OFFICE OF THE
INSPECTOR GENERAL
DISTRICT OF COLUMBIA GOVERNMENT

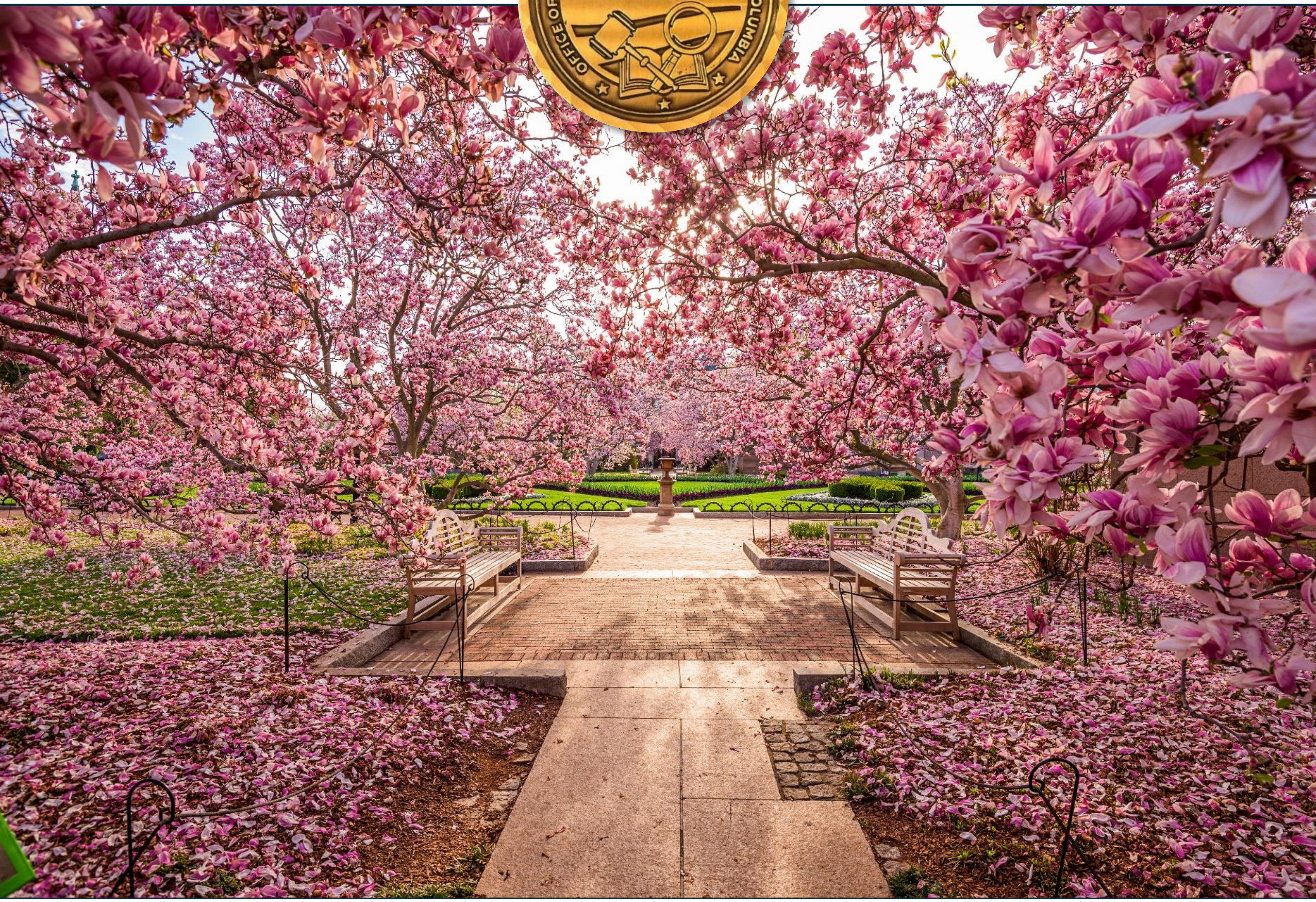
AUDIT REPORT

Health Benefits Exchange Authority

Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025

OIG No. 25-1-07HI

January 30, 2026



DANIEL W. LUCAS
INSPECTOR GENERAL

OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

OUR VISION

We strive to be a world-class Office of the Inspector General that is customer focused and sets the standard for oversight excellence!

OUR VALUES

Accountability: We recognize that our duty extends beyond oversight; it encompasses responsibility. By holding ourselves accountable, we ensure that every action we take contributes to the greater good of the District.

Continuous Improvement: We view challenges not as obstacles, but as opportunities for growth. Our commitment to continuous improvement drives us to evolve, adapt, and enhance our practices.

Excellence: Mediocrity has no place in our lexicon. We strive for excellence in every facet of our work.

Integrity: Our integrity is non-negotiable. We act with honesty, transparency, and unwavering ethics. Upholding the public's trust demands nothing less.

Professionalism: As stewards of oversight, we maintain the utmost professionalism. Our interactions, decisions, and conduct exemplify the dignity of our role.

Transparency: Sunlight is our ally. Transparency illuminates our processes, decisions, and outcomes. By sharing information openly, we empower stakeholders, promote understanding, and reinforce our commitment to accountability.

MEMORANDUM

To: The Honorable Muriel Bowser
Mayor of the District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

From: Daniel W. Lucas
Inspector General

Date: January 30, 2026

Subject: **Health Benefits Exchange Authority Annual Financial Statements |**
OIG No. 25-1-07HI

This memorandum transmits the final *Health Benefits Exchange Authority Financial Statements and Independent Auditor's Reports* for fiscal year 2025. CliftonLarsonAllen LLP (CLA) conducted the audit and submitted these reports as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2025.

On January 5, 2026, CLA issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. CLA found no material weaknesses in internal control over financial reporting.

Should you have questions or concerns, please contact me or Dr. Slemo Warigon, Assistant Inspector General for Audits, at (202) 792-5684.

DC HBX
Financial Compilation
September 30, 2025 and 2024

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CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

To the Mayor, Members of the Council of the Government of the
District of Columbia, Executive Director and the Executive Board of the District of Columbia Health Benefit Exchange Authority and
Inspector General of the Government of the District of Columbia
Washington, DC

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the District of Columbia Health Benefit Exchange Authority (the Authority), a component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Authority implemented GASB No. 101, *Compensated Absences*, during the year ended September 30, 2025, resulting in a retrospective adjustment to the beginning balance of the compensation liability. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Plan for the year ended September 30, 2024, were audited by another auditor, who expressed an unmodified opinion on those statements on January 3, 2025.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

To the Mayor, Members of the Council of the Government of the
District of Columbia, Executive Director and the Executive Board of the District of Columbia Health Benefit Exchange Authority and
Inspector General of the Government of the District of Columbia

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

To the Mayor, Members of the Council of the Government of the
District of Columbia, Executive Director and the Executive Board of the District of Columbia Health Benefit Exchange Authority and
Inspector General of the Government of the District of Columbia

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
January 5, 2026

Management's Discussion and Analysis
September 30, 2025 and 2024

Introduction

Management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial performance of the District of Columbia Health Benefit Exchange Authority's (the Authority or HBX) as of, and for the fiscal years ended September 30, 2025, and 2024, with 2023, for comparative purposes. The MD&A is intended to serve as an introduction to the Authority's financial statements, which have the following components: (1) Statements of Net Position, (2) Statements of Revenues, Expenses and Changes in Net Position, (3) Statements of Cash Flows, and (4) Notes to the Financial Statements. This information should be read in conjunction with the financial statements and the accompanying notes, which follow this discussion and analysis.

