



HEALTHSOURCE RI

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

For the Year Ended June 30, 2014

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 appropriations and expenditures of Rhode Island Health Benefits Exchange d/b/a HealthSource RI (the Exchange), a function within the general fund of the State of Rhode Island, for the year ended June 30, 2014, 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 appropriations and expenditures of Rhode Island Health Benefits Exchange d/b/a HealthSource RI for the year ended June 30, 2014.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015 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
June 1, 2015

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

**Statement of Appropriations and Expenditures
(Schedule of Federal Grant Revenue and Expenditures)
For the Year Ended June 30, 2014**

Revenues	
Federal grant revenue (CFDA #93.525)	\$ <u>48,466,810</u>
(Cooperative Agreement to Support Establishment of the Affordable Care Act's Health Insurance Exchanges)	
Expenditures	
Salaries and wages	1,421,155
Benefits	728,364
Information technology	23,056,735
Consulting and professional	19,291,445
Marketing and advertising	3,274,339
General and administrative	243,573
Facility and related	117,593
Appeals and legal	<u>333,606</u>
Total expenditures	<u>48,466,810</u>
Excess of revenues over expenditures	<u>\$ -</u>

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

HEALTHSOURCE RHODE ISLAND

Notes to the Financial Statement

June 30, 2014

1. Purpose of Organization

The Patient Protection and Affordable Care Act (Pub. 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).

The Rhode Island Health Benefits Exchange, branded "HealthSource RI," ("HSRI") serves two important 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). 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 ("Marketplace" or "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 ("OHIC"), 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 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.

All federal grant revenue and expenditures are included in the State of Rhode Island's General Fund. For FY14, federal grant revenues fully funded the activities of HSRI.

2. Basis of Presentation

The accompanying Statement of Appropriations and Expenditures ("Statement" or "Schedule") 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 GAAP..." 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..."

HEALTHSOURCE RHODE ISLAND

Notes to the Financial Statement

June 30, 2014

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

This Schedule 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 to collect health and dental insurance premium payments from qualified employers and individuals and to pay such premiums to issuers of Qualified Health Plans and Qualified Dental Plans offered through the 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 accrual 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.

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 the organization 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.

The Single Audit for the State of Rhode Island for the fiscal year ended June 30, 2014 was issued in March 2015. That report identified approximately \$101,638 in questioned costs relating to HSRI. The ultimate disposition of these findings rests with the federal grantor agencies, and, in most cases, resolution is still in progress. Adjustments are made to the financial statements 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.

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Notes to the Financial Statement

June 30, 2014

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 February 28, 2016, some with renewal options. HSRI is also party to Interagency Agreements between EOHHS and DHS as referenced above. At June 30, 2014, HSRI had the following contractual commitments:

Through June 30, 2015	\$31,442,683
Thereafter through February 28, 2016	9,762,718

5. Subsequent Event Considerations

HSRI monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statement through June 1, 2015, the date on which the financial statements were issued.

