

**TO:** CONNECT FOR HEALTH COLORADO EXECUTIVE AND FINANCE COMMITTEE

4600 South Ulster Street | Suite 300  
Denver, CO 80237

**FROM:** BRIAN BRAUN, CHIEF FINANCIAL OFFICER

**SUBJECT:** QUARTERLY FINANCIAL REPORT 2ND QUARTER FISCAL YEAR 2026

**DATE:** 1/16/26

Key Performance Indicators	Status	YTD - 6 Months Ending 12.31.25		
		Actual	Budget	% of Target
Effectuated Enrollment (average)	●	253,260	253,000	100.1%
Net Operating Margin	●	33.9%	21.8%	
Per Member Per Month (PMPM) - Carrier Fees	●	\$20.1	\$20.1	99.9%
Per Member Per Month (PMPM) - Operating Expenses	●	\$16.9	\$18.9	89.6%
Months Cash on Hand	●	9.8	8.3	118.7%
Working Capital Ratio	●	6.7	5.1	131.0%
Net Promoter Score (NPS)				

Key metrics through the 2nd quarter were in line or exceeded expectations. Enrollment levels are on track with the budget for the first 6 months of the year. Net operating margin exceeded expectations due to lower operating expenses for the period compared to the budget. With the closeout of open enrollment we are delaying the release of the NPS score to capture the complete open enrollment period in the score.

Financial Results (in 000's)	Status	YTD - 6 Months Ending 12.31.25		
		Actual	Budget	% of Budget
<b>Revenues:</b>				
Program Revenue	●	8,874	6,836	129.8%
Carrier Fees	●	30,479	30,488	100.0%
Grant/Other Revenue	●	2,037	1,314	155.1%
<b>Total Revenue</b>	●	<b>41,390</b>	<b>38,638</b>	<b>107.1%</b>
<b>Expenditures:</b>				
Technology	●	14,072	14,819	95.0%
Customer Service	●	5,394	5,741	94.0%
Marketing and Outreach	●	4,555	5,327	85.5%
Support Services	●	5,804	6,689	86.8%
Facilities	●	384	511	75.1%
<b>Total Expenditures</b>	●	<b>30,209</b>	<b>33,088</b>	<b>91.3%</b>
Less Capital Expenditures	●	(2,850)	(2,870)	99.3%
<b>Earnings Before Depreciation</b>	●	<b>14,031</b>	<b>8,420</b>	<b>166.6%</b>
<b>Earnings After Depreciation</b>	●	<b>12,193</b>	<b>6,490</b>	<b>187.9%</b>
Cash Flows	●	9,669	2,680	360.7%
Cash	●	44,272	37,283	118.7%
Working Capital	●	49,218	39,025	126.1%

Financial results through the first six months of the fiscal year exceeded the budgeted expectations with overall earnings before depreciation coming in \$5.7 million better than budget (\$12.2 million compared to \$6.5 million budgeted). These higher earnings were the result of lower expenditures for the period.

Detailed financial statements are attached to this memo. The following are more detailed explanations of budget to actual variances.

### **Revenue**

Revenues were above expectations by \$2.7 million for the six month period. The higher revenues were driven by higher SB-81 donations (\$2.2 million compared to \$300,000 budgeted). These funds are restricted in their use to outreach efforts. The budget for these funds was based on the prior years donation level. Additionally, due to timing differences with the budget, fees related to Colorado Connect exceeded budget. The budget for Colorado Connect fees assumed even enrollment through the fiscal year but the actual enrollments were higher in the first 6 months of the year. This variance is expected to reverse in the 2<sup>nd</sup> half of the year.

### **Expenditures**

Operating expenses came in significantly under budget for the six months (\$2.9 million below budget). Lower staff costs, as the result of delays in hiring across the organization, were the primary driver of the lower expenses. Hiring has been delayed until enrollments for 2026 have solidified. Marketing expenses were also lower than budgeted levels primarily due to the timing of media buys – still on track for the year overall.

Travel and business expenditures by the CEO for the quarter of \$3,675 were below the budgeted amount of \$16,875. Year to date CEO expenditures were \$10,847, compared to \$33,750 budgeted. Of the total amounts, \$338 and \$396 were respectively spent on business meals.

### **Cash and Working Capital**

Attributable to the lower operating expenditures for the six months along with higher revenues, cash and investment balances are \$7 million higher than budgeted as of December 31. With the end of open enrollment and more certainty regarding 2026 enrollments/revenues, we will be ramping up development activities as seen in our revised projections below.