About Our Business

Pursuant to the Health Benefit Exchange Authority Establishment Act of 2011, the Authority was established as an independent authority of the Government of the District of Columbia (District of Columbia) as a separate legal entity. The Authority was established to: (a) enable individuals and small employers to find affordable and easier-to-understand health insurance; (b) facilitate the purchase and sale of qualified health plans; (c) assist small employers in facilitating the enrollment of their employees in qualified health plans; (d) reduce the number of uninsured; (e) provide a transparent marketplace for health benefit plans; (f) educate consumers; and (g) assist individuals and groups in accessing programs, premium assistance tax credits, and cost-sharing reductions.

The Authority is governed by an 11-member Executive Board, comprised of seven voting members who are residents of the District of Columbia and are appointed by the Mayor with the advice and consent of the Council of the District of Columbia (the Council). The Executive Board also includes four non-voting ex officio members, or their designees, which include the Director of the District of Columbia Department of Health Care Finance; the Commissioner of the District of Columbia Department of Insurance, Securities, and Banking; the Director of the District of Columbia Department of Health; and the Director of the District of Columbia Department of Human Services. In addition, a standing Advisory Board, consisting of nine members who are residents of the District of Columbia, works closely with the Executive Board. Pursuant to the Authority's enabling legislation, the Executive Board may create additional advisory boards as it considers appropriate. These advisory boards provide the Executive Board with recommendations on various matters, including insurance standards, covered benefits, premiums, plan certification, internet technology system development, and other policies or operational issues, as required by the Executive Board.

Management's Discussion and Analysis
September 30, 2025 and 2024

About Our Business (continued)

The Authority is funded by assessments received from insurance carriers. The Health Benefit Exchange Authority Establishment Act of 2011, effective March 2, 2012, (D.C. Law 19-94; D.C. Official Code § 31-3171.01 et seq.), was permanently amended on June 23, 2015, to provide for the financial sustainability of the Authority. The amendment included language providing that the Authority annually assess, through a Notice of Assessment, each health carrier doing business in the District of Columbia and having direct gross receipts of $50,000 or greater in the preceding calendar year, an amount based on a percentage of its direct gross receipts for the preceding calendar year. Each health carrier is required to pay the Authority the amount stated in the Notice of Assessment, within 30 business days after the date of the Notice of Assessment. Failure to pay the assessment shall subject the health carrier to Section 5 of the Insurance Regulatory Trust Fund Act of 1993, effective October 21, 1993 (D.C. Law 10-40; D.C. Official Code § 31-1204).

The Authority executed a memorandum of understanding (MOU) with another State-Based Marketplace (SBM) on March 2, 2017. The agreement between the Authority and the SBM initially was a partnership, under which the Authority was reimbursed for assisting with the implementation of an operational platform for group insurance offerings for SBM's Small Business Health Options Program (SHOP). The SBM's platform is now fully operational, and the Authority is currently reimbursed for its maintenance and upgrades. The goal is to expand and share information technology systems and business and customer service operations. In addition, this cooperative relationship supports a cost-effective, sustainable, state-based marketplace in both jurisdictions. It furthers the shared goals of affordability, functionality, and timely availability of health plans to consumers.

The American Rescue Plan Act (ARPA) provided additional funding for state-based exchanges in fiscal year 2021. The Authority received $1,107,393 from these State Benefit Exchange Modernization grants. Remaining funds of $61,073 are reported in Due to Federal Government as of September 30, 2025 and 2024.

Overview of the Financial Statements

Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used, in a manner comparable to the private-sector industry. Income is recorded when earned, and expenses are recorded when incurred.

The ***Statements of Net Position*** present information on all of the Authority's assets and liabilities with the differences reported as net position.

Management's Discussion and Analysis
September 30, 2025 and 2024

Overview of the Financial Statements (continued)

The ***Statements of Revenues, Expenses, and Changes in Net Position*** report operating and non-operating revenues and expenses for the respective fiscal years. The increase or decrease in net position is presented as the change in net position for the fiscal years. The cumulative change, since inception, is the total net position of the Authority, and is presented as the total net position on the Statements of Net Position.

The ***Statements of Cash Flows*** present information showing how the Authority's cash and cash equivalents changed during the fiscal years. The Statements of Cash Flows classify cash receipts and cash payments resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The net result of those activities is reconciled to the cash and cash equivalents balances reported as of the end of the fiscal years. These statements are prepared using the direct method, which allows the reader to easily understand the amount of cash received and how much cash was disbursed.

Financial Summary

As indicated in the Condensed Schedule of Net Position, the Authority reported a net position of $95,464,078 on September 30, 2025, and $101,861,672 on September 30, 2024. These amounts, presented as Net Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position, represent the extent to which the Authority's assets exceeded its liabilities. The Change in Net Position, year over year fluctuated, decreasing by $7,823,997 from 2024 to 2025 to a negative $6,397,594 for the year ended 2025 and increasing by $9,392,996 from 2023 to 2024 to a positive $1,426,403 for the year ended 2024. Significant factors in the fiscal year 2025 reduction included the one-time impact of implementing GASB 101 and an increase in IVF defrayal costs related to the 2025 implementation of the Expanding Access to Fertility Treatment Amendment Act of 2023.

The implementation of GASB Statement 101, *Compensated Absences* (GASB 101), changed the recognition of compensated absences. In accordance with the Statement, the cumulative effect of the change was recorded as an adjustment to beginning net position as comparative financial information for fiscal year 2024 was deemed impracticable. As a result, the beginning net position was reduced by $986,347. Therefore, the beginning net position for fiscal year 2025 reflects this adjustment at $101,861,672 rather than $102,848,019 as previously reflected on the Condensed Schedule of Revenues, Expenses, and Changes in Net Position.

Management's Discussion and Analysis
September 30, 2025 and 2024

Financial Summary (continued)

Per the Condensed Schedule of Revenues, Expenses, and Changes in Net Position, the Authority incurred an operating loss of $11,301,088 for the year ended September 30, 2025, relative to $4,661,999 for the year ended September 30, 2024. Operating revenues increased by *1.0%* due to higher assessment fees derived from increased premiums collected by District insurance carriers. Operating expenses increased by *14.3%*, primarily due to the initial recognition and measurement of compensated absence obligations under GASB 101, IVF defrayed costs, and overall increases in support requirements. GASB 101 required the Authority to recognize additional liabilities and corresponding expenses in 2025, affecting year-over-year comparability and serving as the sole reason for the restatement. Non-operating revenues declined *19.5%*, resulting in a change in net position of $6,397,594 at FY 2025, compared with a *33.2%* increase in 2024, resulting in a change in net position of $1,426,403 at FY 2024. The 2025 net position change is predominantly attributable to GASB 101 implementation effects and the 2025 implementation of the Expanding Access to Fertility Treatment Amendment Act of 2023, which increased operating expenses and reduced the Authority's unrestricted net position. The 2024 net position reflects a reduction from the previously reported net position due to a GASB 101 cumulative adjustment made to the beginning fiscal year 2024 net position.

