



## **HEALTHSOURCE RI**

### **STATEMENT OF REVENUES AND EXPENDITURES**

**For the Year Ended June 30, 2016**

**With Independent Auditor's Report**





## INDEPENDENT AUDITOR'S REPORT

To Management of the Rhode Island Health Benefits Exchange  
d/b/a HealthSource RI

### **Report on the Financial Statement**

We have audited the accompanying statement of revenues and expenditures of Rhode Island Health Benefits Exchange d/b/a HealthSource RI (the Exchange), a function within the State of Rhode Island, for the year ended June 30, 2016 (the statement), and the related notes to the statement.

### ***Management's Responsibility for the Statement***

Management is responsible for the preparation and fair presentation of the statement in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Exchange's preparation and fair presentation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Exchange's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the statement referred to above represents fairly, in all material respects, the revenues and expenditures of Rhode Island Health Benefits Exchange d/b/a HealthSource RI for the year ended June 30, 2016 in accordance with U.S. generally accepted accounting principles.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016 on our consideration of Rhode Island Health Benefits Exchange d/b/a HealthSource RI'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 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 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 Rhode Island Health Benefits Exchange d/b/a HealthSource RI's internal control over financial reporting and compliance.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
November 23, 2016

**RHODE ISLAND HEALTH BENEFITS EXCHANGE  
D/B/A HEALTHSOURCE RI**

**Statement of Revenues and Expenditures**

**For the Year Ended June 30, 2016**

Revenues	
Marketplace assessments	2,957,836
Federal grant (CFDA #93.525)	17,133,763
State appropriations	2,407,554
Federal grant (CFDA #93.624)	<u>24,640</u>
Total revenues	<u>22,523,793</u>
Expenditures	
Salaries and wages	1,096,828
Benefits	576,912
Information technology	12,540,305
Consulting and professional	7,302,541
Marketing and advertising	603,465
General and administrative	284,316
Facility and related	18,696
Legal and audit	<u>100,730</u>
Total expenditures	<u>22,523,793</u>
Excess of revenues over expenditures	\$ <u>          -</u>

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The accompanying notes are an integral part of this financial statement.

**RHODE ISLAND HEALTH BENEFITS EXCHANGE  
D/B/A HEALTHSOURCE RI**

**Notes to the Financial Statement**

**June 30, 2015**

**1. Purpose of Organization**

The Patient Protection and Affordable Care Act (Public Law 111-148) (the "ACA") provides for the establishment of a Health Benefits Exchange by each State. The Rhode Island Health Benefits Exchange was established on September 19, 2011 by Executive Order 11-09 of the Governor of Rhode Island (State). HealthSource RI's legal mandate was further refined in June 2015, under Rhode Island General Laws 42-157.

The Rhode Island Health Benefits Exchange, branded "HealthSource RI," ("HSRI") serves two primary purposes: first, to negotiate for high quality, affordable health insurance options on behalf of small businesses and individuals (in order to promote the health of all Rhode Islanders); and second, to be a robust resource for all Rhode Islanders and Rhode Island businesses to learn about and compare the quality and affordability of their health insurance options, enroll in coverage and, if eligible, access Medicaid or federal tax subsidies for coverage.

HSRI is an organized State-based Marketplace ("SBM") established to help consumers and businesses buy health insurance in a way that permits easy comparison of available plan options based on price, benefits, and quality through a web portal. HSRI provides access to Qualified Health Plans ("QHP") to individuals, families, employers and their employees. As an SBM, HSRI is subject to regulations established by the Centers for Medicare & Medicaid Services.

HSRI is part of an interagency team created in Rhode Island to implement ACA reforms. This team includes HSRI, the Office of the Health Insurance Commissioner, the Executive Office of Health and Human Services ("EOHHS"), and the Department of Human Services ("DHS"). The interagency team developed an integrated vision for serving individuals and families through a single technology solution that supports eligibility, enrollment and, in the case of HSRI, premium payment. HSRI participates in the management of the implementation and receives an allocated share of the expenditures for the implementation and operation of the technology.

As HSRI is an operation within the State, financial and administrative processes are performed at the State level including payroll, purchasing, accounts payable, cash management and general ledger accounting. Certain administrative costs related to these items are not recognized in the Statement of Revenues and Expenditures.

