%**
Operating Expenses							
Technology & Operations	13,530	14,728	17,858	20,901	22,019	23,001	4%
Customer Operations	10,799	9,402	9,787	9,145	10,038	10,875	8%
Marketing and Outreach	5,401	6,890	6,698	7,396	7,955	9,157	15%
Support Services	7,849	10,160	10,822	12,267	12,578	14,377	14%
Total Operating Expenses	**37,578**	**41,180**	**45,166**	**49,708**	**52,589**	**57,409**	**9%**
Net Income Before Depreciation	**3,702**	**4,829**	**7,060**	**10,578**	**18,110**	**7,333**	**-60%**
Depreciation	3,525	4,219	4,732	4,283	4,464	4,195	-6%
Net Profit/Loss	**178**	**610**	**2,328**	**6,295**	**13,646**	**3,138**	**-77%**
Capital Expenditures	**6,723**	**6,969**	**5,590**	**4,106**	**5,785**	**6,055**	**5%**
Average Cash Balance	**13,291**	**13,323**	**15,014**	**15,701**	**27,164**	**31,923**	**18%**

- Net profit after depreciation of $3.1 million for FY26 – down from projected FY25 net profit of $13.6 million due to reduced issuer fee revenue combined with increased marketing and customer service expenditures

Further breakdowns and explanations follow

Fiscal Year 2026 Budget - Revenue Assumptions

Overall, the preliminary budget shows revenues decreasing by 8% over the prior fiscal year. Key revenue assumptions include:

- Medical and dental enrollments for first 6 months of the budgeted fiscal year (July-Dec 2025) are based on current 2025 enrollment levels
- **Enrollments** from plan year 2026 open enrollment are assumed to be **25% lower** (64,000 enrollments) than the current year enrollment level due to the expiration of the enhanced premium credits. This impacts issuer fee revenue for the 2nd half of the fiscal year (Jan-June 2026).
- **Average gross premium levels** per enrollment are based on actuals for plan year 2025 and assumes **no increase** for plan year 2026. While overall individual market premium levels are expected to rise in 2026, with the expiration of the enhanced tax credits the market increases are assumed to be offset by Exchange customers shopping for lower cost plans.
- In line with 2024 donations, SB81 donations projected for fall 2025 are assumed to be $300,000.
- Earnings rate on investments moderates to an average return of 4%.
- Special funding in FY 2026 for HIAE related technology projects of $875,000 to support HIAE board initiatives still being identified.
- Fees for services provided to Colorado Connect are expected to decrease due to uncertainty of plan year 2026 HIAE funding.
- Enrollment terminations during the year are assumed to be offset by enrollment additions based on historical levels of special enrollments from qualifying events outside of open enrollment.
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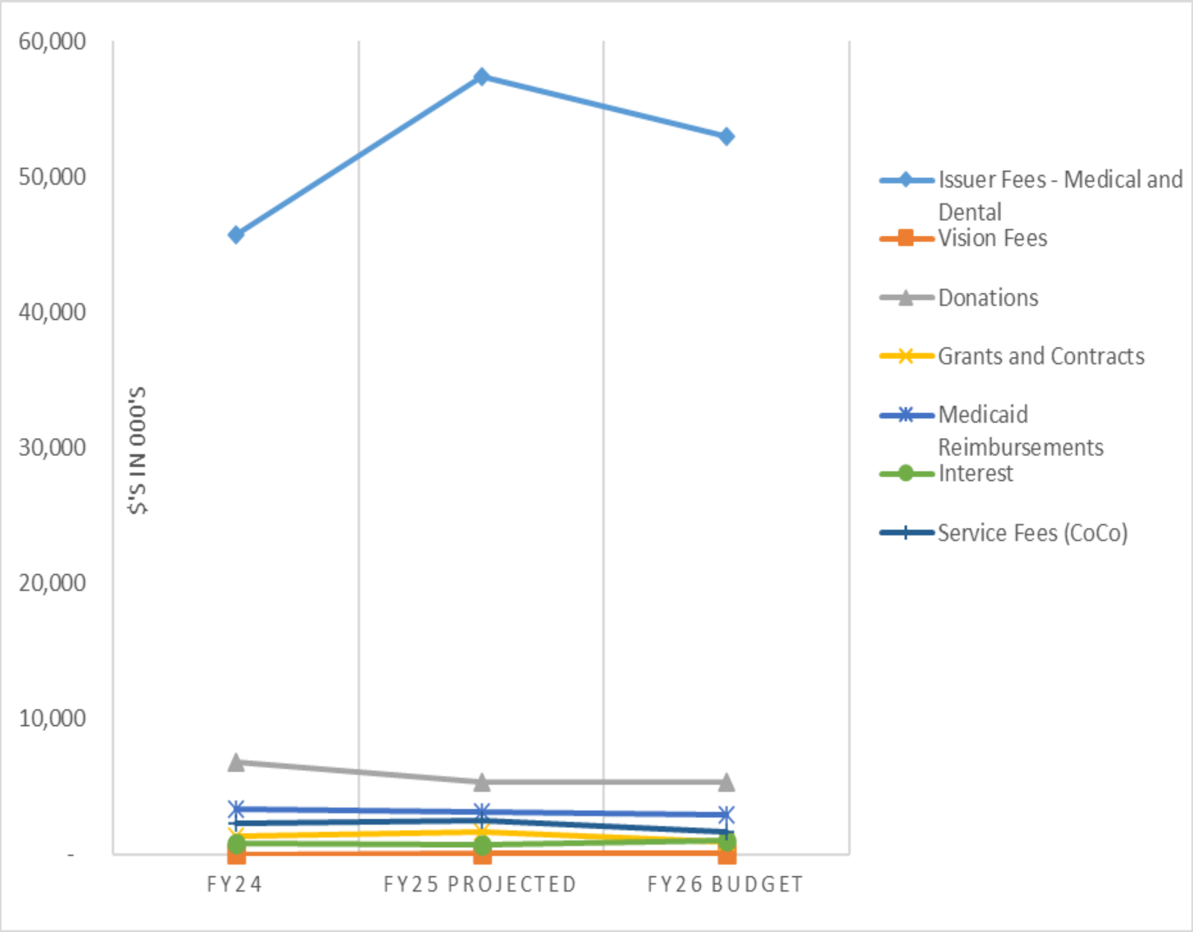
Fiscal Year 2026 Budget – Expenditure Focus Areas