Detailed Analyses

Condensed Financial Information

The Condensed Schedule of Net Position provides a summary of the Authority's total assets, liabilities, and net position as of September 30, 2025, 2024, and 2023.

Condensed Schedule of Net Position
As of September 30, 2025, 2024, and 2023

				Change 2025-2024		Change 2024-2023	
	2025	**2024**	**2023**	**Amount**	**%**	**Amount**	**%**
Current assets	**$ 163,107,878**	$ 155,257,392	$ 145,385,269	$ 7,850,486	*5.1%*	$ 9,872,123	*6.8%*
Capital assets, net	**7,609,743**	13,585,808	23,101,257	(5,976,065)	*-44.0%*	(9,515,449)	*-41.2%*
Total Assets	**170,717,621**	168,843,200	168,486,526	1,874,421	*1.1%*	356,674	*0.2%*
Current liabilities	**68,177,984**	54,069,734	56,703,563	14,108,250	*26.1%*	(2,633,829)	*-4.6%*
Long term liabilities	**7,075,559**	12,911,794	10,361,347	(5,836,235)	*-45.2%*	2,550,447	*24.6%*
Total Liabilities	**75,253,543**	66,981,528	67,064,910	8,272,015	*12.3%*	(83,382)	*-0.1%*
Net Position:							
Net investment in capital assets	**7,609,743**	13,585,808	23,101,257	(5,976,065)	*-44.0%*	(9,515,449)	*-41.2%*
Unrestricted net position	**87,854,335**	88,275,864	78,320,359	(421,529)	*-0.5%*	9,955,505	*12.7%*
Total Net Position	**$ 95,464,078**	$ 101,861,672	$ 101,421,616	$ (6,397,594)	*-6.3%*	$ 440,056	*0.4%*

Management's Discussion and Analysis
September 30, 2025 and 2024

Detailed Analyses (continued)

The Authority's financial position remained stable in 2025, supported by growth in total assets and a continued strong unrestricted net position. Depreciation continues to drive all changes in capital-related balances, while operating liquidity strengthened again in 2025.

Current assets increased by $7.85 million *(5.1%)* from 2024 to 2025, following a larger increase of $9.87 million *(6.8%)* from 2023 to 2024. These consecutive increases continue to reinforce short-term liquidity. Capital assets, net, decreased by $5.98 million *(44.0%)* in 2025, extending the trend observed in 2024 when the balance declined $9.52 million *(41.2%)* from the prior year. These reductions are attributable solely to depreciation, as no capital additions were made during 2023, 2024, or 2025. The three-year absence of new investments suggests the likelihood of future capital spending to support maintenance and any required changes due to evolving regulatory requirements.

Total assets increased by $1.87 million *(1.1%)* in 2025, following a modest increase of $0.36 million *(0.2%)* in 2024. Asset growth remains modest and is driven entirely by increases in current assets rather than capital investment.

Current liabilities increased by $14.11 million *(26.1%)* from 2024 to 2025, following a decrease of $2.63 million *(4.6%)* from 2023 to 2024, while long-term liabilities decreased by $5.84 million *(45.2%)* following an increase of $2.55 million *(24.6%)* from 2035 to 2024. Despite the 2025 increase in current liabilities, overall liability levels remain manageable and do not indicate longer-term structural concerns. Total liabilities mirror this trend, increasing by *12.3%* in 2025 after a *0.1%* decrease in 2024. The Authority continues to operate with no long-term debt, reinforcing overall financial stability.

Net investment in capital assets decreased by $5.98 million *(44.0%)* in 2025 due solely to depreciation. Unrestricted net position decreased by $0.42 million *(0.5%)* in 2025, following a previously substantial increase of $9.96 million *(12.7%)* in 2024. As a result, total net position decreased by $6.40 million *(6.3%)* in 2025 after increasing $0.44 million *(0.4%)* in 2024. The decline in 2025 is driven primarily by depreciation-related reductions in net capital assets and the modest reduction in unrestricted net position.

The Condensed Schedule of Revenues, Expenses, and Changes in Net Position provides additional detail on the Authority's operating and non-operating financial activity for fiscal years 2025, 2024, and 2023.

Management's Discussion and Analysis
September 30, 2025 and 2024

Detailed Analyses (continued)

Condensed Schedule of Revenues, Expenses, and Changes in Net Position
For the Years ended September 30, 2025, 2024, and 2023

				Change 2025-2024		Change 2024-2023	
	2025	**2024**	**2023**	**Amount**	**%**	**Amount**	**%**
Operating Revenues	**$ 45,282,048**	$ 44,830,995	$ 42,721,625	$ 451,053	*1.0%*	$ 2,109,370	*4.9%*
Operating Expenses	**56,583,136**	49,492,994	55,259,483	7,090,142	*14.3%*	(5,766,489)	*-10.4%*
Operating Loss	**(11,301,088)**	(4,661,999)	(12,537,858)	(6,639,089)	*142.4%*	7,875,859	*-62.8%*
Non-Operating Revenues	**4,903,494**	6,088,402	4,571,265	(1,184,908)	*-19.5%*	1,517,137	*33.2%*
Change in Net Position	**$ (6,397,594)**	$ 1,426,403	$ (7,966,593)	$ (7,823,997)	*-548.5%*	$ 9,392,996	*-117.9%*

Operating revenues increased by $451,053 *(1.0%)* from 2024 to 2025, reflecting modest year-over-year growth attributable to a lower assessment percentage in 2025, reflecting a decline from a $2.1 million *(4.9%)* increase from 2023 to 2024.

Operating expenses increased by $7,090,142 *(14.3%)* in 2025, attributable to the implementation of GASB 101 and the 2025 implementation of the Expanding Access to Fertility Treatment Amendment Act of 2023, which well exceeded the decrease in depreciation expense. This change reversed the prior year's decline of $5,766,489 *(10.4%)*. The 2025 increase outpaced revenue growth, contributing to a widening operating loss and supporting the intended need for future adjustments to assessments to maintain cost recovery.

As a result, the operating loss grew to $11,301,088 in 2025 from $4,661,999 in 2024, an expansion of $6,639,089 *(142.4%)*. This contrasts sharply with the improvement seen in 2024, when the operating loss narrowed by $7,875,859 *(62.8%)* compared with 2023. Despite this shift, the Authority continues to benefit from strong unrestricted resources supported by non-operating revenues.

Non-operating revenues decreased by $1,184,908 *(19.5%)* in 2025, following an increase of $1,517,137 *(33.2%)* in 2024.

The overall change in net position was a loss of $6,397,594 in 2025, a decline of $7,996,593 from the prior year. By comparison, 2024 reflected a positive change in net position of $1,426,403, an improvement of $9,392,996 from 2023.