All revenue, funding and expenditures are included in the State of Rhode Island's General and Restricted Receipts Funds.

**2. Basis of Presentation**

The accompanying Statement of Revenues and Expenditures ("Statement") of HealthSource RI has been prepared to meet the Federal requirement in 45 CFR §155.1200 that states:

- (b) (1) "Reporting. The State Exchange must, at least annually, provide to HHS...a financial statement presented in accordance with [generally accepted accounting principles]...", and,
- (c) "External audits. The State Exchange must engage an independent qualified auditing entity which follows generally accepted governmental auditing standards (GAGAS) to perform an annual independent external financial...audit..."

**RHODE ISLAND HEALTH BENEFITS EXCHANGE  
D/B/A HEALTHSOURCE RI**

**Notes to the Financial Statement**

**June 30, 2015**

This Statement is reported using the current financial resources measurement focus and the modified accrual basis of accounting.

This Statement does not include insurance premiums collected from consumers as part of HSRI carrying out its responsibilities under the Affordable Care Act (the Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act) of 2010. HSRI created the HSRI Trust (the "Trust") to collect health and dental insurance premium payments from qualified employers and individuals and to pay such premiums to issuers of QHP and Qualified Dental Plans offered through HSRI. The Trust is an agency fund of the State of Rhode Island.

**3. Accounting Policies**

All accounting policies used in the preparation of this Statement follow those of the State of Rhode Island.

**Revenues**

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period (i.e., earned and collected within the next 12 months) or soon enough thereafter to pay liabilities of the current period.

**Expenditures**

Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, expenditures for compensated absences are recorded when payments come due. Expenditures relating to other claims and judgments are recorded to the extent that such amounts are expected to be paid within the current period.

**Risk Management**

HSRI is subject to the risk of loss from various events, including, but not limited to, natural disasters and destruction of assets. HSRI is currently covered by a commercial insurance program obtained by the State that contains multiple individual policies to mitigate risk exposure.

**4. Commitments and Contingencies**

With respect to litigation, HSRI officials are of the opinion that there are no lawsuits likely to result either individually or in the aggregate in final judgments against HSRI that would materially affect its financial position.

HSRI receives significant amounts of federal financial assistance under grant agreements which specify the purpose of the grant and conditions under which the funds may be used. Generally, these grants are subject to audit.

**RHODE ISLAND HEALTH BENEFITS EXCHANGE  
D/B/A HEALTHSOURCE RI**

**Notes to the Financial Statement**

**June 30, 2015**

The Single Audit for the State of Rhode Island for the year ended June 30, 2015 was issued in March 2016. That report included one finding relating to HSRI which was identified as a material weakness in internal control over compliance. However, that finding did not identify any questioned costs relating to HSRI. The ultimate disposition of this finding rests with the federal grantor agencies, and resolution is still in progress. The Single Audit for the State of Rhode Island for the year ended June 30, 2016 has not been completed as of November 23, 2016. Adjustments are made to the Statement when costs have been specifically disallowed by the federal government or sanctions have been imposed upon HSRI and the issue is not being appealed or the right of appeal has been exhausted.

HSRI's management believes that any disallowances of federal funding received by the State will not have a material impact on HSRI's financial statement.

HSRI has entered into a number of contracts with vendors to support the creation and operation of HSRI. These contracts extend through October 31, 2018; some contain renewal options. HSRI is also party to Interagency Agreements between EOHHS and DHS pursuant to the interagency team process referenced above. At June 30, 2016, minimum payments under HSRI's contractual commitments were as follows:

Through June 30, 2017	\$4,877,812
Thereafter through October 31, 2018	571,034

**5. Employee Retirement Plans**

Employees of HSRI participate in the Employees' Retirement System (ERS) of the State of Rhode Island, a cost-sharing multiple-employer defined benefit plan, advance funded through a trust. Membership in the plan is mandatory for all covered state employees. Required contributions were 23.33% of eligible compensation for the ERS year ended June 30, 2015.

**6. Related Party Transactions**

As a function within the State of Rhode Island, any additional State funds would be subject to appropriation, if necessitated by an excess of expenditures over revenues.

**7. Subsequent Event Considerations**

HSRI monitored and evaluated any subsequent events for note disclosures or adjustments required in its financial statement through November 23, 2016, the date on which the statement was issued.