

Oregon Health Insurance Marketplace

FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023



Oregon Health Authority
500 Summer St. NE
Salem, OR 97301

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Kip Memmott
Division Director

Independent Auditor's Report

The Honorable Tina Kotek
Governor of Oregon

Dr. Sejal Hathi, Director
Oregon Health Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Oregon Health Insurance Marketplace, as of and for the year ended June 30, 2023, 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 the Oregon Health Insurance Marketplace, as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 the Oregon Health Authority, 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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Oregon Health Insurance Marketplace and do not purport to, and do not, present fairly the financial position of the State of Oregon or the Oregon Health Authority, as of June 30, 2023, the changes in its financial position or its cash flows for the year

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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 these 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.

Auditor's Responsibility 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 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 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 the 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 the Oregon Health Authority'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 9, 2024, on our consideration of the Oregon Health Authority'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 Oregon Health Authority'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 Oregon Health Authority's internal control over financial reporting and compliance.

Office of the Secretary of State, Audits Division

State of Oregon

May 9, 2024

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Balance Sheet
Governmental Fund
June 30, 2023

ASSETS	<u>2023</u>
Cash and Cash Equivalents	\$ 10,846,956
Accounts Receivable	929,186
Total Assets	\$ <u>11,776,141</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 143,598
Due to Other Funds	1,414,065
Other Current Liabilities	1,596
Total Liabilities	<u>1,559,260</u>
Fund Balance:	
Restricted for Health Insurance Marketplace	<u>10,216,882</u>
Total Fund Balance	<u>10,216,882</u>
Total Liabilities and Fund Balance	\$ <u>11,776,141</u>

The notes to the financial statements are an integral part of this statement.

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund

For the Year Ended June 30, 2023

	<u>2023</u>
Revenues:	
Assessments	\$ 7,995,481
Interest and Investments	253,945
Total Revenues	<u>8,249,426</u>
Expenditures:	
Current:	
Salaries and Wages	3,091,797
Services and Supplies	2,643,543
Special Payments	806,667
Total Expenditures	<u>6,542,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,707,420</u>
Net Change in Fund Balance	<u>1,707,420</u>
Fund Balances - Beginning	8,509,462
Fund Balances - Ending	<u><u>\$ 10,216,882</u></u>

The notes to the financial statements are an integral part of this statement.

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Notes to the Basic Financial Statements

For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies

A – Purpose of Organization

The Patient Protection and Affordable Care Act (ACA) of 2010 required each state to establish a health insurance marketplace, an online marketplace that enables individuals and employers to shop, compare plans, and access financial assistance to help pay for insurance coverage. States were permitted to implement their own marketplaces (referred to as state-based marketplaces or SBMs), choose to have a hybrid marketplace (referred to as state-based marketplaces using the federal platform or SBM-FPs), or states could elect to participate in the federal marketplace (referred to as the federally facilitated marketplace or FFM). Oregon first elected to implement a state-based marketplace to meet the unique needs of Oregonians and its insurance market. In late 2014, Oregon transitioned into an SBM-FP.

In 2011, Senate Bill 99 established the Oregon Health Insurance Exchange Corporation (Cover Oregon) as a public corporation to be governed by a board of directors. Upon implementation, Cover Oregon was fully dependent on federal grant funding for its operational expenditures through Dec. 31, 2014, and partially thereafter.

In 2015, Senate Bill 1 abolished Cover Oregon and its board of directors, and transferred its duties, functions, and powers to the Department of Consumer and Business Services (DCBS), an existing state agency. SB 1 also established the Health Insurance Exchange Fund, also known as the Marketplace Fund. Oregon Revised Statute 741 restricts the use of these funds to the operation of Oregon Health Insurance Marketplace (OHIM). The OHIM Fund is a special revenue fund that is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The activities of this fund are rolled up into the Consumer Protection special revenue fund for the statewide financial reporting purposes. The OHIM Fund is fully self-funded, using per-member-per-month (PMPM) assessments for operations.

In 2021, Senate Bill 65 directed the transfer of the OHIM program, including its resources and liabilities, to the Oregon Health Authority (OHA). OHIM program staff were transferred to OHA on July 1, 2021. DCBS and OHA have a current interagency agreement (IAA) for DCBS to ensure continuity of services to support OHIM.

These financial statements are representative of the OHIM Fund only, a program within OHA.

The natural round of all dollar amounts, including subtotals and totals, is used in this report.

B – Basis of Accounting

The accompanying financial statements of the Oregon Health Insurance Marketplace are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America for governmental funds.

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Notes to the Basic Financial Statements

For the Year Ended June 30, 2023

Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current year or soon enough thereafter to pay liabilities existing at the end of the year. For this purpose, revenues are considered available if they are collected within 90 days of the end of the current fiscal year. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. Revenues for OHIM come from PMPM assessments from insurance carriers that participate in the OHIM program.

Accordingly, revenues are recorded when earned, and expenditures are recorded when a liability is incurred, regardless of when cash was received or paid.