Overall focus on expenditures for fiscal year 2026 is to prepare for the likely discontinuance of enhanced subsidies in plan year 2026 and resulting need to operate more efficiently and focus on expanding enrollments – areas include:

- Accelerating projects that will provide a better customer experience and less manual intervention*
- Investing in tools/data infrastructure that will reduce current high level of manual processes and provide more accurate and timely information
- Incorporation of AI in processes to improve efficiencies and productivity
- Expansion of marketing and outreach efforts to educate customers along with expanding options for small businesses for covering their employees through the individual market

*More detail is provided on these projects in the technology initiatives slide

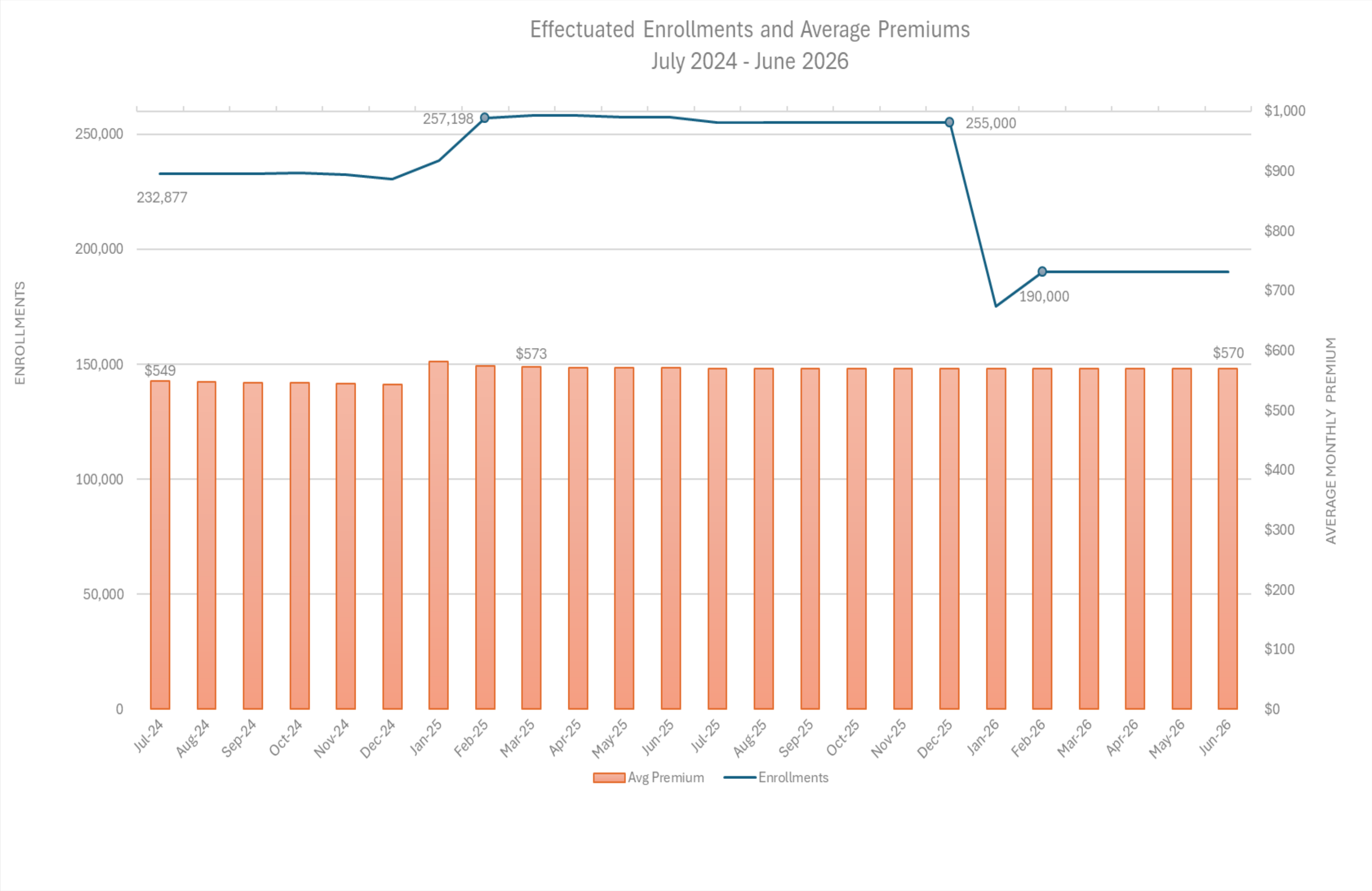
Revenue - Summary Comparison FY24 – FY26



Revenues ($'s in 000's)	FY24	FY25 Projected	FY26 Budget	% Change FY25 vs FY26
Issuer Fees - Medical and Dental	45,750	57,429	52,958	-8%
Vision Fees	41	64	50	-21%
Donations	6,785	5,282	5,300	0%
Grants and Contracts	1,300	1,670	875	-48%
Medicaid Reimbursements	3,372	3,109	2,889	-7%
Interest	767	675	1,045	55%
Service Fees (CoCo)	2,270	2,470	1,625	-34%
Total	60,286	70,699	64,743	-8%

