



Financial Statements

June 30, 2021

Office of the Health Insurance Marketplace

A Unit of the Maine Department of Health and Human Services

Office of the Health Insurance Marketplace
A Unit of the Maine Department of Health and Human Services

Table of Contents

June 30, 2021

Independent Auditor's Report	1
Financial Statements	
Balance Sheet.....	4
Statements of Revenues, Expenditures, and Changes in Fund Balances	5
Notes to Financial Statements	6
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9
Schedule of Findings and Responses	11



Independent Auditor's Report

Office of the Health Insurance Marketplace (OHIM)
A Unit of the Maine Department of Health and Human Services
Augusta, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Office of the Health Insurance Marketplace (OHIM), a unit of the Maine Department of Health and Human Services, as of and for the period ended June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of OHIM, as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OHIM, 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 opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Office of the Health Insurance Marketplace, a unit of the State of Maine Department of Health and Human Services, are intended to present the fund information of the State of Maine that is attributable to the transactions of the Office of the Health Insurance Marketplace. They do not purport to, and do not, present fairly the financial position of the State of Maine as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are 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 OHIM'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 Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 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 statements.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023, on our consideration of OHIM'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 OHIM'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 OHIM's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Mankato, Minnesota
February 27, 2023

Office of the Health Insurance Marketplace
A Unit of the Maine Department of Health and Human Services

Balance Sheet
June 30, 2021

Assets

Cash and cash equivalents	\$ 604,272
Accounts receivable	<u>330,380</u>

Total assets	<u><u>\$ 934,652</u></u>
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Fund balance	
Restricted	<u>\$ 934,652</u>

Total fund balance	<u><u>\$ 934,652</u></u>
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Office of the Health Insurance Marketplace
A Unit of the Maine Department of Health and Human Services
Statements of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2021

Revenues	
Health carrier user fees	<u>\$ 934,652</u>
Total revenues	<u>934,652</u>
Change in Fund Balance	<u>934,652</u>
Fund Balance, Beginning of Year	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 934,652</u></u>

Note 1 - Nature Of Organization and Significant Accounting Policies

The Office of the Health Insurance Marketplace (OHIM) was established by the Maine Department of Health and Human Services (DHHS) to operate Maine's state-based health insurance marketplace for affordable health coverage under the Made for Maine Health Coverage Act (Title 22, Chapter 1470), passed by the Maine Legislature in 2020. OHIM began operations as a unit of the Maine Department of Health and Human Services during the period ended June 30, 2020, operating as a state-based exchange on the federal platform (SBE-FP). The ongoing operations of OHIM are funded by a user fee charged to health insurance companies that use the platform to sell their plans. OHIM is reported as a government fund as it's reported in there on the State's ACFR for 2021.

The financial statements reflect the fund balance and changes in fund balance of the OHIM. The financial statements were prepared from only the accounts of OHIM. Accordingly, the financial statements do not purpose to, and do not, present fairly the financial position of the DHHS, nor the State of Maine.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balance. The Fund is accounted for on a spending, or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

The Fund recognizes assets of non-exchange transactions in the period when the underlying transaction occurs when all eligibility requirements are met. Non-exchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return.

Revenues are recognized when earned and when they are both measurable and available. Revenues are considered available when they are collectible within the current period or within 12 months of the end of the current fiscal period. Expenditures and related liabilities are recorded in the accounting period the liability is incurred, to the extent it is expected to be paid with expendable financial resources.

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Custodial Credit Risk

OHIM maintains its cash in various deposit accounts, the balances of which are periodically in excess of federally insured limits.

Cash and Cash Equivalents

The State of Maine pools cash and cash equivalents for a variety of State agencies and public sector entities. The pooled balances are reported at fair value. Interest earned on pooled cash is allocated to the various funds, generally based on their average equity balances. The Treasurer's Cash Pool has the general characteristics of a demand deposit account and is comprised primarily of prime commercial paper, repurchase agreements, U.S. Treasury Bills, U.S. Treasury Notes, and other U.S. Agency Obligations, certificates of deposit, and corporate bonds. Cash equivalents consist of short-term investments that mature within three months.

Receivable and Credit Policy

Receivables are uncollateralized customer obligations due under normal terms. The receivables are non-interest bearing. Payments on receivables are applied to the earliest unpaid invoices. The carrying amount of the receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected. As of June 30, 2021, OHIM does not have any estimated uncollectable receivables in allowance.

Fund Balance

Fund balance represents the difference between assets and liabilities in OHIM's financial statements. Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through grantors, contributors, laws or regulations, as well as restrictions imposed by law through constitutional provisions or enabling legislation. The Fund's operations are subject to the provisions of the Affordable Care Act and cannot be used for any other purpose.

Pension Contribution

OHIM's employees are members of the Maine Public Employees Retirement System (MainePERS). Benefit terms are established in Maine statute. Retirement benefits are funded by contributions from members, employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law, or by the System's Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. Additional financial and actuarial information is available at <http://www.maineopers.org> or by contacting MainePERS at (207) 512-3100.

Note 2 - Commitments and Contingencies

Per Section 1311(d)(5) of the Affordable Care Act, Marketplaces must be self-sustaining beginning January 1, 2015, and grant funds may not be used for ongoing operations. Marketplaces demonstrate self-sustainability by, among other things, having a source of funding other than Federal grants for ongoing operations.

The State has assumed the costs for operations. The approved State annual budget for its fiscal year ended June 30, 2021, has included funding to cover these costs. The Executive Budget for July 1, 2021, through June 30, 2022, includes funding to cover these costs through the next year.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Megan Garratt-Reed, Director
State of Maine Department of Health and Human Services
Office of the Health Insurance Marketplace
Augusta, Maine

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the State of Maine Department of Health and Human Services Office of the Health Insurance Marketplace (OHIM), as of and for the period ended June 30, 2021, and the related notes to the financial statements, which collectively comprise OHIM's basic financial statements and have issued our report thereon dated February 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered OHIM'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OHIM's internal control. Accordingly, we do not express an opinion on the effectiveness of OHIM'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 statements 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2021-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OHIM's financial statements are 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*.

Entity's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on OHIM's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. OHIM's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Mankato, Minnesota
February 27, 2023

Section I – Summary of Auditor’s Results

2021-001 Preparation of Financial Statements
Material Weakness

Criteria: A good system of internal control contemplates an adequate system for drafting of the financial statements and related notes.

Condition: OHIM does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we are requested to draft the financial statements, accompanying notes to the financial statements.

Cause: OHIM does not have an internal control system to provide for the preparation of the financial statements and related financial statement disclosures being audited.

Effect: This control deficiency could result in a misstatement to the financial statements and related notes that would not be prevented or detected.

Recommendation: It is the responsibility of the management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials: None