Cash during the quarter was in a combination of liquid bank accounts (\$5.5 million) and the CSIP liquid investment account (\$38.8 million). The current interest rate for the CSIP investment account is 3.83%.

### **Fiscal Year Projection**

Based on actual enrollment submissions for plan year 2026 and six months of actual results (July-Dec 2025), projected earnings for the fiscal year are \$11.3 million higher than budget. This is primarily the result of higher enrollments for the Jan-June 2026 period and lower expenditures than budget for the first 6 months of the year as explained above. The budget anticipated significant decreases in enrollments as the result of the enhanced subsidies ending. Based on the results of open enrollment we have not seen a significant drop in enrollments. We will be monitoring effectuations over the next 2 months and revising projections if we see a drop in enrollments due to cancellations/terminations of plans.

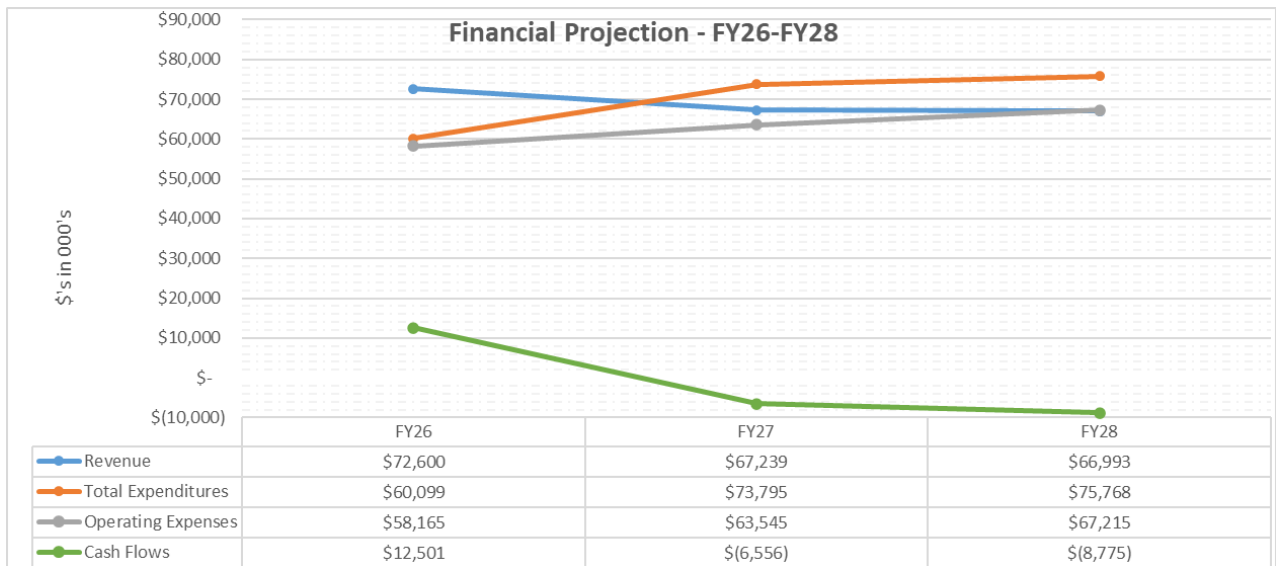
Below is a comparison between the approved budget and projected results for the fiscal year.

<i>\$'s in 000's</i>	<b>Fiscal Year 2026 Budget</b>	<b>Fiscal Year 2026 Projected</b>	<b>Projected vs Budget</b>
<b>Revenues</b>			
Carrier Fees	53,009	58,804	5,796
Tax Credit Donations	5,300	7,231	1,931
Grants/Contracts	875	-	(875)
Cost Reimbursements	2,889	2,984	95
Service Fees (CoCo)	1,625	2,230	605
Interest/Other	1,045	1,351	306
<b>Total Revenue</b>	<b>64,743</b>	<b>72,600</b>	<b>7,857</b>
<b>Operating Expenses</b>			
Technology & Operations	23,001	22,454	(547)
Customer Operations	10,875	10,081	(794)
Marketing and Outreach	9,157	8,055	(1,101)
Support Services	14,377	13,627	(750)
Unidentified Cost Savings			-
<b>Total Operating Expenses</b>	<b>57,409</b>	<b>54,217</b>	<b>(3,192)</b>
<b>Net Income Before Depreciation</b>	<b>7,333</b>	<b>18,383</b>	<b>11,050</b>
Depreciation	4,195	3,948	(247)
<b>Net Profit/Loss</b>	<b>3,138</b>	<b>14,435</b>	<b>11,297</b>
<b>Capital Expenditures</b>	<b>6,055</b>	<b>5,882</b>	<b>(173)</b>