Management's Discussion and Analysis
September 30, 2025 and 2024

Detailed Analyses (continued)

Budgetary Control and Analysis

The Authority adopts an operating budget for the subsequent fiscal year, which its Board approves in the first fiscal quarter of each year. Before approval by the Board, the budget is reviewed in detail and adjusted, if necessary. After approval by the Board of Directors, the Authority is required to submit its annual operating budget to the Mayor and Council of the District of Columbia, to be included in the District of Columbia's budget submitted to the United States Congress for approval.

The budget initially loaded into the Authority's financial management system is for assessment-based spending only. Any grants that are subsequently awarded or extended after the budget has been formulated will be added to the budget as they are known. The Financial Management Division prepares monthly reports for the Board of Directors and its Finance Committee. The reports are reviewed and acted upon each month to ensure that the Authority complies with its authorized budget levels.

The Authority ended the fiscal year with total budgeted expenses of $50.78 million incurred against an adjusted budget of $53.21 million, resulting in $2.43 million *(4.6%),* executing *95.4%* of the total adjusted budget. Key cost drivers included staffing expansions, overtime for operational surges, typical large-scale contractual engagements, and leave payouts. Spending aligned with service levels while maintaining reserves and avoiding overspend in any major category.

Economic Outlook

HBX's IT systems enhancement spending will remain focused on improving and adding functionality to DC Health Link, and updates related to federal or local legislative and regulatory changes to the Affordable Care Act, and updates related to the new Healthy DC Plan established and administered by HBX. HBX's partnership with the other State Based Marketplace will continue to produce revenue and reduce costs for IT development. HBX is finding efficiencies and ways to mitigate increased costs such as transitioning consultants to Full Time Equivalents.

During fiscal year 2025, federal legislation, the One Big Beautiful Bill Act (OBBBA), was enacted, which includes changes to health insurance marketplace documentation and enrollment requirements and changes to eligibility for federal premium tax credit. It is anticipated that some of these federal changes may reduce participation while increasing administrative workloads.

HBX is currently evaluating the operational and financial impacts of OBBBA's implementation.

Management's Discussion and Analysis
September 30, 2025 and 2024

Significant Capital Asset and Long-Term Financing Activity

The Authority had $7,609,743, $13,585,808, and $23,101,257 in capital assets, net of accumulated depreciation, as of September 30, 2025, 2024, and 2023, respectively. There have been no additional investments for these periods. The majority of these assets relate to the DC Health Link IT system and infrastructure, an online marketplace system that allows users to shop, compare, and select health insurance plans. The Authority's change in net capital assets year over year is entirely attributable to depreciation expense, $5,976,065, $9,515,449, and $12,289,870 for the years ended September 30, 2025, 2024, and 2023, respectively.

The Authority does not currently have any long-term debt financing activity.

Currently Known Facts, Decisions, or Conditions

Certain factors are anticipated to increase the Authority's operating costs. These factors include changes in Federal Law and regulatory requirements with added oversight applicable to Affordable Care Act marketplaces, in addition to the approval of a new program, Basic Health Plan. To address these upcoming costs, the Authority is continuing to leverage other DC Government agencies, phase out consultants and transition to employees, and reduce operational costs through its partnership with another SBM. Additionally, the Authority will modestly increase its assessment rate on health carriers to help offset these operating costs.

The Authority publishes this report to provide interested parties with a general overview of their finances. Additional information regarding the Authority's financial statements may be obtained from the Authority's Executive Director at 1225 I Street, NW, 4th Floor, Washington, DC 20005.

Statements of Net Position
September 30, 2025 and 2024 (Restated)

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 18,803,336**	$ 3,149,650
Restricted cash	**52,284,736**	51,867,798
Due from the primary government	**11,171**	130,667
Due from the Other State Based Marketplace	**1,266,598**	1,324,777
Due from insurance carriers, net	**3,449,626**	582,931
Investments	**87,292,411**	98,088,574
Other receivables	**-**	112,995
Total currents assets	**163,107,878**	155,257,392
Capital assets:		
DC Health Link IT infrastructure	**122,898,697**	122,898,697
Less: accumulated depreciation	**(115,288,954)**	(109,312,889)
Capital assets, net	**7,609,743**	13,585,808
Total Assets	**170,717,621**	168,843,200
LIABILITIES		
Current liabilities:		
Accounts payable	**2,724,959**	2,022,734
Due to the primary government	**11,999,157**	9,349,198
Due to the Federal government	**61,073**	61,073
Other liability-HC4CC	**14,000,000**	12,000,000
Due to insurance carriers	**32,246,479**	27,728,626
Compensation payable	**1,193,163**	1,578,460
Accrued leave	**1,453,153**	1,329,643
Accrued IVF liability	**4,500,000**	-
Total currents liabilities	**68,177,984**	54,069,734
Long term liabilities:		
Other liability-HC4CC	**5,869,323**	11,851,046
Accrued leave	**1,206,236**	1,060,748
Total long term liabilities	**7,075,559**	12,911,794
Total Liabilities	**75,253,543**	66,981,528
NET POSITION		
Net investment in capital assets	**7,609,743**	13,585,808
Restricted net position	**168,934**	288,126
Unrestricted net position	**87,685,401**	87,987,738
Total Net Position	**$ 95,464,078**	$ 101,861,672

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2025 and 2024 (Restated)

	2025	2024
Operating Revenues:		
SBM Services	**$ 4,407,533**	$ 4,927,285
Assessments	**40,874,515**	39,903,710
Total Operating Revenues	**45,282,048**	44,830,995
Operating Expenses:		
Salaries	**21,608,034**	18,978,863
Telephone	**262,828**	148,535
Supplies and materials	**19,606**	16,771
IT and communications	**10,415,951**	7,804,125
Consumer education and outreach	**2,136,410**	1,815,723
Building and equipment rental	**1,561,388**	1,471,980
Professional support	**9,359,974**	9,096,042
General and administrative	**742,880**	645,506
IVF program expenses	**4,500,000**	-
Depreciation expense	**5,976,065**	9,515,449
Total Operating Expenses	**56,583,136**	49,492,994
Operating Loss	**(11,301,088)**	(4,661,999)
Non-Operating Revenues (Expenses):		
Interest and fees	**2,891**	2,977
Investment income	**4,900,603**	6,085,425
Total Non-Operating Revenues	**4,903,494**	6,088,402
Change in Net Position	**(6,397,594)**	1,426,403
Net Position - Beginning of Year, as Previously Reported	**102,848,019**	101,421,616
Change in Accounting Principle	**(986,347)**	(986,347)
Net Position Beginning of Year, as Restated	**101,861,672**	100,435,269
Net Position - End of Year	**$ 95,464,078**	$ 101,861,672

Statements of Cash Flows
For the Years Ended September 30, 2025 and 2024 (Restated)

