



Vermont Health Connect

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

Year Ended June 30, 2020

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, which comprises the statement of appropriations and expenditures for the year ended June 30, 2020, 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 2; 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, 2020, in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 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 March 12, 2021 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

Portland, Maine
March 12, 2021
Registration No. 92-0000278

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

Statement of Appropriations and Expenditures

Year Ended June 30, 2020

Appropriations	
State revenues	\$ <u>2,867,348</u>
Expenditures	
Allocated from the Department of Vermont Health Access	2,717,832
Allocated from the Department of Children and Families	62,526
Allocated from the Agency of Human Services	<u>86,990</u>
Total expenditures	<u>2,867,348</u>
Excess of revenues over expenditures	\$ <u><u>-</u></u>

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, 2020

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, 2020

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	\$ 8,124,030	\$ 640,913	\$ 369,121	\$ 9,134,064
Benefits	4,201,941	325,151	173,006	4,700,098
Supplies	9,169	5,235	3,040	17,444
Printing and mailing	442,739	217,780	3,823	664,342
Telephone	11,662	550	50,365	62,577
Travel	11,434	3,001	4,206	18,641
General operating	5,214,079	18,126	30,150	5,262,355
Granting and contracting	<u>29,781,675</u>	<u>24,847</u>	<u>512</u>	<u>29,807,034</u>
Direct marketplace operations	47,796,729	1,235,603	634,223	49,666,555
AHS allocated expenditures (VHC unsubsidized only)	41,083	2,145	-	43,228
Other allocated expenditures (VHC unsubsidized only)	<u>154,200</u>	<u>22,232</u>	<u>55,951</u>	<u>232,383</u>
Total expenditures	<u>\$ 47,992,012</u>	<u>\$ 1,259,980</u>	<u>\$ 690,174</u>	<u>\$ 49,942,166</u>
Appropriations				
State-only revenues	\$ 2,717,832	\$ 62,526	\$ 86,990	\$ 2,867,348
All other revenues	<u>45,274,180</u>	<u>1,197,454</u>	<u>603,184</u>	<u>47,074,818</u>
Total appropriations	<u>\$ 47,992,012</u>	<u>\$ 1,259,980</u>	<u>\$ 690,174</u>	<u>\$ 49,942,166</u>

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

Notes to the Financial Statement

Year Ended June 30, 2020

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 September 15, 2026; some contain renewal options. VHC is also party to Interagency Agreements among DVHA, DCF, and AHS as referenced above. At June 30, 2020, minimum payments under contractual commitments for the next five years are as follows:

For the Year Ending June 30,	
2021	\$ 28,851,804
2022	9,771,851
2023	8,161,393
2024	8,112,793
2025	8,112,793

6. Subsequent Event Considerations

VHC monitored and evaluated any subsequent events for note disclosures required in its financial statement through March 12, 2021, the date on which the Statement was issued.

7. Uncertainty

During the year ended June 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and the size and duration of group meetings. While these mandates have slowly become less restrictive in some areas, most sectors are still experiencing disruption to business operations and may feel further impacts related to volatility in investment returns and reduced philanthropic support. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Therefore, while management expects this matter to impact VHC's operating results, the full financial impact and duration cannot be reasonably estimated at this time.