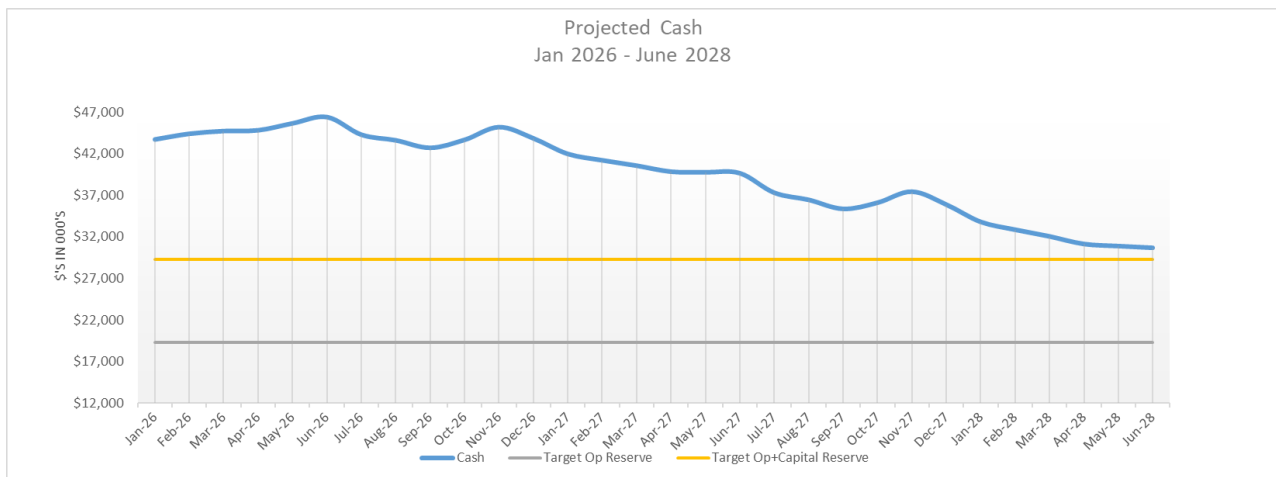
Key assumptions in the projections include:

- Effectuation rate of plan year 2026 open enrollment submissions will be less than historical norms (87.5% compared to over 92% historically)
- Plan year 2026 average effectuated premium levels remain at current submission average
- No increased expenditures above budgeted levels for the Jan-June 2026 period.

With the new information we reforecasted our financial results through fiscal year 2028.



The forecast assumes enrollments will normalize in plan year 27 and 28 staying close to plan year 26 levels. Operating expenses are forecasted to increase at inflation with depreciation growing as the result of increased capital investments. The forecast reflects an increased level of investment in the platform and products and as result negative cash flows in FY27 and FY28. The result of this increased investment is a decrease in cash position to levels more in line with desired reserves.



Over the coming months further analysis will be performed as 2026 enrollment levels stabilize and additional expense analysis and project prioritization work is completed. Further strategic engagement with the Board will be incorporated into our financial planning and development of the fiscal year 2027 budget.

