




# Vermont Health Connect

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

Year Ended June 30, 2021

With Independent Auditor's Report





## INDEPENDENT AUDITOR'S REPORT

Management of the Vermont Health Benefit Exchange  
d/b/a Vermont Health Connect

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

We have audited the accompanying statement of appropriations and expenditures (the statement) of the Vermont Health Benefit Exchange d/b/a Vermont Health Connect (the Exchange), a function within the general fund of the State of Vermont, for the year ended June 30, 2021, 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 the cash basis of accounting described in Note 3; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of this financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial 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 from 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 special-purpose statement referred to in the first paragraph presents fairly, in all material respects, the cash basis appropriations and expenditures of the Exchange for the year ended June 30, 2021, in accordance with the cash basis of accounting described in Note 3.

***Basis of Accounting***

We draw attention to Note 3 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2022 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.

***Purpose of this Report***

This report is intended solely for the information and use of management, the Medicaid and Exchange Advisory Board, and the Centers for Medicare & Medicaid Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
May 17, 2022  
Registration No. 92-0000278

**VERMONT HEALTH BENEFIT EXCHANGE  
D/B/A VERMONT HEALTH CONNECT**

**Statement of Appropriations and Expenditures**

**Year Ended June 30, 2021**

Appropriations	
State revenues	\$ <u>2,668,838</u>
Expenditures	
Allocated from the Department of Vermont Health Access	2,595,419
Allocated from the Department of Children and Families	41,675
Allocated from the Agency of Human Services	<u>31,744</u>
Total expenditures	<u>2,668,838</u>
Excess of revenues over expenditures	\$ <u>-</u>

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

**VERMONT HEALTH BENEFIT EXCHANGE  
D/B/A VERMONT HEALTH CONNECT**

**Notes to the Financial Statement**

**Year Ended June 30, 2021**

**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 Vermont Health Benefits Exchange d/b/a Vermont Health Connect (VHC or the Exchange) was established by Act 48 passed by the Vermont legislature in May 2011.

The Vermont Health Benefit Exchange, a unit of the Department of Vermont Health Access (DVHA) branded Vermont Health Connect, serves two important purposes: first, to negotiate for high quality, affordable health insurance options on behalf of individuals (in order to promote the health of all Vermonters); and second, to be a robust resource for all Vermonters to learn about and compare the quality and affordability of their health insurance options, enroll in coverage and, if eligible, access Medicaid, State and/or federal tax subsidies for coverage.

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

VHC is part of an interagency team created in Vermont to implement ACA reforms. This team includes DVHA, the Department of Children and Families (DCF) and the Agency of Human Services (AHS). 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 VHC, premium payment. VHC 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 of Vermont (the State), financial and administrative processes are performed at the State level including payroll, purchasing, accounts payable, cash management and general ledger accounting.

**2. Basis of Presentation**

The accompanying Statement of Appropriations and Expenditures (Statement or Schedule) of VHC 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...” and
- (c) “External audits. The State Exchange must engage an independent qualified auditing entity which follows U.S. generally accepted governmental auditing standards (GAGAS) to perform an annual independent external financial...audit...”

**VERMONT HEALTH BENEFIT EXCHANGE  
D/B/A VERMONT HEALTH CONNECT**

**Notes to the Financial Statement**

**Year Ended June 30, 2021**

**3. Accounting Policies**

The accompanying special-purpose financial statement has been prepared on the cash basis of accounting which is a basis of accounting other than U.S. generally accepted accounting principles. On this basis, income is recognized when cash is received rather than when earned, and expenditures are recognized when cash is paid rather than when expenditures are incurred.

This Schedule does not include insurance premiums collected from consumers as part of VHC carrying out its responsibilities under the ACA of 2010. Expenditures on the Statement are limited to those funded by the State.

**4. Allocation of Costs**

The operations of VHC are integrated with DVHA, DCF, and AHS. Expenditures of these departments are allocated to VHC based on quarterly cost allocation plans and are identified below. The portion of these costs allocated to VHC are presented on the Statement. Exchange costs include support for Medicaid Eligibility determination.

	<u>DVHA</u>	<u>DCF</u>	<u>AHS</u>	<u>Total</u>
Expenditures				
Salaries	\$ 8,573,170	\$ 643,449	\$ 338,560	\$ 9,555,179
Benefits	4,446,403	339,020	157,983	4,943,406
Supplies	1,976	2,101	2,943	7,020
Printing and mailing	371,752	159,948	3,066	534,766
Telephone	15,109	624	50,122	65,855
Travel	-	251	40	291
General operating	9,464,770	1,920	18,783	9,485,473
Granting and contracting	<u>22,789,635</u>	<u>32,419</u>	<u>122,953</u>	<u>22,945,007</u>
Direct marketplace operations	45,662,815	1,179,732	694,450	47,536,997
AHS allocated expenditures (VHC unsubsidized only)	44,511	1,749	-	46,260
Other allocated expenditures (VHC unsubsidized only)	<u>163,529</u>	<u>14,210</u>	<u>23,669</u>	<u>201,408</u>
Total expenditures	<u>\$ 45,870,855</u>	<u>\$ 1,195,691</u>	<u>\$ 718,119</u>	<u>\$ 47,784,665</u>
Appropriations				
State-only revenues	\$ 2,595,419	\$ 41,675	\$ 31,744	\$ 2,668,838
All other revenues	<u>43,275,436</u>	<u>1,154,016</u>	<u>686,375</u>	<u>45,115,827</u>
Total appropriations	<u>\$ 45,870,855</u>	<u>\$ 1,195,691</u>	<u>\$ 718,119</u>	<u>\$ 47,784,665</u>

**VERMONT HEALTH BENEFIT EXCHANGE  
D/B/A VERMONT HEALTH CONNECT**

**Notes to the Financial Statement**

**Year Ended June 30, 2021**

Costs are allocated as directed by the applicable department's approved cost allocation methodology. Costs related to salaries and benefit expense are based on general effort. Other costs represent the allocation of direct charges incurred.

**5. Commitments and Contingencies**

The Exchange is exposed to various risks of loss. Insurance coverage is provided by the State for such claims. With respect to litigation, VHC officials are of the opinion that there are no lawsuits likely to result either individually or in the aggregate in final judgments against the Exchange that would materially affect the Statement.

DVHA, DCF, and AHS have entered into a number of contracts with vendors to support the operation of VHC. These contracts extend through June 30, 2025; some contain renewal options. VHC is also party to Interagency Agreements among DVHA, DCF, and AHS as referenced above. At June 30, 2021, minimum payments under contractual commitments for the next five years are as follows:

For the Year Ending June 30,	
2022	\$ 35,292,900
2023	30,259,170
2024	28,185,642
2025	10,581,388

**6. Subsequent Event Considerations**

VHC monitored and evaluated any subsequent events for note disclosures required in its financial statement through May 17, 2022, the date on which the Statement was issued.



**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 Vermont Health Benefit Exchange  
d/b/a Vermont Health Connect

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 the Vermont Health Benefit Exchange d/b/a Vermont Health Connect (the Exchange), a function within the general fund of the State of Vermont, which comprises the statement of appropriations and expenditures for the year ended June 30, 2021, and the related notes to the financial statement, and have issued our report thereon dated May 17, 2022.

**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 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 statement. 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  
May 17, 2022  
Registration No: 92-0000278