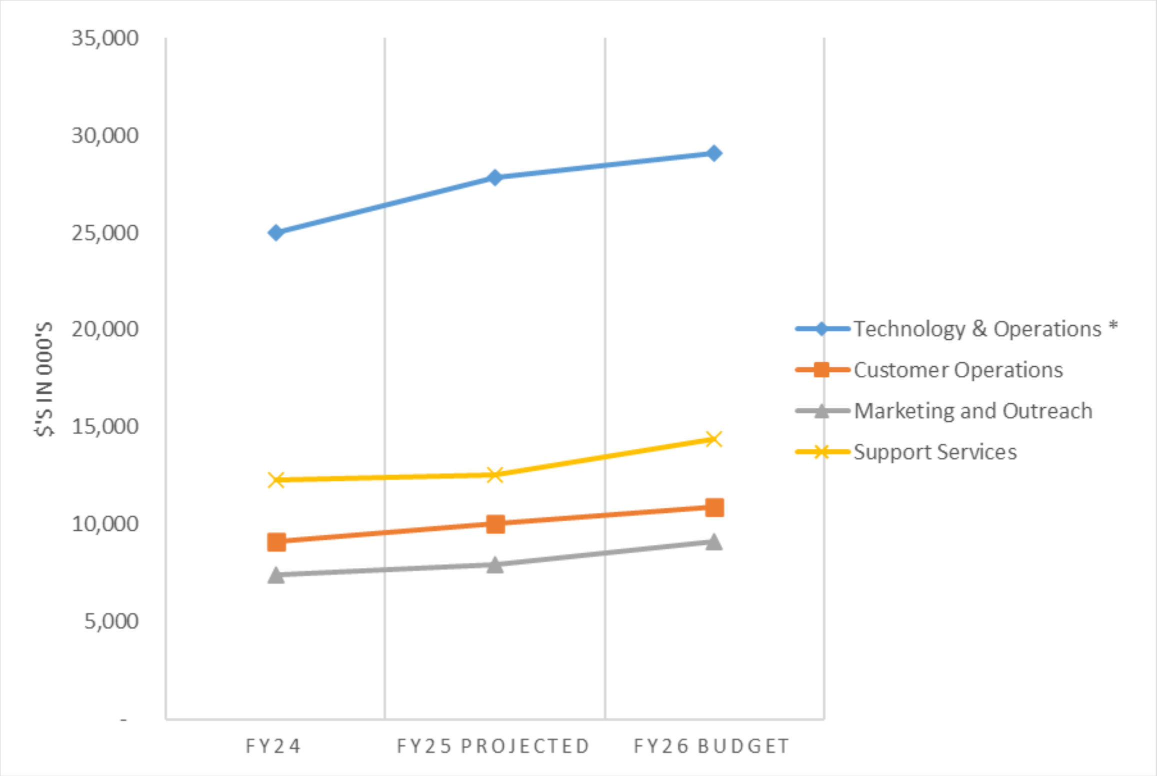
- Issuer fee revenue decrease for FY26 attributable to an assumed 25% decrease in plan year 2026 enrollments.
- SB 81 related donations expected to be at FY 25 level - $300,000. The total annual tax credit allotment is $4 million for this program. Pursuing further outreach with issuers to boost donations.
- HIAE technology project funding of $875,000 to support HIAE specific initiatives.
- Colorado Connect service fees are for C4HCO costs in supporting Colorado Connect enrollments – these fees are primarily enrollment/call volume driven.
- Earnings rate on investments assumed to drop from current levels to 4% but income increases due to higher balances.

Proposed FY26 Budget Details
Effectuated Enrollments and Average Monthly Premiums



- Enrollment projected to decrease by 25% from 2025 levels for plan year 2026
- Average premiums for plan year 2026 projected to stay at the same level ($570 per month) as projected for plan year 2025

