



Rhode Island Health Benefits Exchange d/b/a HealthSource RI

STATEMENT OF REVENUES AND EXPENDITURES

Year Ended June 30, 2023

With Independent Auditor's Report





INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statement

Opinion

We have audited the statement of revenues and expenditures (the financial statement) 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, 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement represents fairly, in all material respects, the revenues and expenditures of the Exchange for the year ended June 30, 2023, in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards (U.S. 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 Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Exchange 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 opinion.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with U.S. GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Exchange'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.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objective is to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 U.S. GAAS 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 statement.

In performing an audit in accordance with U.S. 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 statement, 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 statement.
- 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 Exchange'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Exchange'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of the Exchange'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 of the Exchange'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 Exchange's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
December 20, 2023

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

Statement of Revenues and Expenditures

Year Ended June 30, 2023

Revenues	
State general fund	\$ 3,424,866
Marketplace assessments	8,070,717
Mandate penalty revenue	6,928,578
Federal mandate reinsurance program	12,392,493
Other federal revenue	<u>370,228</u>
Total revenues	<u>31,186,882</u>
Expenditures	
Mandate penalty expense	18,821,331
Salaries and wages	1,132,873
Benefits	643,739
Information technology	5,217,492
Consulting and professional	3,846,842
Marketing and advertising	1,266,201
General and administrative	134,161
Facility and related	25,378
Legal and audit	<u>98,865</u>
Total expenditures	<u>31,186,882</u>
Excess of revenues over expenditures	<u>\$ -</u>

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

Year Ended June 30, 2023

1. Purpose of Organization

The Patient Protection and Affordable Care Act (Public Law 111-148) and the Health Care and Education Reconciliation Act (Public Law 111-152) (together, the "ACA") provide 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 the State 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 (the financial statement).

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

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

Notes to the Financial Statement

Year Ended June 30, 2023

2. Basis of Presentation

The accompanying financial statement of HSRI 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..."

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

This financial statement does not include insurance premiums collected from consumers as part of HSRI carrying out its responsibilities under the ACA. HSRI created the HSRI Trust ("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 financial 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 twelve 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.

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

Notes to the Financial Statement

Year Ended June 30, 2023

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 the 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, 2025; 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, 2023, minimum payments under HSRI's contractual commitments were as follows:

2024	26,513,215
2025	1,876,546
2026	617,194

5. Employee Retirement Plan

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 28.01% of eligible compensation for the ERS year ended June 30, 2023. Pension expense for the year was approximately \$317,000 and is included in benefits in the financial statement.

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. Mandate Penalty Revenue and Expenses

Effective January 1, 2020, the State of Rhode Island implemented a mandate that non-exempt Rhode Islanders have qualifying health coverage. Failure to have coverage may result in a state personal income tax penalty. The fee is based on either 2.5% of yearly household income or a fixed fee per person (\$695 per person and an additional \$347.50 per child under age 18), whichever amount is higher. Such mandate penalties are passed through to insurers to reduce the cost of plans offered to Rhode Islanders except for administrative fees retained by HSRI. During the year ended June 30, 2023, administrative fees retained by HSRI were \$499,740. Mandate penalties remitted to the Rhode Island Division of Taxation are included in the financial statement as mandate penalty revenue and the payments to insurers are included on the financial statement as mandate penalty expense. Additionally, HSRI receives 1332 Waiver funds from the federal government which are passed through to carriers. These funds are included on the financial statement as federal mandate reinsurance program and the payments to insurers are included on the financial statement as mandate penalty expense.



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

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

We have audited, 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, the financial statement of Rhode Island Health Benefits Exchange d/b/a HealthSource RI (the Exchange), a function within the State of Rhode Island, which comprises the statement of revenues and expenditures for the year ended June 30, 2023, and the related notes to the financial statement, and have issued our report thereon dated December 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Exchange'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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Exchange's internal control. Accordingly, we do not express an opinion on the effectiveness of the Exchange'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 statement 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 have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Exchange's financial statement is 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 Exchange'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 Exchange's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
December 20, 2023