	2025	2024
Cash flows from operating activities:		
Receipts from assessments	**$ 38,007,820**	$ 41,032,947
Receipts from SBM services	**4,465,712**	4,632,252
Payments to employees	**(21,724,333)**	(18,933,999)
Payments to suppliers	**(23,653,436)**	(23,405,089)
Net cash flows provided by (used for) operating activities	**(2,904,237)**	3,326,111
Cash flows from noncapital financing activities:		
Proceeds from Federal grants non-capital	**-**	117,217
Payments to staff for HC4CC program	**-**	(30,549)
Proceeds from OSSE for HC4CC subsidies	**12,000,000**	18,000,000
Payments for HC4CC subsidies	**(13,738,329)**	(10,100,312)
Payments of unexpended funds returned to OSSE	**(3,400,000)**	-
Premiums received on behalf of insurance carriers	**708,841,463**	702,780,739
Premiums transferred to insurance carriers	**(704,332,344)**	(708,175,708)
Payments for other non-operating activities	**112,995**	(11,417)
(Payments to) / advances from primary government	**2,649,959**	(2,351,857)
Net cash flows provided by (used for) noncapital financing activities	**2,133,744**	228,113
Cash flows from investing activities:		
Net payments for acquisition of investments	**15,696,766**	(10,537,868)
Proceeds from HC4CC dividends earned	**1,141,460**	1,099,069
Proceeds from interest and fees	**2,891**	2,977
Net cash flows provided by (used for) investing activities	**16,841,117**	(9,435,822)
Net (decrease) / increase in cash, cash equivalents, and	**16,070,624**	(5,881,598)
Cash, cash equivalents, and restricted cash, beginning of the year	**55,017,448**	60,899,046
Cash, cash equivalents, and restricted cash, end of year	**$ 71,088,072**	$ 55,017,448
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	**$ (11,301,088)**	$ (4,661,999)
Adjustments to reconcile operating loss to net cash flows from operating activities		
Adjustment for non-cash prior period adjustment - accrued leave	-	(986,347)
Depreciation expense	**5,976,065**	9,515,449
Effect of changes in non-cash operating assets and liabilities:		
(Increase) / decrease in due from the primary government	**113,526**	(136,637)
(Increase) / decrease in due from State Based Marketplace	**58,179**	(295,033)
(Increase) / decrease non-cash liabilities, net of assets	**(2,836,845)**	1,195,442
(Decrease) / increase in accounts payable	**702,225**	(2,335,975)
(Decrease) / increase in compensation payable	**(385,297)**	28,950
Increase in accrued leave	**268,998**	1,002,261
Increase in accrued IVF	**4,500,000**	-
Net cash flows provided by (used for) operating activities	**$ (2,904,237)**	$ 3,326,111

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

The District of Columbia Health Benefit Exchange Authority (the Authority or HBX) was established, pursuant to Section 3 of the Health Benefit Exchange Authority Establishment Act of 2011, which became effective on March 2, 2012 (D.C. Law 19-0094). The Authority began operations on October 1, 2012. HBX's mission is to implement and administer a health care exchange program in the District of Columbia, in accordance with the Patient Protection and Affordable Care Act (the Affordable Care Act or PPACA), thereby ensuring access to quality and affordable health care to all District of Columbia residents.

The health care exchange program is designed to help individuals and small employers find affordable, easier-to-understand health insurance and to assist small employers in purchasing qualified health benefit plans for their employees. The Authority also facilitates the purchase of qualified health plans and assists individuals and groups in accessing premium assistance tax credits and cost-sharing reductions.

To fulfill its purpose, as mandated by law, the Authority manages the DC Health Link, an online marketplace created for individuals, families, and small business owners and their employees in the District of Columbia, to shop, compare, and select health insurance that meets their health needs and budgets. District residents, small business owners, and their employees can use DC Health Link to apply for coverage, determine whether they are eligible for help, lower the cost of their insurance, compare options, and enroll in a plan of their choice. Each application for financial assistance through the DC Health Link also checks eligibility for Medicaid.

Financial Reporting Entity

For financial reporting purposes, the Authority is reported as a discretely presented component unit of the government of the District of Columbia. Consistent with the authoritative guidance of the Governmental Accounting Standards Board (GASB), the following criteria are used to determine the entity's financial reporting status:

- The organization is a legally separate entity; and
- The District of Columbia appoints a voting majority of the organization's board; and
- There is a financial benefit/burden relationship between the District of Columbia and the organization, and the District of Columbia is able to impose its will on the organization; and
- The District holds majority equity interest, which does not meet the definition of investment in the entity.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

The Authority is reported as a discretely presented component unit of the government of the District of Columbia (the District) because of the nature and the significance of the relationship with the District. The District of Columbia is able to approve or modify the Authority's budgets, and may overrule, veto, or modify certain decisions made by the Authority's governing board (e.g., the awarding of contracts valued at $1 million or more). Therefore, the District of Columbia is able to impose its will on the Authority. Also, the governing Council of the District of Columbia must approve the rules adopted by the Authority, thereby demonstrating the District of Columbia's ability to modify or approve the implementing and appeals regulation, related to the assessment charged by the Authority.

The Authority's financial reporting entity is required to consist of all organizations for which the Authority is financially accountable or for which there is a significant relationship. The Authority has no component units in its financial reporting entity.

Basis of Presentation

The accompanying financial statements of HBX have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. The Authority has prepared Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows, along with the required supplementary information titled "Management's Discussion and Analysis," which precedes the financial statements.

The Authority's financial transactions are accounted for as a discretely presented component unit in the District of Columbia's financial statements. The accompanying financial statements are only those of the Authority, and are not intended to present the financial position, changes in financial position, and cash flows of the District of Columbia, taken as a whole. The District of Columbia provides certain legal, central, accounting, and other services to the Authority. The costs and revenues associated with these services are not reflected in these financial statements.

Measurement Focus and Basis of Accounting

The Authority's transactions and business events are accounted for using a flow of economic resources measurement focus. Under measurement focus, all assets and liabilities associated with HBX's operations are included on the Statements of Net Position. The net position of the Authority is categorized into net investment in capital assets, restricted, and unrestricted net position.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The Authority prepares its financial statements using the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in such a short period of time that their values are effectively immune from changes in interest rates. The Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Capital Assets and Depreciation

The Authority defines capital assets as classes of assets with an initial aggregate cost of more than $5,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. The estimated useful lives for capital assets are as follows:

Asset Class	Estimated Useful Life
Internally Developed Software	3-10 years
Equipment and Machinery	5-10 years
Furniture and Fixtures	5 years
Vehicles (and Other Mobile Equipment)	5-12 years

Depreciation is calculated on each class of depreciable property, using the straight-line method. Depreciation expenses for the years ended September 30, 2025, and 2024 were $5,976,065 and $9,515,449, respectively.

Operating and Non-Operating Revenues and Expenses

Revenues and expenses are distinguished between operating and non-operating items. HBX is authorized to generate revenue through various sources, including user fees, licensing fees, and assessments on health carriers that sell qualified dental plans or qualified health plans in the District of Columbia.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating and Non-Operating Revenues and Expenses (continued)

Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The Authority generated operating revenues from assessments levied on its health carriers at a rate of *0.8%* for 2025 down from *0.825*% in 2024 and from fees for providing a shared information technology system, business, and customer operational services to another State-Based Marketplace (SBM).