Expenditures - Summary Comparison FY24 – FY26



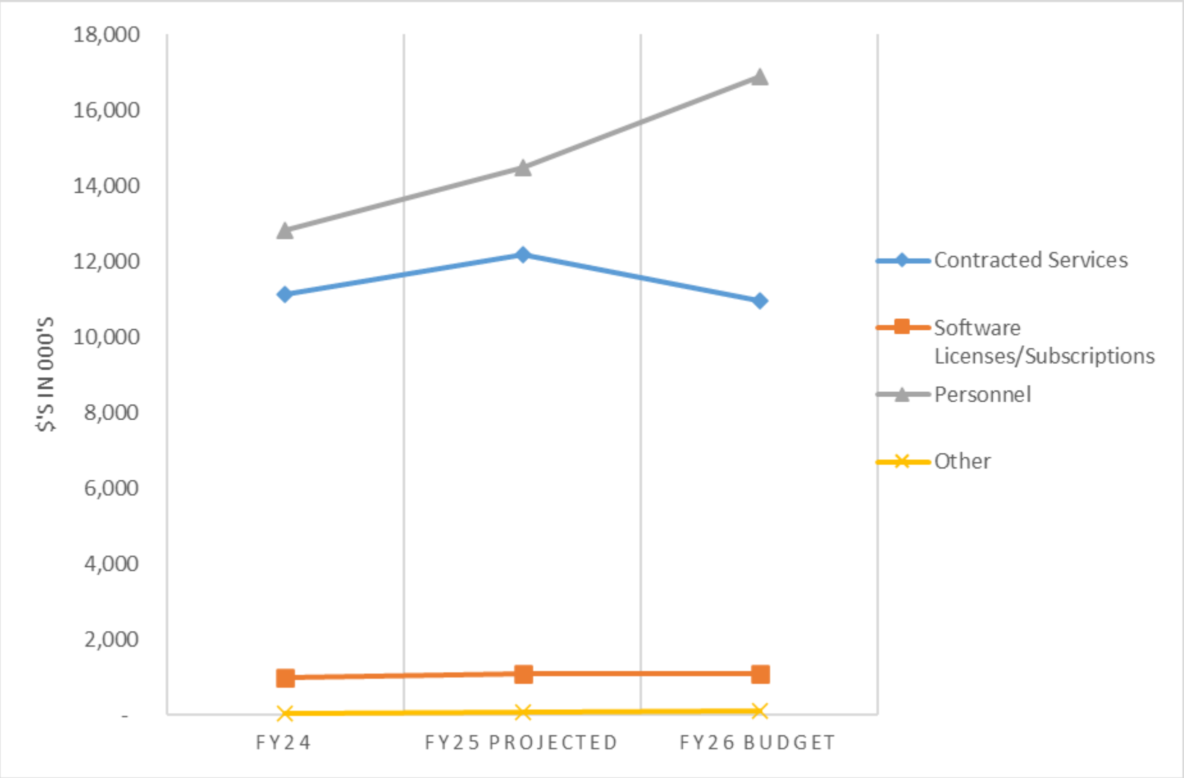
* Includes capital expenditures

Further breakdowns and explanations provided on expense detail pages

Expenditures ($'s in 000's)	FY24	FY25 Projected	FY26 Budget	% Change FY25 vs FY26
Technology & Operations *	25,006	27,804	29,056	5%
Customer Operations	9,145	10,038	10,875	8%
Marketing and Outreach	7,396	7,955	9,157	15%
Support Services	12,267	12,578	14,377	14%
Total Expenditures	**53,814**	**58,374**	**63,465**	9%
Without Capex	49,708	52,589	57,409	9%

- Technology and operations expenses include both operational costs and development costs (capital investments), along with health plan issuer operations
- Customer operations include both the service center and medical assistance site operations
- Marketing and outreach includes the assistance network program
- Support services are services provided across the organization and include HR, training, Finance, Legal, Facilities, Administration, Policy and Research, Public/Community relations, Internal IT, Privacy and Security and Data Analytics services.

Technology and Operations Expense Comparison FY24 – FY26



Technology and Operations ($'s in 000's)	FY24	FY25 Projected	FY26 Budget	% Change FY25 vs FY26
Contracted Services	11,136	12,163	10,955	-10%
Software Licenses/Subscriptions	1,005	1,105	1,095	-1%
Personnel	12,819	14,474	16,882	17%
Other	46	62	123	100%
Total With Capex	25,006	27,804	29,056	5%
CapEx	4,106	5,785	6,055	5%
Total Without Capex	20,901	22,019	23,001	4%

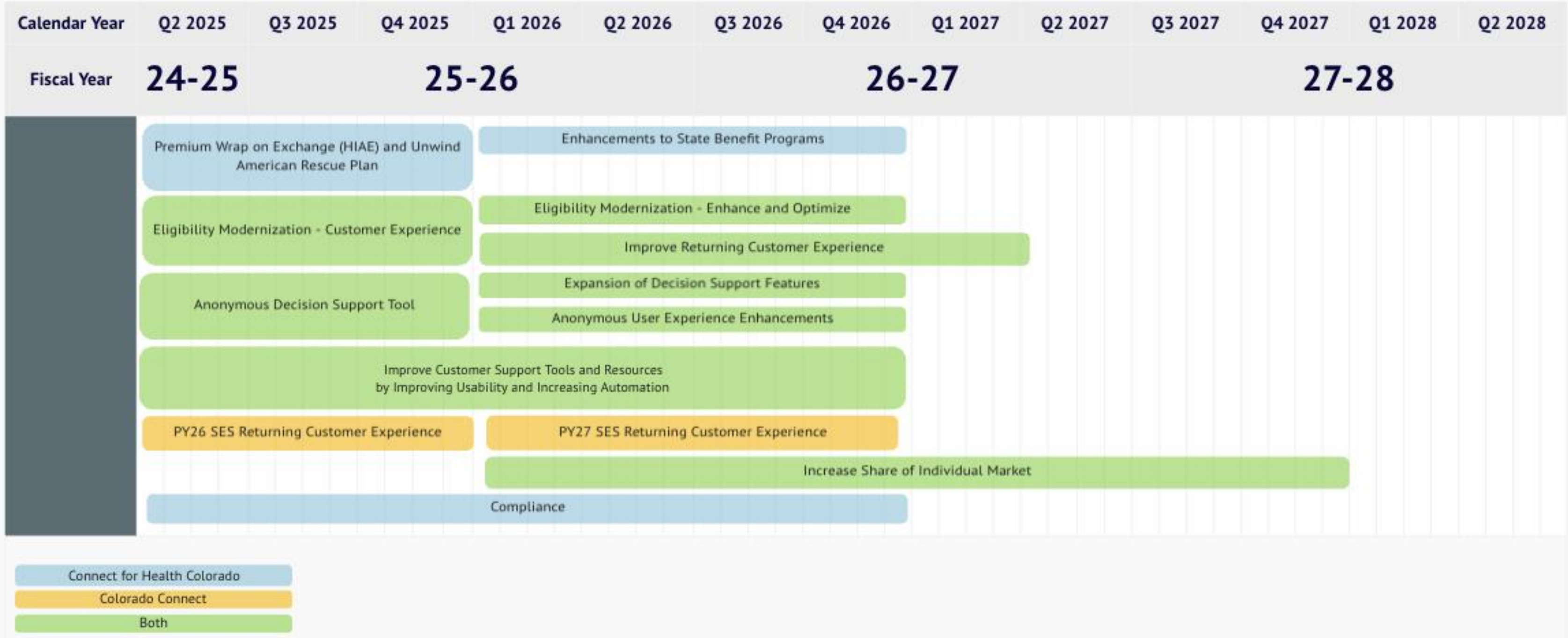
- Budget reflects continuation of transitioning to internally staffing key technology/operations positions contributing in part to the 17% increase in personnel and corresponding reduction in contracted services
- Capital expenditures (Capex) projected to continue at FY 25 level of development activity outlined in the technology initiative slide