**Connect for Health Colorado**  
**Statement of Revenues, Expenses, and Changes in Net Position**

	FY 2026		
	6 months ending 12/31/2025		
	Actual	Budget	Actual vs Budget
<b>REVENUE</b>			
Carrier Fee - Individual	30,439,572	30,462,600	(23,028)
Carrier Fee Vision	38,993	25,200	13,793
HIAE Grant - Technology	-	-	-
Tax Credit Donations	5,000,000	5,000,000	-
Tax Credit Donations - SB81	2,230,837	300,000	1,930,837
Medicaid Cost Reimbursement	1,643,474	1,536,349	107,125
Interest Income	641,732	501,291	140,441
Other revenue (CoCo Service Fees)	1,395,522	812,500	583,022
<b>Total Revenue</b>	<b>41,390,129</b>	<b>38,637,940</b>	<b>2,752,189</b>
<b>EXPENSES</b>			
Technology			
Personnel	6,728,864	7,821,476	(1,092,612)
Maintenance & Operation	702,695	673,122	29,573
Software/Licenses/Subscriptions (Tech)	1,069,845	1,085,016	(15,171)
Hosting	1,150,880	1,147,149	3,732
DDI (Design, Dev., Implementation)	4,419,421	4,091,782	327,639
Capitalized DDI	(1,200,000)	(758,154)	(441,846)
Capitalized Salaries	(1,650,000)	(2,111,802)	461,802
Total Technology	11,221,705	11,948,589	(726,884)
Customer Service			
Personnel	2,750,220	2,863,118	(112,898)
Contracted Staffing	1,927,815	2,177,094	(249,279)
Operations Support	716,320	700,731	15,589
Total Customer Service	5,394,355	5,740,943	(346,588)
Marketing and Outreach			
Personnel	607,885	946,337	(338,452)
Media Buys - Radio/TV/Web	1,307,870	1,792,063	(484,192)
Outreach Services-Events, Sponsorships	350,476	359,500	(9,024)
Marketing Services	164,615	90,675	73,940
Assistance Network	2,124,060	2,138,769	(14,709)
Total Marketing and Outreach	4,554,906	5,327,343	(772,438)
Support services			
Personnel	5,149,570	5,828,684	(679,113)
Public Affairs Services	40,002	40,000	2
Professional Services	266,386	285,907	(19,521)
Training and Development	49,156	129,851	(80,695)
H/R Services	65,026	87,936	(22,910)
Legal Services	4,311	5,650	(1,340)
Audit Services	46,500	58,450	(11,950)
Insurance	49,309	52,844	(3,535)
Conferences/Meetings	13,772	28,450	(14,678)
Memberships/Dues/Subscriptions (Non-Tech)	72,699	72,995	(296)
Travel/Meals/Lodging	47,471	96,150	(48,679)
Other - G&A	56	2,500	(2,444)
Total Support Services	5,804,257	6,689,416	(885,159)
Facilities			
Occupancy	178,719	190,300	(11,581)
Supplies & Materials	18,220	59,606	(41,386)
Postage/Shipping	2,826	6,958	(4,132)
Printing/Copying/Shred	4,315	4,026	289
Phone/Internet	40,840	49,205	(8,365)
Equipment/Furniture and Fixture	139,162	201,350	(62,188)
Total Facilities	384,083	511,445	(127,362)
<b>Total Operating Expenses</b>	<b>27,359,306</b>	<b>30,217,737</b>	<b>(2,858,430)</b>
<b>Net Income Before Depreciation</b>	<b>14,030,823</b>	<b>8,420,204</b>	<b>5,610,620</b>
Depreciation	1,837,996	1,930,545	(92,549)
<b>Net Income</b>	<b>12,192,827</b>	<b>6,489,658</b>	<b>5,703,169</b>

**Connect for Health Colorado**  
**Statement of Financial Position**

	FY 2026 12/31/2025	
	Actual	Budget
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	44,272,118	37,283,248
Accounts receivable (net)	13,643,385	11,301,169
Prepaid expenses	1,203,891	1,822,673
Security deposits	27,381	27,383
Total Current assets:	<u>59,146,775</u>	<u>50,434,473</u>
Noncurrent assets:		
Investment in Subsidiary	98,735	0
Capital assets:		
Web portal development	18,938,949	18,938,949
Software	49,788,645	48,373,623
Leasehold improvements	205,649	205,520
Office equipment	1,384,096	1,366,572
Furniture and fixtures	501,662	501,663
Less accumulated depreciation	(50,812,481)	(49,735,915)
Total Capital assets	<u>20,006,520</u>	<u>19,650,412</u>
Assets under lease - net	1,545,015	1,545,014
SBITA - net	3,870,176	3,870,176
Total Noncurrent assets:	<u>25,520,446</u>	<u>25,065,602</u>
<b>Total Assets:</b>	<b><u>84,667,221</u></b>	<b><u>75,500,076</u></b>
<b>Liabilities and net position:</b>		
Liabilities:		
Current liabilities:		
Accounts payable	2,931,507	4,749,948
Accrued liabilities	3,871,525	3,006,317
Payroll liabilities	1,894,827	1,803,587
Total Current liabilities:	<u>8,697,859</u>	<u>9,559,852</u>
Long-term liabilities:		
Lease Payable	1,809,091	1,809,091
SBITA Payable	3,946,355	3,946,355
Total Long-term liabilities:	<u>5,755,446</u>	<u>5,755,446</u>
Total Liabilities:	<u>14,453,305</u>	<u>15,315,298</u>
Net position:		
Unrestricted	70,213,916	60,184,777
Total Net position:	<u>70,213,916</u>	<u>60,184,777</u>
<b>Total liabilities and net position:</b>	<b><u>84,667,221</u></b>	<b><u>75,500,076</u></b>