




Vermont Health Connect

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

Year Ended June 30, 2023

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 Audit of the Financial Statement

Opinion

We have audited the accompanying statement of appropriations and expenditures (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, for the year ended June 30, 2023, and the related notes to the financial statement.

In our opinion, the special-purpose financial 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, 2023, in accordance with the cash basis of accounting described in Note 3.

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.

Emphasis of Matter - 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 that matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial 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.

In preparing the financial statements, 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 within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are 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 and *Government Auditing Standards* 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 11, 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.

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

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
December 11, 2023
Registration No. 92-0000278

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

Statement of Appropriations and Expenditures

Year Ended June 30, 2023

Appropriations	
State revenues	\$ <u>2,966,687</u>
Expenditures	
Allocated from the Department of Vermont Health Access	2,866,486
Allocated from the Department of Children and Families	60,994
Allocated from the Agency of Human Services	<u>39,207</u>
Total expenditures	<u>2,966,687</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, 2023

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) 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, 2023

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 Statement 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	\$ 9,137,283	\$ 503,051	\$ 396,783	\$ 10,037,117
Benefits	5,330,967	289,352	226,616	5,846,935
Supplies	3,564	3,853	1,466	8,883
Printing and mailing	291,540	258,742	3,522	553,804
Telephone	7,701	484	3,026	11,211
Travel	2,965	-	352	3,317
General operating	6,615,402	48,455	47,090	6,710,947
Granting and contracting	<u>19,429,693</u>	<u>70,662</u>	<u>433</u>	<u>19,500,788</u>
Direct marketplace operations	40,819,115	1,174,599	679,288	42,673,002
AHS allocated expenditures (VHC unsubsidized only)	56,402	2,135	-	58,537
Other allocated expenditures (VHC unsubsidized only)	<u>220,435</u>	<u>14,574</u>	<u>27,309</u>	<u>262,318</u>
Total expenditures	<u>\$ 41,095,952</u>	<u>\$ 1,191,308</u>	<u>\$ 706,597</u>	<u>\$ 42,993,857</u>
Appropriations				
State-only revenues	\$ 2,866,486	\$ 60,994	\$ 39,207	\$ 2,966,687
All other revenues	<u>38,229,466</u>	<u>1,130,314</u>	<u>667,390</u>	<u>40,027,170</u>
Total appropriations	<u>\$ 41,095,952</u>	<u>\$ 1,191,308</u>	<u>\$ 706,597</u>	<u>\$ 42,993,857</u>

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

Notes to the Financial Statement

Year Ended June 30, 2023

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 30, 2027; some contain renewal options. VHC is also party to Interagency Agreements among DVHA, DCF, and AHS as referenced above. At June 30, 2023, minimum payments under contractual commitments for the next five years are as follows:

For the Year Ending June 30,	
2024	\$ 28,098,000
2025	9,207,000
2026	176,000
2027	176,000
2028	44,000

6. Subsequent Event Considerations

VHC monitored and evaluated any subsequent events for note disclosures required in its financial statement through December 11, 2023, the date on which the Statement was available to be issued.