Technology Initiatives

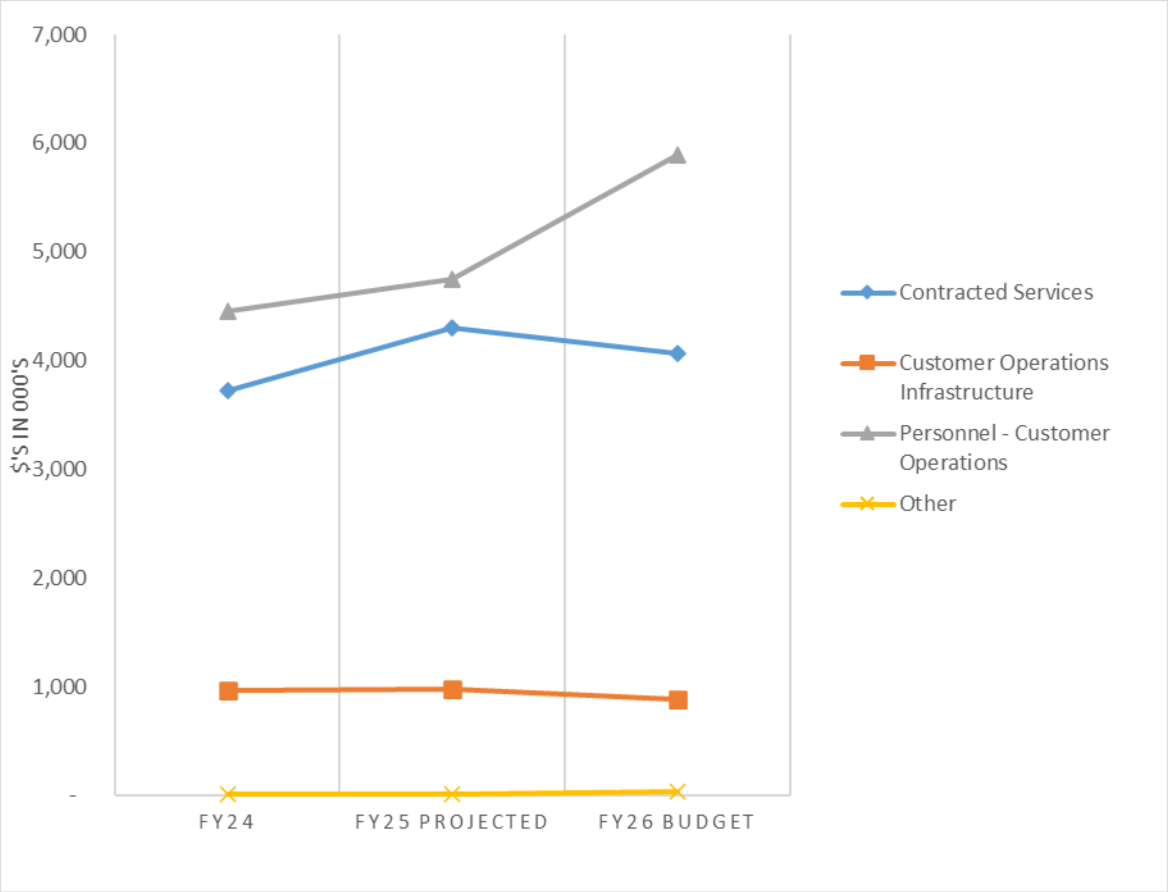
Connect for Health Colorado and Colorado Connect Product Roadmap

Goals:

- Create a shared understanding of priorities, projects and strategy
- Set realistic expectations
- Allow for more robust collaboration and stakeholder feedback on user facing improvements
- Adapt to changes in priority due to external factors such as legislation, compliance needs and market shifts



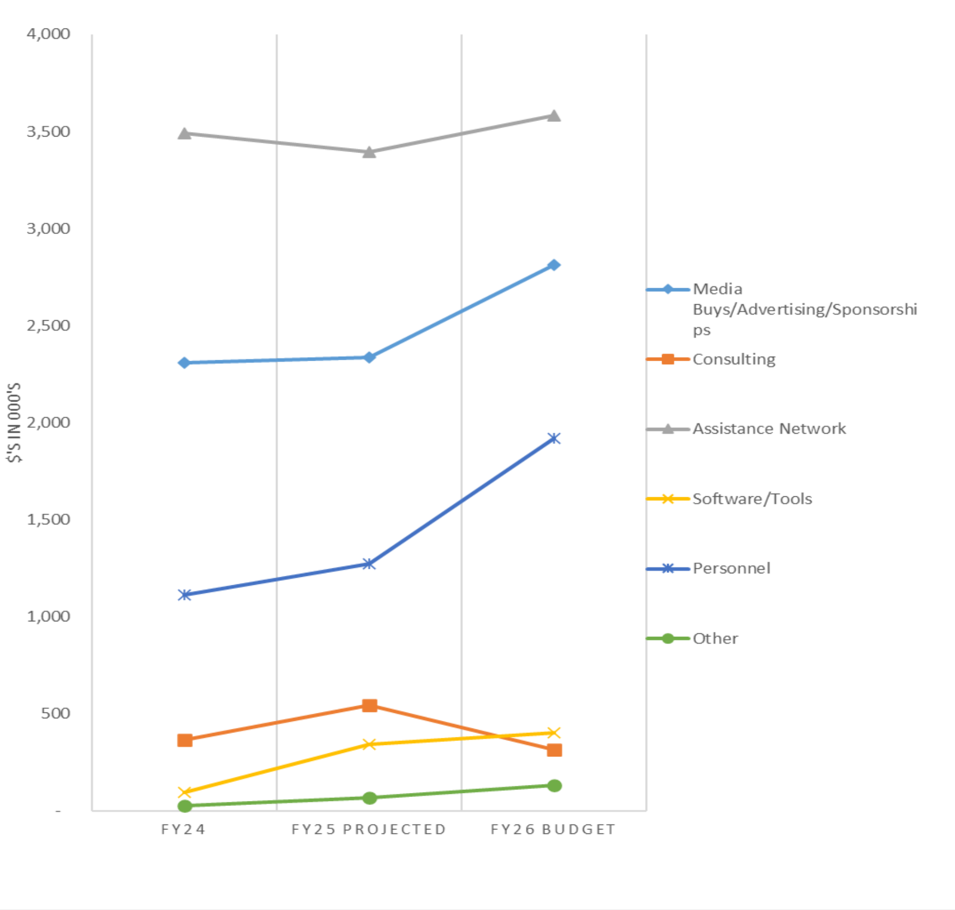
Customer Operations Expense Comparison FY24 – FY26



Customer Operations ($'s in 000's)	FY24	FY25 Projected	FY26 Budget	% Change FY25 vs FY26
Contracted Services	3,718	4,300	4,064	-5%
Customer Operations Infrastructure	969	978	886	-9%
Personnel - Customer Operations	4,451	4,750	5,896	24%
Other	7	10	29	203%
Total	9,145	10,038	10,875	8%

- Higher personnel costs resulted from reaching full staff in 2nd half of FY25 and carrying that staff level into FY26.
- Personnel increase offset by reduced need for contracted staff.
- Service center staffing budgeted at higher level to support expected higher call volumes due to loss of enhanced subsidies
- Infrastructure cost reduction due to completion of implementation of CRM in FY 25.

