



Office of the Health Insurance Marketplace

A Unit of the Maine Department of Health and Human Services

FINANCIAL STATEMENTS

June 30, 2023

With Independent Auditor's Report





INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Office of the Health Insurance Marketplace (OHIM), a unit of the Maine Department of Health and Human Services, which comprise the balance sheet (cash basis) as of June 30, 2023, and the related statement of revenues and expenditures and changes in net position (cash basis) for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of OHIM as of June 30, 2023 and the results of its operations for the year then ended, in accordance with the cash basis of accounting as described in Note 2.

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 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 opinion.

Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are 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 Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is 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 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 statements.

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 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.

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 May 17, 2024 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.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
May 17, 2024

OFFICE OF THE HEALTH INSURANCE MARKETPLACE

Balance Sheet (Cash Basis)

June 30, 2023

| | |
|---------------------------|---------------------|
| Assets | |
| Cash and cash equivalents | \$ <u>4,906,560</u> |
| Total assets | \$ <u>4,906,560</u> |
| Net position | |
| Unrestricted | \$ <u>4,906,560</u> |
| Total net position | \$ <u>4,906,560</u> |

The accompanying notes are an integral part of the financial statements.

OFFICE OF THE HEALTH INSURANCE MARKETPLACE

Statement of Revenues and Expenditures and Changes in Net Position (Cash Basis)

Year Ended June 30, 2023

| | |
|--|---------------------|
| Revenues | |
| Fees from qualified health plans | \$12,153,851 |
| Grant revenues | <u>523,081</u> |
| Total revenues | <u>12,676,932</u> |
| Expenditures | |
| Payroll | 312,368 |
| Temporary staffing | 877,795 |
| Vendor contracts | 9,626,589 |
| Information technology | 753,468 |
| Miscellaneous | 135,846 |
| Statewide cost allocation plan | 269,845 |
| Department indirect cost allocation plan | <u>19,289</u> |
| Total expenditures | <u>11,995,200</u> |
| Excess of revenues over expenditures | 681,732 |
| Net position, beginning of year | <u>4,224,828</u> |
| Net position, end of year | <u>\$ 4,906,560</u> |

The accompanying notes are an integral part of the financial statements.

OFFICE OF THE HEALTH INSURANCE MARKETPLACE

Notes to the Financial Statements

Year Ended June 30, 2023

1. Purpose of Organization

The Office of the Health Insurance Marketplace (OHIM) was established by the Maine Department of Health and Human Services (DHHS) to operate the State of Maine's (the State) 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 DHHS during the period ended June 30, 2020, operating as a state-based exchange on the federal platform. The ongoing operations of OHIM are funded by a use fee charged to health insurance companies that use the platform to sell their plans.

The financial statements reflect the net position and changes in net position of OHIM. Accordingly, the financial statements are not intended to, and do not, present the financial position of the DHHS, nor the State.

As an operation within the State, financial and administrative processes are performed at the State level including payroll, purchasing, accounts payable, cash management and general ledger accounting.

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.

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 MainePERS 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. Total pension contribution expense was \$16,746 for the year ended June 30, 2023. Additional financial and actuarial information is available at <http://www.mainebers.org> or by contacting MainePERS at (207) 512-3100.

OFFICE OF THE HEALTH INSURANCE MARKETPLACE

Notes to the Financial Statements

Year Ended June 30, 2023

Net Position

Net position represents the difference between assets and liabilities in OHIM's financial statements. Restricted net position 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. Unrestricted net position includes all remaining net position that does not meet the definition of "restricted." OHIM did not have restricted net position as of June 30, 2023.

2. Accounting Policies

The accompanying financial statements have 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.

The financial statements do not include insurance premiums collected from consumers as part of OHIM carrying out its responsibilities under the Affordable Care Act of 2010.

3. Commitments and Contingencies

With respect to litigation, OHIM officials are of the opinion that there are no lawsuits likely to result either individually or in the aggregate in final judgments against OHIM that would materially affect the financial statements.

OHIM has entered into a number of contracts with vendors to support the creation and operation of OHIM. These contracts extend through June of 2028; some contain renewal options. At June 30, 2023, minimum payments under OHIM's contractual commitments for the next five years are as follows:

| | |
|------|--------------|
| 2024 | \$18,706,000 |
| 2025 | 7,533,000 |
| 2026 | 6,084,000 |
| 2027 | 1,612,000 |
| 2028 | 815,000 |

4. Related Party Transactions

As a function within the State of Maine, any additional State funds would be subject to appropriation, if necessitated by an excess of expenditures over revenues.