

Transmittal of External Audit Report

Instructions: Per Department of Finance & Management Policy #7.0: **External Audit Reports**, departments are required to complete and submit this **coversheet** with a copy of the external audit report to the Commissioner of Finance & Management within 30 days of issuance of the final audit report. This coversheet must be submitted by the department's business office to ensure their awareness and acknowledgment of any potential financial impact. Official department responses to the audit report, including corrective action plans (*if required*), must also be submitted to Commissioner of Finance & Management upon completion.

Department	DVHA
Business Office Contact	Anne Petrow
Program/Activity Audited	Vermont Health Connect (VHC)
Audit Agency	Berry Dunn
Audit Report Date	05/14/2021

1. Does the audit report contain any findings or recommendations?

YES NO

➤ If YES continue to question #2; otherwise coversheet is complete.

2. Does the report contain any repeat audit findings?

YES NO

3. Please rate the findings and/or recommendations contained in the audit report using the following scale; for reports with multiple findings, this overall rating should be based on the most critical finding:

Insignificant: Nominal violation of policies, procedures, rules, or regulations. Corrective action suggested but not required.

Notable: Minor violation of policies, procedures, rules, or regulations and/or weak internal controls; and/or opportunity to improve effectiveness and efficiency. Corrective action may be required.

Significant: Significant violation of policies, procedures, rules, regulations or laws; and/or poor internal controls; and/or significant opportunity to improve effectiveness and efficiency. Corrective action required.

Major: Major violation of policies, procedures, rules, regulations or laws; and/or unacceptable internal controls; and/or high risk for fraud, waste or abuse; and/or major opportunity to improve effectiveness and efficiency. Immediate corrective action required.

4. Is the department required to develop a corrective action plan (or similar) to address the audit findings and/or recommendations?

YES NO

➤ If YES continue to next question; otherwise skip to question #8.

Transmittal of External Audit Report

5. Has the corrective action plan been developed?

YES NO [provide status below]

❖ Status of corrective action plan: N/A

6. Does the department anticipate any inability or delay in implementing its corrective action plan?

YES NO,

➤ If YES continue to next question; otherwise skip to question #8.

7. What fiscal and programmatic impact is this inability or delay likely to have?

N/A

8. Does the report contain any disallowed costs¹?

YES NO

➤ If YES list the amount(s) and page reference(s) below; otherwise skip to question #11.

Disallowed Amount \$	Audit Report Page #

Disallowed Amount \$	Audit Report Page #

9. Has the method and timing of repayment for all disallowed costs been agreed upon with the applicable organization?

YES NO

10. Assess the impact this disallowance will have on the:

- a. Program/Activity: Major Significant Minimal None
 b. Dept Overall Budget: Major Significant Minimal None

11. Does the report contain any questioned costs²?

YES NO

➤ If YES list the amount(s) and page reference(s) below; otherwise form is complete.

Questioned Amount \$	Audit Report Page #

Questioned Amount \$	Audit Report Page #

12. Assess the likelihood that the questioned costs will result in disallowances and/or reductions in future revenues:

Very Likely Likely Somewhat Likely Not Likely

¹ Costs determined as unallowable under the applicable program/activity and not eligible for financial assistance; generally disallowed costs must be reimbursed to the awarding organization.

² Costs identified as potentially unallowable for financial assistance under the applicable program/activity.



**INDEPENDENT EXTERNAL AUDIT:
2020 AUDIT FINDINGS REPORT**

**VERMONT HEALTH BENEFIT EXCHANGE
DBA VERMONT HEALTH CONNECT (VHC)**



INDEPENDENT EXTERNAL AUDIT: 2020 FINDINGS REPORT

TO: CCIIO STATE EXCHANGE GROUP

FROM: BERRY DUNN MCNEIL & PARKER, LLC (BERRYDUNN)

DATE: MAY 14, 2021

SUBJECT: AUDIT FINDINGS REPORT FOR VERMONT

AUDIT PERIOD: JULY 1, 2019 – JUNE 30, 2020

I. EXECUTIVE SUMMARY

PURPOSE

The purpose of this independent external audit is to assist the State of Vermont in determining whether Vermont Health Benefit Exchange (the Exchange) d/b/a Vermont Health Connect (VHC), the Vermont state-based marketplace (SBM), is in compliance with the programmatic requirements set forth by the Centers for Medicare and Medicaid Services (CMS) during the audit period.