Operating expenses include all costs associated with assisting individuals and employers in finding affordable and understandable health insurance, facilitating the purchase and sale of qualified health plans, helping employers enroll their employees in qualified health plans, and providing a transparent marketplace for health benefit plans. Operating expenses also include costs associated with assisting the public in accessing programs, premium assistance tax credits, and cost-sharing reductions; educating consumers; and maintenance of the other SBM's SHOP (Small Business Health Options Program). Additionally, in 2025, operating expenses increased due to costs associated with providing infertility services to the insured under DC Law 25-49, "Expanding Access to Fertility Treatment Amendment Act of 2023," implemented in 2025.

All other revenues and expenses are reported as non-operating revenues and expenses.

Compensated Absences

Employees accumulate unused sick leave, with no maximum limitation. Additionally, at the time of retirement, for those who are civil service employees with unused sick leave, HBX may use the balance of the employees' leave to determine their years of service. Annual leave may be accumulated up to 240 hours, regardless of the employee's length of service. Accumulated leave is recorded as an expense and liability, as the benefit accrues to the employees. With the adoption of GASB 101, the Authority records a liability for accumulated sick leave. The estimated value of compensated absences, including earned vacation and sick leave, is recorded as a liability when the leave (1) is attributable to services already rendered, (2) accumulates, and (3) is more likely than not to be used for time off or otherwise settled in cash or noncash means.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-Employment Benefits

Full-time employees receive pension benefits through the Social Security System, and/or the District of Columbia's Retirement Programs. Under the provisions of D.C. Official Code § 1-626.05, the District of Columbia sponsors a defined contribution pension plan (Internal Revenue Code Section 401(a) Plan) for permanent, full-time employees, pursuant to § 401(a) of the Internal Revenue Code (26 U.S.C. § 401).

Plan Descriptions

Social Security System

HBX also contributes to the Social Security System, a federal program that provides benefits for retirement, disability, survivorship, and death, which is funded by dedicated payroll taxes. The Social Security Administration and the U.S. Departments of Health and Human Services, Labor and Treasury administer this program. The authority to establish and amend policy and benefit provisions rests with the President and Congress of the United States. HBX contributions to the Social Security System for the FICA for the fiscal years ended September 30, 2025, and 2024 were $985,499 and $ 881,465, respectively.

Defined Contribution Pension Plan

HBX employees participate in the District sponsored defined contribution pension plan with a qualified trust under Internal Revenue Cost (IRC) Section 401(a) for permanent full-time employees covered under the Social Security System. As of September 30,2025, there were 119 active employees participating in the Section 401(a) plan. Employees do not contribute to the plan and are eligible to participate after one year of service.

The District contributes 5.00% of base salaries for eligible HBX employees each pay period. Contributions and earnings vest incrementally beginning after two years of service, including a one-year waiting period, and vest fully after five years of service, including the one-year waiting period. Contributions and earnings are forfeited for the period of service during which the employee does not achieve the incremental vesting, if separation occurs before five years of credited service. For fiscal years ended September 30, 2025 and 2024 the District contributions to the plan were $752,179, and $679,052, respectively. The forfeited contributions and earnings were $0 and $4,553, respectively.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-Employment Benefits (continued)

Deferred Compensation Plan

The Authority's employees may also participate in the District of Columbia's deferred compensation plan, established under D.C. Code § 47-3601 in accordance with IRC Section 457. Employees may defer the lesser of $23,500 or $23,000, or *100%* of includable compensation, in calendar years 2025 and 2024, respectively. A special catch-up provision is also available to eligible participants, which allows them to make up for or catch up on prior years in which they did not contribute the maximum amount to the plan. The "catch-up" limit is the lesser of: (a) twice the annual contribution limits, $47,000 and $46,000; or (b) the annual contribution limit for the year, plus underutilized amounts from prior taxable years; for the calendar years 2025 and 2024, respectively. An additional deferral of $7,500 is available to participants who are at least 50 years old by the end of the calendar year. A higher "super" catch-up amount of $11,250 is available for those ages 60 through 63 in 2025. Contributions are not assets of the District of Columbia, and the District of Columbia has no further liability to the plan.

MissionSquare Retirement administers the District of Columbia's defined contribution and deferred compensation plans.

The Authority does not record a proportion of the net pension/OPEB liability and the related deferred outflows or inflows of the related plan, as the District has elected not to allocate the balances. As such the Authority's financial statements are not indicative of the Authority as if it were a stand-alone entity.

Contractual Commitments

The Authority has no outstanding contractual commitments as of September 30, 2025.

Net Position

Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position (continued)

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted Net Position - Is reported when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grants, laws or regulations of other governments.

Unrestricted Net Position - Is the amount of net position that does not meet the definition of the two preceding categories.

When multiple categories of funds are available for expenditure, such as a capital project being funded by a combination of grant funds, funds set aside by HBX, and unassigned reserves, HBX will spend project funds from the most restricted category first (i.e., grant funds).

Reserves

Reserves are included in the unrestricted net position, reported on the Statement of Net Position. The Authority adopted a long-term plan for financial sustainability. As part of that plan, a policy on the Reserve Fund was created to address the spendable fund balance included within investments. The policy has two categories of reserves: Operating and Capital. The operating reserve is funded, using 6 to 9 months of the previous year’s Council-approved budget.

The Authority’s board-assigned operating reserves were $28,164,000 and $25,890,950, as of September 30, 2025, and 2024, respectively. The Authority’s board-assigned capital reserves were $25,660,000 and $25,660,000, the approved 2016 reserve cap adjusted by the Department of Labor’s Consumer Price Index (CPI), for the fiscal years ended September 30, 2025, and 2024, respectively.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Authority's investments are reported at fair value, in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Fair value is defined by GASB Statement No. 72, as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The authority categorizes its fair value measurements within the fair value hierarchy, established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure fair value of the assets.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from, or corroborated by, observable market data through correlation or by other means.
- Level 3 inputs are unobservable inputs, such as management's assumptions and information about market participant assumptions that are reasonably available.

Unrealized and realized gains and losses are included in investment income, as non-operating revenues (expenses), in the Statements of Revenues, Expenses, and Changes in Net Position.

Use of Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. However, actual results could differ from those estimates.

New Accounting Pronouncements

GASB issued Statement No. 103, *Financial Reporting Model Improvements*, effective for fiscal years beginning after June 15, 2025 and Statement No. 104, *Disclosure of Certain Capital Assets*, effective for fiscal years beginning after June 15, 2025.

The Authority adopted GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*, in 2025. Implementation of GASB 101 required restatement.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

Implementation of GASB 102 had no material impact on the Authority's fiscal year 2025 financial statements.

The Authority has initiated the evaluation of the impact of adopting the additional GASB statements and expects both to be implemented in 2026, as applicable.

Restatement of Financial Statements

The Authority's implementation of GASB Statement No. 101, *Compensated Absences*, which supersedes GASB 16, revises the recognition and measurement of liabilities for employee leave benefits.

Under this standard, the Authority recognizes a liability for (1) unused leave that is attributable to services already rendered, that accumulates and is more likely than not to be used for time off or otherwise paid or settled; and (2) leave that has been used but not yet paid or otherwise settled. Implementation of GASB 101 resulted in a cumulative increase in the compensated absences liability of $986,347 and a corresponding decrease in beginning net position.