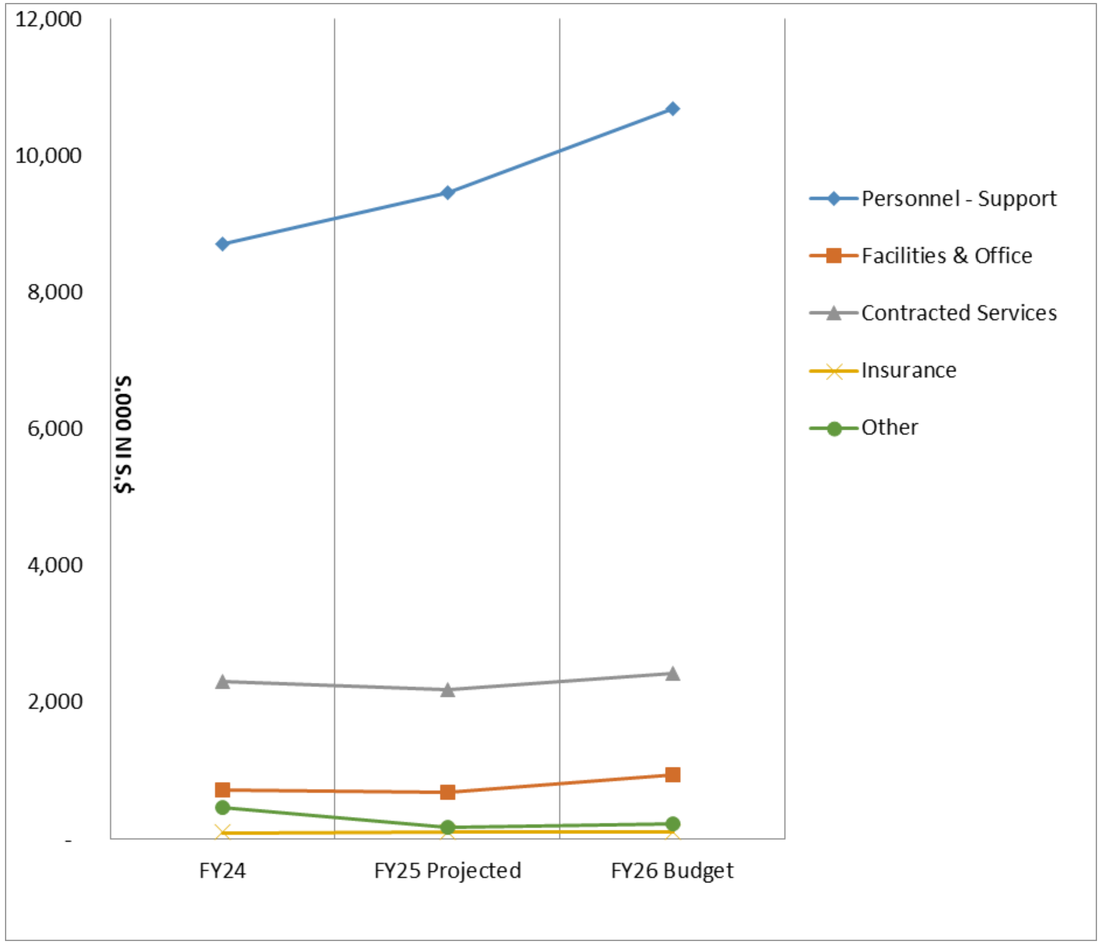
Marketing and Outreach Expense Comparison FY24 – FY26



Marketing and Outreach ($'s in 000's)	FY24	FY25 Projected	FY26 Budget	% Change FY25 vs FY26
Media Buys/Advertising/Sponsorships	2,308	2,338	2,812	20%
Consulting	364	541	313	-42%
Assistance Network	3,492	3,395	3,583	6%
Software/Tools	95	341	401	17%
Personnel	1,113	1,271	1,919	51%
Other	24	68	129	89%
Total	7,396	7,955	9,157	15%

- Increase in media buys and advertising to support additional consumer education along with expanded small business outreach
- Continued additional SB-81 funding of the assistance network is included in FY 26 budget at a similar level as FY25.
- Staffing costs increase due to understating of FY 25 resulting from staff vacancies during the year and reorganization of marketing and communications operations requiring new roles to support expanded marketing efforts

Support Services Expense Comparison
FY24 – FY26



Support Services ($'s in 000's)	FY24	FY25 Projected	FY26 Budget	% Change FY25 vs FY26
Personnel - Support	8,703	9,461	10,684	13%
Facilities & Office	714	678	938	38%
Contracted Services	2,300	2,178	2,430	12%
Insurance	93	100	106	6%
Other	457	161	219	36%
Total	12,267	12,578	14,377	14%

- Support personnel increased due to unfilled positions in FY 25 that understated FY 25 costs and the addition of key positions in the 2nd half of FY 25 to support our data strategy, operational management and administrative assistance.
- Contracted services increase as the result of the full year allotment of existing contractors on the administration and policy teams
- Facility/Office increase resulted from understated FY 25 rent expense due to refunds and need to refresh computer equipment for the service center.