Name of SBM: Vermont Health Connect

State of SBM: Vermont

Name of Auditing Firm: BerryDunn

Our responsibility was to perform a financial and programmatic audit to report on VHC's compliance with Title 45, Code of Federal Regulations Part 155 (45 CFR 155) as described in the CMS memo dated June 18, 2014, Frequently Asked Questions about the Annual Independent External Audit of SBMs. The Program Integrity Rule Part II ("PI, Reg."), 45 CFR 155.1200 (c), states, "The State Exchange must engage an independent qualified auditing entity which follows generally accepted governmental auditing standards (GAGAS) to perform an annual independent external financial and programmatic audit and must make such information available to the United States (U.S.) Department of Health and Human Services for review."

SCOPE

The scope of this engagement included an audit of the Statement of Appropriations and Expenditures of VHC as well as an examination of VHC's compliance with the requirements of 45 CFR 155, Subparts C, D, E, K, and M for the 12-month period July 1, 2019 through June 30, 2020. 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. We completed an examination of VHC's compliance with the programmatic requirements under 45 CFR 155 155 and issued our reports dated May 14, 2021. We also completed an audit of its financial statement and issued our reports dated March 12, 2021.

We reviewed processes and procedures, read pertinent documents, and performed inquiries,

observations, and staff interviews to obtain reasonable assurance regarding whether VHC is in compliance with 45 CFR 155 Subparts C, D, E, K, and M in all material respects. We also selected a sample of clients and tested for compliance with requirements under 45 CFR 155 for eligibility determination, verification of data, and enrollment with a Qualified Health Plan (QHP).

METHODOLOGY

Audit Firm Background:

BerryDunn is a national consulting and certified public accounting firm with a Government Consulting Group dedicated to serving state and local government agencies. BerryDunn was formed in 1974 and has experienced sustained growth throughout its 46-year history. Today, BerryDunn employs 600+ personnel with headquarters in Portland, Maine—and office locations in Arizona, Connecticut, Massachusetts, New Hampshire, and West Virginia. The firm has experienced professionals who provide a full range of services, including information technology (IT) consulting; management consulting; and audit, accounting, and tax services.

Those services include conducting Financial and/or Programmatic audits of multiple State Based Exchanges. We also have completed audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance, previously referred to as OMB Circular A-133) for several sizable healthcare organizations, many of which receive U.S. Department of Health and Human Services federal grants or funding. In addition, we provide audit services for higher education, social service, and economic development organizations, as well as other entities that receive federal grants and are subject to the Uniform Guidance.

Financial Statement Audit:

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 statement of appropriations and expenditures of VHC for the year ended June 30, 2020, and related notes to the statement, and have issued a report thereon dated March 12, 2021.

Programmatic Audit:

As described below, we have examined VHC's compliance with the programmatic requirements described in 45 CFR 155 for the year ended June 30, 2020, and have issued a report thereon dated May 14, 2021.

Summary of Programmatic Audit Procedures

Our audit consisted of specific procedures and objectives to evaluate instances of non-compliance and to perform procedures to test VHC's compliance and program effectiveness of certain requirements in 45 CFR 155, Subparts C, D, E, K, and M.

We reviewed the open issues from the previous year's audit to identify whether any issues remained open during the current year audit.

We reviewed the policies and procedures under 45 CFR 155 in the following programmatic areas in order to determine whether they had significantly changed from what was identified and tested during the prior year's audit:

- General Functions (Subpart C)

- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Certification of Qualified Health Plans (Subpart K)
- Oversight and Program Integrity Standards (Subpart M)

We reviewed the following documentation, which was obtained directly from VHC, or located on either the VHC website or the CMS website:

- Authorized Representative Designation Form
- Consumer Assistance Functions:
 - Assister Training FY2020
 - Broker Compensation Schedule
 - Broker Registration Agreement 2020
 - CAC Registration Agreement 2020
 - DVHA VHC Rules of Behavior
 - FY19 Navigator Payments
 - June 2020 Assister Certification Record
 - State of VT IRS Safeguards Training Certification
- Eligibility and Enrollment:
 - 2019 FPLs for APTC 2020 Benefit Year
 - 2019 APTC Workbook
 - APTC Worksheet
 - Disenrollment in VHC Policy
 - DVHA SWI AR-AP Invoice Procedure
 - Eligibility and Enrollment Manual
 - Perform Internal Auto Change
 - Processing Employer Forms
 - QHP Enrollment Standard Operating Procedures
 - Reconciliation Data Remediation Process
- General Functions:
 - Application for Health Coverage
 - Application for Health Coverage with help paying costs
 - FY20 VHC Contract Commitments
- Notices:
 - Change of Circumstance Sample Notice
 - Financial Assistance Notice Sample