Reconciliation of Change in Net Position
For the Years ended September 30, 2025 and September 30, 2024

	Balance October 1, 2023, as reported	Effect of GASB Statement No. 101	**Balance October 1, 2023, as restated**
Current Liabilities			
Accrued leave	$ 1,388,130	$ 847,129	**$ 2,235,259**
Total Liabilities	$ 1,388,130	$ 847,129	**$ 2,235,259**
Net Position:			
Net investment in capital assets	$ 23,101,257	$ -	**$ 23,101,257**
Unrestricted net position	78,320,359	(847,129)	**77,473,230**
Net Position	$ 101,421,616	$ (847,129)	**$ 100,574,487**

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restatement of Financial Statements (consolidated)

	Balance October 1, 2024, as reported	Effect of GASB Statement No. 101	**Balance October 1, 2024, as restated**
Current Liabilities			
Accrued leave	$ 1,404,044	$ 986,347	**$ 2,390,391**
Total Liabilities	$ 1,404,044	$ 986,347	**$ 2,390,391**
Net Position			
Net investment in capital assets	$ 13,585,808	$ -	**$ 13,585,808**
Unrestricted net position	89,262,211	(986,347)	**88,275,864**
Net Position	$ 102,848,019	$ (986,347)	**$ 101,861,672**

Reclassification

Certain prior-year amounts have been reclassified between operating and nonoperating revenues and current and long-term liabilities to conform to the current-year presentation. These reclassifications did not affect total revenues nor change net position.

NOTE 2: CASH AND CASH EQUIVALENTS

The District of Columbia follows the practice of pooling cash and cash equivalents for some of its governmental funds and component units to provide better physical custody and control of cash, enhance operational efficiency, and maximize investment opportunities.

The Authority's cash and cash equivalents, including restricted cash as of September 30, 2025, and 2024, were $71,088,072 and $55,017,448, respectively. Restricted cash represents amounts received on behalf of insurance carriers, and amounts received for the HealthCare4ChildCare program.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Statement of Net Position to the total of the same amounts shown in the Statements of Cash Flows.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

	2025	2024
Cash and cash equivalents	**$ 18,803,336**	$ 3,149,650
Restricted Cash	**52,284,736**	51,867,798
Total cash, cash equivalents, and restricted cash shown on the Statements of Cash Flows	**$ 71,088,072**	$ 55,017,448

The Authority maintains cash and cash equivalent balances at a financial institution. The cash and cash equivalents balance at the financial institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, the balances on deposit may exceed the balance insured by the FDIC; however, to date, the Authority has not experienced any losses related to this concentration.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposits are under the control of the District of Columbia, in accordance with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56) and are insured or collateralized with securities held by the District of Columbia or by its agents in the District of Columbia's name. As of September 30, 2025, and 2024, there were no deposits exposed to custodial credit risk.

The following is the breakdown of the deposits held by financial institutions as of September 30, 2025, and 2024.

Depository Accounts as of September 30	**2025**	2024
Insured	**$ 250,000**	$ 250,000
Collateralized by Securities:		
Collateral Held by the District or its Agents	**70,838,072**	54,767,448
Total Deposits	**$ 71,088,072**	$ 55,017,448

NOTE 3: DUE FROM THE OTHER STATE-BASED MARKETPLACE

The Authority bills the other SBM monthly for all charges incurred for providing services, as outlined in the agreement between the Authority and the other SBM. The amounts of $1,266,598 and $1,324,777, due from the SBM, represent charges billed but not paid by the SBM as of September 30, 2025, and 2024, respectively.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 4: INVESTMENTS

The District of Columbia Office of the Chief Financial Officer invests the operating and capital reserve funds on behalf of the Authority. The District of Columbia purchases legally authorized investments, consistent with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56) and the District of Columbia Cash and Investment Management Policy, adopted in November 2008. During fiscal years 2025 and 2024, the Authority's investments consisted primarily of money market funds and U.S. Treasury bills.

The Authority categorizes its fair value measurements within the fair value hierarchy, established by generally accepted accounting principles in the United States of America.

The Authority's investment in money market funds had an amortized cost of $87,292,411 and $12,507,507 as of September 30, 2025, and 2024, respectively. As of September 30, 2025, this represented *100.0%* of the Authority's investments. As of September 30, 2024, this represented *12.8%* of the Authority's investments, with the remaining amount $85,581,067, invested in U.S. Treasury bills, classified as Level 1 of the fair value hierarchy.

NOTE 5: INVESTMENT RISKS

The Authority's investments are subject to credit, custodial credit, concentration of credit, and interest rate risks. These risks to which the Authority may be exposed are described as follows:

Credit Risk: Credit Risk is the risk that an issuer of an investment may not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. To mitigate such risk, the District of Columbia's investment policy requires that investments in money market mutual funds be rated AAAm, AAAm-G, or equivalent by a credit rating agency. As of September 30, 2025 and 2024, the money market funds held by the Authority had a Standard and Poor's rating of AAAm.

Custodial Credit Risk: Custodial credit risk is the risk that the value of investment securities held by an outside party, such as the government, may not be recoverable if the counterparty to the investment fails. The Authority had no custodial credit risk exposure during fiscal years 2025 and 2024. All of the Authority's investments in fiscal year 2025 and 2024 were held by the custodian in the District of Columbia's name.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 5: INVESTMENT RISKS (continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. To mitigate such risk, the District of Columbia's investment policy does not allow investment in a single issuer to exceed five percent of the District of Columbia's total investment portfolio. However, this requirement does not apply to the following investments, which have various investment limits: U.S. Treasury, *100%* maximum; each Federal agency, *40%* maximum; each repurchase agreement counterparty, *25%* maximum; and each money market mutual fund, *25%* maximum.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. An investment with a longer maturity may generally be more sensitive to changes in fair value driven by market interest rates. No U.S. Treasury Bills were held by the Authority as of September 30, 2025. The weighted average days to maturity for the U.S. Treasury Bills held by the Authority were 61 days as of September 30, 2024. As a means of limiting its exposure to fair value losses resulting from rising interest rates, the District of Columbia's investment policy limits the Authority's portfolio to specific maturities. The Authority had investments in U.S Treasury Obligations and money market funds as of September 30, 2025, and 2024. As of September 30, 2025, and 2024, the Authority was in compliance with this policy.