3 Year Financial Goals

Goals

- Maintain targeted operating reserves and capital reserves
- Maximize individual market customer and health plan issuer value

Proposed Targets:

- Due to added uncertainty, maintain operating cash reserve of 4 months of average operating expenses over the planning period ($20 million)
- Maintain a sufficient capital reserve beyond the operating reserve level of $20 million. Goal of $10 million in capital reserves to allow for future initiatives and predictability in project funding/planning.
- Combined target reserve $30 million. Current plan shows a $14.7 million combined operating and capital reserve at the end of the 3 years forecasted (June 2028) unless further cost savings and/or new revenues are identified (discussed in following slides)

3 Year Financial/Business Strategies

- Revenue Growth
  - Focus additional efforts on potential new individual market unsubsidized enrollments (e.g., family glitch, small business/HRA enrollments, COBRA)
  - Expanded marketing efforts to maximize renewals and target new enrollment populations
  - Improvements to the shopping and enrollment experience (e.g., enhanced decision support, improved issuer, assister & broker tools, enhanced integration/API capabilities) that makes C4HCO the platform of choice by customers, issuers, brokers and administrative vendors for individual plan shopping and enrollment
  - Leverage Colorado Connect flexibility in providing additional products & services (e.g., unsubsidized plans, small business, consulting/outsourcing services, ancillary benefits).
- Expense Management
  - Continuous improvement in processes/products that improves efficiencies without detriment to customers, harnessing of AI where it makes an impact without harming customer experience
  - Insourcing of resources for key strategic areas of service/product delivery and customer interaction
  - Increase diligence on evaluating new projects balancing compliance with ROI
  - Build a flexible cost structure that can economically flex up for unexpected demands

3 Year Projections
FY 2027 and FY 2028 Assumptions

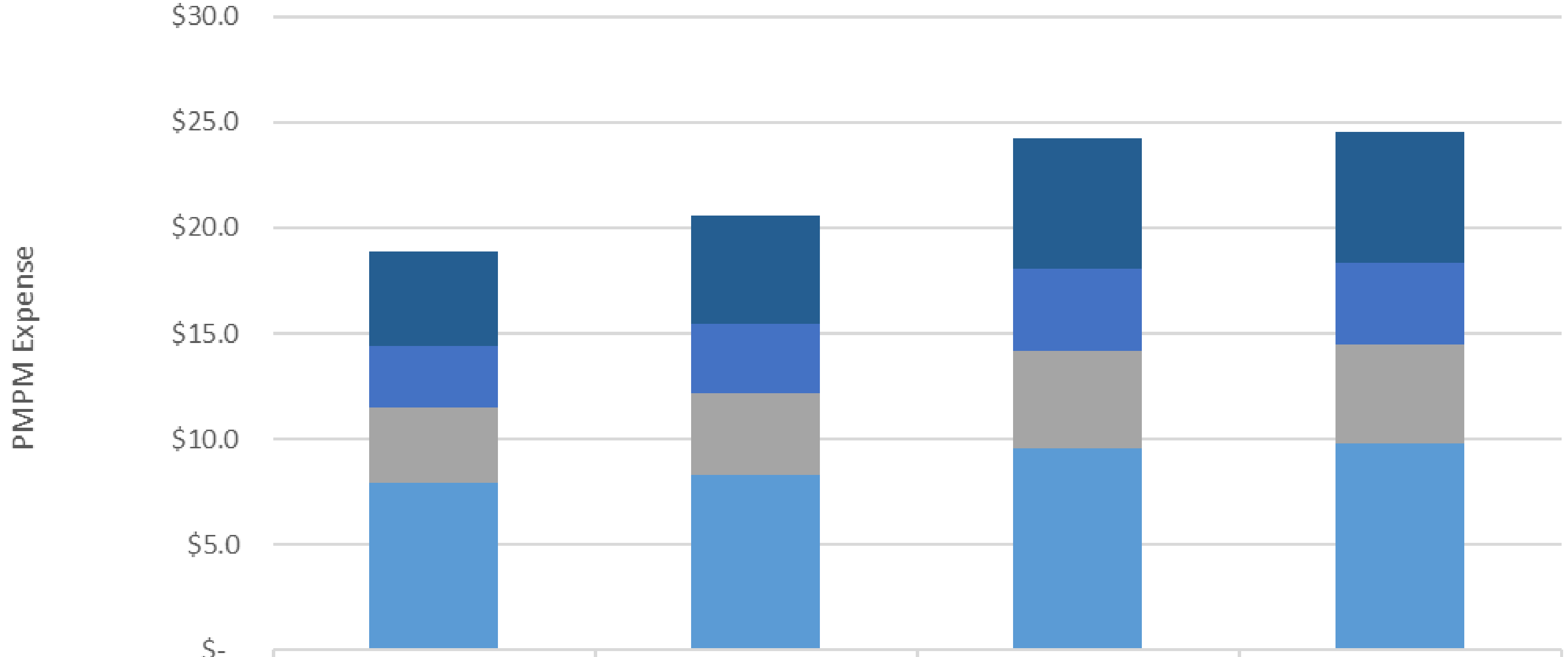
- Enrollments increase by 5,000 in 2027 and 2028 from FY 26 reduced levels
- Average monthly premiums per enrollment continue at FY 26 level ($570)
- SB81 donations continue at $300,000 per year
- CoCo service fees continue at FY 26 level
- No additional funding nor costs are assumed for implementation of state or federally driven projects beyond FY26.
- Expenditures increased for inflation.
- No additional staffing or contracted resources over FY26 levels