- Health Care Benefits Renewal Sample Notice
- Medicaid Closure MNT Sample Notice
- Notice of Decision Health Care Benefits Sample Notice
- QHP Renewal Notice Sample
- QHP Verification Notice Sample
- Organizational Charts:
 - DVHA Commissioner Organizational Chart
 - DVHA Data Auditing Quality Organizational Chart
 - DVHA Executive Organizational Chart
 - DVHA HAEEU Organizational Chart
 - DVHA Health Services Managed Care Organizational Chart
 - DVHA MASTER Organizational Chart
 - DVHA Operations Organizational Chart
 - DVHA Payment Reform Organizational Chart
- Oversight and Monitoring Plan Signed
- Privacy and Security
 - ADS Incident Response Policy
 - CMS CMA Matching Agreement
 - Exchange Data Safeguards
 - IEA CMS and State Based Exchanges 2019
 - Information Security Personnel Policy
 - Information Security Access Control Policy
 - Records Management DVHA Procedure Manual Standard Operating Procedures
 - Records Retention Policy
 - Vermont Verification and Inconsistency Resolution Mitigation Plan
 - VHC Access Control Policy
 - VHC Privacy Policy
 - VT Plan of Action and Milestones
 - VT Privacy Impact Assessment
 - VT Safeguard Security Report
 - VT SBM SAR
 - VT SBM System Security Plan
 - VT Signed ATC Memo

- VT Signed ISA
- Silver Plan Data
 - 2020 PCB Silver Final
 - 2020 Silver 73 Final
 - 2020 Silver 77 Final
 - 2020 Silver 87 Final
 - 2020 Silver 94 Final
- QHP Documents:
 - MVP QHP Certification Notification 2021
 - QHP Certification Timeline for Posting
 - QHP Complaints 2020
 - VHC QHP Certification SOP
 - VT Standard Plan Designs 2021
- Verification Procedures:
 - Acceptable Verification Documents
 - FTI Redetermination for Nonresponse
 - MCA Income Verification Processing
 - MCA SSN Citizenship Immigration Indian Status Verification Processing
 - QHP Verification-Document Processing

In order to understand management and staff responsibilities and processes as they relate to compliance with 45 CFR 155, we performed walkthroughs of data systems and operations and interviewed the following staff from the Department of Vermont Health Access (DVHA) and VHC:

- Anne Petrow – Oversight and Monitoring Director
- Bill Clark – Medicaid Compliance Officer
- Crystal Bigelow – Community Health Outreach Worker and Navigator
- Dana Houlihan – Director, Enrollment Policy & Plan Management
- Danielle Delong – Health Care Appeals Manager
- Emily Wivell – AHS Information Security Director
- Gina O'Meara – Community Health Outreach Worker and Navigator
- Greg Needle – AHS Privacy Officer
- Molly Sweeney – Director of Eligibility and Enrollment
- Sarah Peterson – Project Manager at Maximus
- Victoria Jarvis – Assister Program Manager

Interviews of personnel from other State of Vermont agencies and contractors were conducted. Staff included were from DFR, and the Green Mountain Care Board (GMCB):

- Amerin Aborjaily – Associate General Counsel
- Anna VanFleet – Assistance Director of Rates, Forms, Life, and Health – DFR
- Emily Brown – Rates and Forms Director – DFR
- Jamie Gile – Rates and Forms Analyst – DFR
- Michael Barber – General Counsel – GMCB
- Thomas Crompton – Health Systems Finance Associate Director – GMCB

We selected samples of applications and tested for compliance with requirements under 45 CFR 155 Subparts D and E for eligibility determination, verification of data, and enrollment with a QHP:

- From a listing of 177,336 eligibility determination transactions completed between July 1, 2019 and June 30, 2020, we selected 60 cases to test for compliance with eligibility rules, and 95 cases to test for compliance with QHP enrollment rules as well as data verification rules. Note that 13 cases were used for both eligibility and enrollment testing, and therefore a total of 142 discreet cases were used for testing compliance with enrollment and eligibility rules.