The District of Columbia's maturity limits for current investments, as detailed in the District of Columbia's investment policy, are presented in the table below:

Type of Investment	Maturity	Maximum Investment
U.S. Treasury Obligations	Five Years	*100%*
Money Market Mutual Funds	Not Applicable	*100%*

NOTE 6: CAPITAL ASSETS

A summary of the Authority's capital asset activity for the fiscal year ended September 30, 2025, follows:

	October 1, 2024	Additions	September 30, 2025
Capital Assets Subject to Depreciation:			
DC Health Link IT Infrastructure	$122,898,697	$ -	**$122,898,697**
Less: Accumulated Depreciation	(109,312,889)	(5,976,065)	**(115,288,954)**
Capital Assets, Net	$13,585,808	$ (5,976,065)	**$7,609,743**

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 6: CAPITAL ASSETS (continued)

A summary of the Authority's capital asset activity for the fiscal year ended September 30, 2024, follows:

	October 1, 2023	Additions	September 30, 2024
Capital Assets Subject to Depreciation:			
DC Health Link IT Infrastructure	$122,898,697	$ -	**$122,898,697**
Less: Accumulated Depreciation	(99,797,440)	(9,515,449)	**(109,312,889)**
Capital Assets, Net	$23,101,257	$ (9,515,449)	**$13,585,808**

NOTE 7: DUE TO INSURANCE CARRIERS

District of Columbia residents participating in the Affordable Care Act are required to use DC Health Link to select an individual health insurance plan. After selecting a plan, individuals and families make payments directly to their insurance carriers. These payments are not made to or through the Authority. DC Health Link's Small Business Health Options Program Exchange (SHOP Exchange), the small business marketplace, is where small employers and their employees, as well as Members of Congress and their designated staff, apply for and select qualified health plans.

These groups make their premium payments to the Authority either electronically via the Automated Clearing House (ACH) or by mail via lockbox. These payments are deposited directly into the Authority's bank account. The premiums are then aggregated and wired to the various insurance companies.

The amounts of $32,246,479 and $27,728,626, due to insurance carriers as of September 30, 2025, and 2024, respectively, represent the deposits and premium payments from SHOP Exchange and insured and congressional staffers, which have been deposited into the Authority's bank account, but have not yet been wired to the various insurance companies.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 8: ASSESSMENTS

The Authority is funded by assessments received from insurance carriers. The Health Benefit Exchange Authority Establishment Act of 2011, effective March 2, 2012 (D.C. Law 19-94; D.C. Official Code § 31-3171.01 et seq.), was permanently amended on June 23, 2015, to provide for the financial sustainability of the Authority. The amendment included language that the Authority annually assesses, through a Notice of Assessment, each health carrier doing business in the District of Columbia and having direct gross receipts of $50,000 or greater in the preceding calendar year, based on a percentage of those direct gross receipts. Each health carrier is required to pay the Authority the amount stated in the Notice of Assessment, within 30 business days after the date of the Notice of Assessment. Failure to pay the assessment shall subject the health carrier to Section 5 of the Insurance Regulatory Trust Fund Act of 1993, effective October 21, 1993 (D.C. Law 10- 40; D.C. Official Code § 31-1204).

The Department of Insurance, Securities, and Banking, on behalf of the Authority, sends Notices of Assessment to health insurance carriers, with payment due by the end of the fiscal year. Assessments are recognized as operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position.

The assessments for the fiscal years ended September 30, 2025, and 2024, were $40,874,515 and $39,903,710, respectively. The net assessment due from insurance carriers as of September 30, 2025, and 2024, was $3,449,626 and $582,931, respectively. Amounts due from insurance carriers are recorded, net of estimated allowances and amounts estimated to be uncollectible. The amounts due from insurance carriers as of September 30, 2025, and 2024, were not reduced by any allowance for uncollectible assessments from the insurance carriers as consistent with prior years, no amounts were expected to be uncollectible.

NOTE 9: FEDERAL GRANTS

The Authority was awarded a Federal grant of $1,107,393 from the U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services, in fiscal year 2022. This grant was made available via Section 2801 of the American Rescue Plan Act (ARPA) of 2021 (P.L. 117-2).

These CMS grants (modernization grants) were made to American Health Benefits Exchanges established under section 1311(b) of the Patient Protection and Affordable Care Act to enable such exchanges to modernize or update any system, program, or technology to ensure compliance with all applicable Federal requirements. $61,073 related to this grant is reported as Due to Federal Government.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 10: HEALTHCARE4CHILDCARE

The Authority entered into memorandums of understanding (MOUs) with the D.C. Office of the State Superintendent of Education-Division of Early Learning (OSSE-DEL) in FY23 and each year thereafter. The MOUs were to support outreach to, and communication with, eligible childcare employers, sole proprietors, and employees, about DC Health Link and the benefits and subsidies available to them through the exchange; assist eligible childcare employers, sole proprietors, and employees in selecting individual or employer-sponsored benefits packages that best meet their needs; efficiently leverage District and Federal resources; provide financial assistance to increase the affordability of coverage for child care employers and employees; and increase the number and percentage of child care employees with adequate and affordable health benefits coverage.

The Authority was required to equip and direct its grantees that provide exchange navigator and assister services, to prepare them to assist child-care employers and employees in selecting and enrolling in health care coverage through DC Health Link. Additionally, the Authority was required to work with OSSE-DEL, to design policies and subsidies to increase access to, and affordability of, health care coverage through DC Health Link for eligible childcare employers and employees.

The Authority was awarded $175,000 and $478,151 for fiscal years 2025 and 2024, respectively, under FY25 and FY24 MOUs, to employ staff to assist eligible child-care employers and employees in selecting health care benefit packages and purchasing health care coverage through DC Health Link. The authority was also awarded $12,000,000 and $18,000,000 for subsidy payments to health insurance carriers, for plan years 2025 and 2024, under the FY25 and FY24 MOUs, respectively. The MOUs required that the subsidy funds be maintained in a segregated fund that earned dividends of $1,141,460 and $1,099,069 in FY25 and FY24, respectively.

The Authority ceased segregating expenses and expense reimbursements related to HC4CC but continued to keep investment accounts segregated in accordance with the MOU. Accordingly, the amounts have been included within the Authority's operating expenses. Amounts related to premiums, collected on behalf of HC4CC, and remitted to insurance carriers, are excluded from revenue and expenses. The amounts due to OSSE were $19,869,323 and $23,851,046 in fiscal year 2025 and 2024. Unexpended funding will remain with the Authority to continue funding premiums for future plan years as stipulated by the MOU. The Authority returned $3,400,000 in unexpended funding to OSSE in 2025.

Notes to the Basic Financial Statements
September 30, 2025 and 2024

NOTE 11: RISK MANAGEMENT

A lawsuit related to a 2023 data breach was initiated. The Authority entered a settlement, which was approved on July 31, 2025, and the settlement payments were issued on September 2, 2025. All settlement funds and any future legal costs of the breach were and will be paid by the District government's cyber-security insurance carrier.

NOTE 12: SUBSEQUENT EVENTS

In December 2025, the Authority's Board of Directors approved an extension of SEP Eligibility for those who experience a Loss of Medicaid under an exceptional circumstance special enrollment period extended through December 31, 2026, in the Individual/Family marketplace, which applies to the Healthy DC Plan, for individuals who lose Medicaid eligibility on or before December 31, 2026.

The Authority evaluated subsequent events and transactions through January 5, 2026, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure, except as disclosed above.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor, Members of the Council of the Government of the
District of Columbia, Executive Director and the Executive Board of the District of Columbia Health Benefit Exchange Authority and
Inspector General of the Government of the District of Columbia
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the District of Columbia Health Benefit Authority (the Authority), a component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 5, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Mayor, Members of the Council of the Government of the
District of Columbia, Executive Director and the Executive Board of the District of Columbia Health Benefit Exchange Authority and
Inspector General of the Government of the District of Columbia

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
January 5, 2026

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REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT

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