3 Year Projections Details
Fiscal Year FY25 – FY28

$'s in 000's	Fiscal Year 2025 Projected	Fiscal Year 2026 Forecast	Fiscal Year 2027 Forecast	Fiscal Year 2028 Forecast
Revenues				
Carrier Fees	57,493	53,009	46,031	47,245
Tax Credit Donations	5,282	5,300	5,300	5,300
Grants/Contracts	1,670	875	-	-
Cost Reimbursements	3,109	2,889	3,001	3,106
Service Fees (CoCo)	2,470	1,625	1,625	1,625
Interest/Other	675	1,045	957	652
Total Revenue	**70,699**	**64,743**	**56,914**	**57,929**
Operating Expenses				
Technology & Operations	22,019	23,001	23,285	24,351
Customer Operations	10,038	10,875	11,281	11,675
Marketing and Outreach	7,955	9,157	9,423	9,700
Support Services	12,578	14,377	14,953	15,567
Unidentified Cost Savings			(7,500)	(9,500)
Total Operating Expenses	**52,589**	**57,409**	**51,443**	**51,793**
Net Income Before Depreciation	**18,110**	**7,333**	**5,471**	**6,136**
Depreciation	4,464	4,195	5,132	5,776
Net Profit/Loss	**13,646**	**3,138**	**339**	**359**
Capital Expenditures	**5,785**	**6,055**	**6,096**	**6,417**
Average Cash Balance	**27,164**	**31,923**	**27,803**	**18,532**

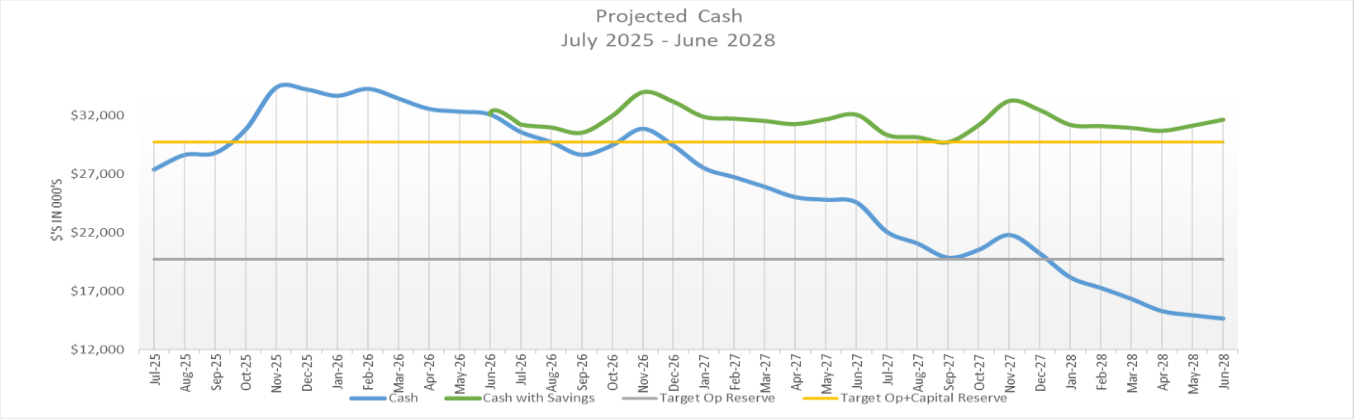
- Goal for FY 27 and FY28 is to increase revenues and/or decrease costs to achieve positive net income.
- Cost savings (and/or revenue growth) needed for positive net income in FY 27 and FY 28 are $7.5 million and $9.5 million, respectively.
- To satisfy this gap solely with revenue growth would require an increase in enrollments of 40,000.

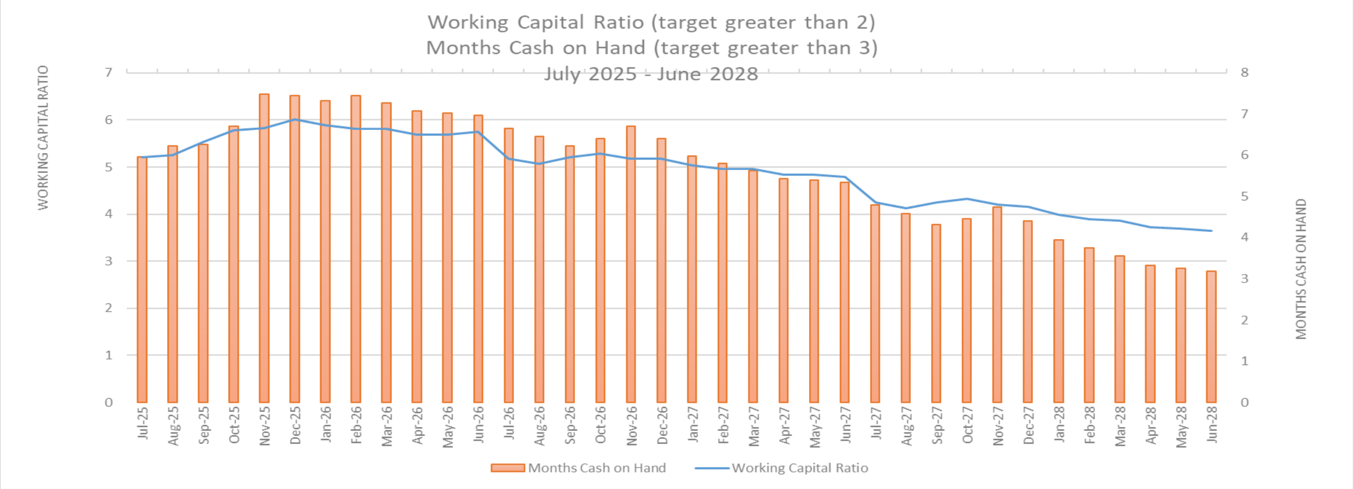
Per Member Per Month Expenses – 3 Year Projection FY25 – FY28



	FY25	FY26	FY27	FY28
Support Services	$4.5	$5.2	$6.1	$6.2
Marketing and Outreach	$2.9	$3.3	$3.9	$3.9
Customer Operations	$3.6	$3.9	$4.6	$4.7
Technology & Operations	$7.9	$8.3	$9.6	$9.8

Cash and Liquidity Metrics
3 Year Projection (FY26 – FY28)





- Cash levels begin dropping in FY27, falling below operating reserve targets by the start of 2028 (blue line on projected cash graph).
- With targeted cost savings (or alternatively new revenues) sufficient to maintain profitability in FY 27 and 28, cash balances remain above reserve targets (green line on cash graph)
- Months cash on hand falls below targeted 4 months in 2028 without additional cost savings/new revenue streams in FY 27 and FY 28.