

HealthSource RI (HSRI)

PROGRAMMATIC COMPLIANCE REPORT

Year Ended June 30, 2025

With Independent Accountant's Report

Independent Accountant's Report

To Board of Directors and Management

HealthSource RI

Report on Compliance

We have examined HealthSource RI's (the Exchange), a function within the State of Rhode Island, assertion that the Exchange operated in compliance with the requirements in Title 45, Code of Federal Regulations, Part 155 (45 CFR 155), Subparts D and E during the fiscal year July 1, 2024, to June 30, 2025. The Exchange's management is responsible for its assertion. Our responsibility is to express an opinion on the Exchange's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Exchange's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about the Exchange's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Exchange's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Exchange's compliance with specified requirements.

Our examination disclosed material noncompliance with 45 CFR Part 155, Subparts D and E applicable to the Exchange during the year ended June 30, 2025, as disclosed in the accompanying schedule of findings as Finding 2025-001.

In our opinion, except for the material noncompliance described in the accompanying schedule of findings, the Exchange complied with the requirements of 45 CFR 155, Subparts D and E during the year ended June 30, 2025, in all material respects.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2026, on our consideration of the Exchange's internal control over compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Exchange's internal control over compliance. That report is an integral part of an examination performed in accordance with *Government Auditing Standards* in considering the Exchange's internal control over compliance.

Intended Use

This report is intended to describe the scope of our examination of compliance and the results of the examination based on attestation standards established by the AICPA and *Government Auditing Standards* and it is not suitable for any other purpose.

BSPM Assurance, LLP

Portland, Maine

May 29, 2026

Independent Accountant's Report on Internal Control Over Compliance With Requirements of Title 45, Part 155, Subparts D and E of The Code of Federal Regulations

To Board of Directors and Management

HealthSource RI

We have examined, in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the assertion that the Exchange operated in compliance with the requirements in Title 45, Code of Federal Regulations, Part 155 (45 CFR 155), Subparts D and E during the fiscal year July 1, 2024 to June 30, 2025. We have issued our report on the Exchange's assertion of compliance with the above stated requirements dated February 23, 2026, which contained a qualified opinion due to material noncompliance with the specified requirements.

Management of the Exchange is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements described in 45 CFR 155, Subparts D and E. In planning and performing our examination of the Exchange's assertion of compliance, we considered the Exchange's internal control over compliance with the requirements described above as a basis for designing examination procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Exchange's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified a deficiency in internal

control over compliance, described in the accompanying schedule of findings as Finding 2025-001, that we consider to be a material weakness.

The Exchange's responses to the internal control over compliance findings identified in our examination are described in the accompanying schedule of findings. The Exchange's responses were not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on the responses.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *Government Auditing Standards*. Accordingly, this report is not suitable for any other purpose.

BDMF Assurance, LLP

Portland, Maine

May 29, 2026

Schedule of Findings Year Ended June 30, 2025

Finding 2025 - 001: Failure to provide an applicant with a 150-day Reasonable Opportunity Period

Criteria:

In accordance with 45 CFR § 155.315(f)(2):

(2) If unable to resolve the inconsistency through the process described in paragraph (f)(1) of this section, must—

(i) Provide notice to the applicant regarding the inconsistency; and

(ii) Provide the applicant with a period of 90 days from the date on which the notice described in paragraph (f)(2)(i) of this section is sent to the applicant to either present satisfactory documentary evidence via the channels available for the submission of an application, as described in § 155.405(c), except for by telephone through a call center, or otherwise resolve the inconsistency.

(5) If, after the period described in paragraph (f)(2)(ii) of this section, the Exchange remains unable to verify the attestation, the Exchange must determine the applicant's eligibility based on the information available from the data sources specified in this subpart, unless such applicant qualifies for the exception provided under paragraph (g) of this section, and notify the applicant of such determination in accordance with the notice requirements specified in § 155.310(g), including notice that the Exchange is unable to verify the attestation.

Although 45 CFR § 155.315(f)(2) establishes a 90-day reasonable opportunity period (ROP) for resolving eligibility verification inconsistencies, CMS provided temporary flexibility during the COVID-19 public health emergency allowing Exchanges to extend the ROP to 150 days.

Condition and Context:

BerryDunn selected a sample of 95 cases to test HSRI's verification process. Of the 95 cases tested, BerryDunn identified one case where the Exchange discontinued an applicant's conditional eligibility in accordance with the earliest ROP expiration. The applicant received an initial Additional Document Request (ADR) on October 12, 2024, for current year annual income with a due date of March 17, 2025. A Medicaid annual renewal notice was sent on March 1, 2025, for two children in the household with a due date of April 1, 2025. On May 8, 2025, the household's eligibility was updated because a child aged out of Medicaid. This triggered the Exchange to send a new ADR notice to the applicant on May 8, 2025, with a due date of October 11, 2025, for the verification of household income. On June 20, 2025, the consumer called the Exchange and reported a change in household income. On that date, a new income ADR notice for the entire household was generated with a new 150-day ROP, set

to expire on November 22, 2025. In July 2025, the Exchange's batch verification process flagged the applicant because of the initial ADR due date of March 17, 2025, and generated a final reminder notice informing the applicant that if income support was not received by August 15, 2025, they would lose eligibility for financial assistance on September 15, 2025. The applicant did not provide support by August 15, 2025, and was deemed ineligible for financial assistance. The Exchange's policy is to provide a new ADR when there are changes to a household's eligibility due to changes in household composition and income.

Cause:

The Exchange's eligibility system utilized the earliest notice due date for batch processing and removed financial assistance on September 15, 2025, which conflicted with the notice stating the applicant had until November 22, 2025, to respond.

Effect:

The applicant was determined ineligible for financial assistance due to the batch verification process. The applicant received conflicting notices and information from the Exchange about their eligibility and the deadline for their response.

Recommendation:

BerryDunn recommends the Exchange update its policy to the due date referenced when taking action upon the expiration of the initial 150-day ROP if there are multiple ROPs generated.

Exchange Response:

We agree with the interpretation that, under HSRI policy, a new income ADR and corresponding 90-day response period must be issued whenever a household reports an income change during a conditional eligibility segment that affects eligibility. In such cases, the updated income information replaces the need to verify the originally reported income that triggered the conditional eligibility segment.

Corrective Action Plan:

We will determine the appropriate short- and long-term system changes needed to issue a new 90-day response period when a reported income change results in a change in eligibility. The response period is tied specifically to the reported income change; reprocessing or resubmitting the same application without a reported income change would not trigger a new 90-day response period. Following confirmation of the approach, we will evaluate release planning priorities and implementation timing.

Responsible Exchange Official:

Matt Goupil, Chief Operating Officer