CONFIDENTIAL INFORMATION OMITTED

N/A

II. AUDIT FINDINGS

N/A

AUDITOR'S OPINION

We have issued an Independent Auditor's Report on the financial statements for the year ended June 30, 2020, reflecting the following type of opinion:

QUALIFIED

UNQUALIFIED

ADVERSE

DISCLAIMER

ADDITIONAL COMMENTS

N/A

III. CONCLUSION

We confirm to the best of our knowledge that the information included in this Audit Findings Report is accurate and based on a thorough review of the documentation required for this report.

SIGNATURE OF AUDIT FIRM:

Berry Dunn McNeil & Parker, LLC

COMPLETION DATE OF AUDIT FINDINGS REPORT:

May 14, 2021



**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, 2020, and the related notes to the financial statement, and have issued our report thereon dated March 12, 2021.

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 the 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 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

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



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

We have audited the statement of appropriations and expenditures (the financial statement) of the Vermont Health Benefit Exchange d/b/a Vermont Health Connect (VHC), a function within the general fund of the State of Vermont, for the year ended June 30, 2020, and have issued our report thereon dated March 12, 2021. Professional standards require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated November 17, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statement prepared by management is fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statement does not relieve you of your responsibilities.

As part of our audit, we considered the internal control of VHC. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance or opinion concerning such internal control.

As part of obtaining reasonable assurance about whether VHC's financial statement is free from material misstatement, we performed tests of VHC's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by VHC are described in Notes 2 and 3 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by VHC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statement were:

- the disclosure of allocation of costs in Note 4 to the financial statement,
- the disclosure of commitments and contingencies in Note 5 to the financial statement, and
- the disclosure of uncertainty in Note 7 to the financial statement.

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance

to the financial statement and because of the possibility that future events affecting them may differ significantly from those expected.

We believe that the allocation of costs to VHC, based on approved cost allocation plans, constitutes a sensitive accounting estimate related to the 2020 financial statement. We have reviewed the basis for the estimate to satisfy ourselves of its reasonableness in relation to the financial statement taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 12, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to VHC's financial statement or a determination of the type of auditor's opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as VHC's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Compliance Examination

In addition to our financial statement audit, we have also been engaged to perform a programmatic examination of the Exchange's compliance with the requirements contained within Title 45, Part 155, Subparts C, D, E, K and M of the Code of Federal Regulations. Our examination for Subparts C and K will be limited to whether the Exchanges written policies and procedures were in compliance with the programmatic requirements under those Subparts. The results relating to this compliance during the year will be included in our compliance reports.

* * * * *

This communication is intended solely for the information and use of the management of Vermont Health Benefits Exchange 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




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.



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

We have audited the statement of appropriations and expenditures (the financial statement) of the Vermont Health Benefit Exchange d/b/a Vermont Health Connect (VHC), a function within the general fund of the State of Vermont, for the year ended June 30, 2020, and have issued our report thereon dated March 12, 2021. Professional standards require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated November 17, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statement prepared by management is fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statement does not relieve you of your responsibilities.

As part of our audit, we considered the internal control of VHC. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance or opinion concerning such internal control.

As part of obtaining reasonable assurance about whether VHC's financial statement is free from material misstatement, we performed tests of VHC's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by VHC are described in Notes 2 and 3 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by VHC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statement were:

- the disclosure of allocation of costs in Note 4 to the financial statement,
- the disclosure of commitments and contingencies in Note 5 to the financial statement, and
- the disclosure of uncertainty in Note 7 to the financial statement.

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance

to the financial statement and because of the possibility that future events affecting them may differ significantly from those expected.

We believe that the allocation of costs to VHC, based on approved cost allocation plans, constitutes a sensitive accounting estimate related to the 2020 financial statement. We have reviewed the basis for the estimate to satisfy ourselves of its reasonableness in relation to the financial statement taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 12, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to VHC's financial statement or a determination of the type of auditor's opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as VHC's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Compliance Examination

In addition to our financial statement audit, we have also been engaged to perform a programmatic examination of the Exchange's compliance with the requirements contained within Title 45, Part 155, Subparts C, D, E, K and M of the Code of Federal Regulations. Our examination for Subparts C and K will be limited to whether the Exchanges written policies and procedures were in compliance with the programmatic requirements under those Subparts. The results relating to this compliance during the year will be included in our compliance reports.

* * * * *

This communication is intended solely for the information and use of the management of Vermont Health Benefits Exchange 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

**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, 2020, and the related notes to the financial statement, and have issued our report thereon dated March 12, 2021.

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 the 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 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

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