C – Deposits and Investments

Cash deposits that are held in a cash management or investment pool are classified as cash and cash equivalents when the pool has the general characteristics of a demand deposit account. Cash and cash equivalents consist of cash and investments held by the office of the State Treasurer in the Oregon Short Term Fund (OSTF). Additional information about the OSTF can be found in the OSTF financial statements at

<https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx>

D – Receivables & Payables

Receivables consist of revenues earned or accrued in the current period and are shown net of estimated uncollectable accounts. Payables consist of amounts owed to vendors for operational expenditures and other state agencies for services received.

E – Use of Estimates

OHIM used estimates and assumptions in preparing financial statements in accordance with GAAP. The preparation of the financial statements required management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from the estimates included in the accompanying financial statements.

F – Fund Balance

The difference between assets and liabilities, plus deferred inflows of resources, is labeled “Fund Balance” on the financial statements. The Health Insurance Exchange Fund balance is restricted. Restricted fund balances are the result of constraints imposed by the law through constitutional provisions or enabling legislation or by parties outside state government, such as creditors, grantors, contributions, or laws or regulations of other governments.

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Notes to the Basic Financial Statements

For the Year Ended June 30, 2023

Note 2 – Deposits and Investments

OHIM Participation in the Oregon Short-Term Fund Held at Treasury

The Oregon State Treasury maintains the Oregon Short-Term Fund (OSTF), a cash and investment pool that is available for use by the Marketplace Fund. Because the pool operates as a demand deposit account, the Marketplace Fund portion of the OSTF is classified on the financial statements as cash and cash equivalents.

Custodial Credit Risk for Deposits

The custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, OHIM will not be able to recover deposits that are in the possession of an outside party. OHIM does not hold any deposits or investments outside of the Oregon State Treasury. Deposits held by the Oregon State Treasury are either insured or collateralized under the Public Funds Collateralization Program. For more information, refer to the Oregon State Treasury website at <https://www.oregon.gov/treasury/public-financial-services/public-depository-information/pages/default.aspx>. Banking regulations and Oregon law establish the insurance and collateral requirements for deposits in the OSTF.

The OHIM bank balance at the Oregon State Treasury was \$10,916,782 as of June 30, 2023.

Investments

OHIM has investments only in OSTF held by the Oregon State Treasury.

Note 3 – Receivables and Payables

Receivables

The following table disaggregates receivable balances reported in the financial statements as accounts and other receivables at June 30, 2023.

Receivables Governmental Activities	Accounts Receivable
Insurer assessment receivable	\$ 929,186
Allowance for doubtful accounts	-
Total Receivable, net	<u>\$ 929,186</u>

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Notes to the Basic Financial Statements

For the Year Ended June 30, 2023

Payables

The following table disaggregates payable balances reported in the financial statements as accounts payable and other current liabilities at June 30, 2023

Payables Governmental Activities	Accounts Payable
General Operation	\$ 111,562
Special Payment	32,036
Total Payable	<u>\$ 143,598</u>

Note 4 – Risk Management

OHIM is subject to the risk of loss from various events, including, but not limited to, natural disasters, destruction of assets, errors, omission, and injuries to employees. To mitigate the risk of loss from various events, OHIM participates in and is covered under the State of Oregon’s self-insurance and commercial insurance program as administered by the Department of Administration Services (DAS) Enterprise Goods and Services Division, Risk Management Section. As such, OHIM is responsible to provide updated property, equipment, and fixture values to DAS Risk Management.

Note 5 – Assessment Revenue

Each year by March 31, the per-member-per-month medical and dental assessment rates need to be set for qualified health plans sold through the federal exchange. The rates are set to cover OHIM’s planned expenditures for that plan year. There is a risk to assessment revenues from federal or legal actions that may reduce enrollment in qualified health plans. For calendar years 2020 through 2024, the rates are \$5.50 for medical and 36 cents for dental.

Note 6 – Insurance Providers Rebate

As a result of the passage of Oregon Senate Bill 972 (2023) and changes to Oregon Revised Statute 741.105, OHIM no longer rebates excess fund balance to insurance providers. Before the change, a rebate was calculated based on excess fund balance according to Oregon Administrative Rule 945-030-0020 and applied as a credit to insurers’ monthly invoices.

Note 7 – Interfund Transactions

The financial statements show a Due To Other Funds balance of \$1,414,065 as of June 30, 2023. The OHIM Fund has interfund transactions with other OHA funds for cost reimbursements and overhead cost allocation. The Due To Other Funds balance results from a time lag between the date a transaction for reimbursable expenditures is recorded and the date the payment is made.



Kip Memmott
Division Director

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

The Honorable Tina Kotek
Governor of Oregon

Dr. Sejal Hathi, Director
Oregon Health Authority

We have audited, in accordance with the 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 financial statements of the Oregon Health Insurance Marketplace, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Oregon Health Insurance Marketplace's basic financial statements, and have issued our report thereon dated May 9, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Oregon Health Authority's (department) 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department'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.

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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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department'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*.

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

Office of the Secretary of State, Audits Division

State of Oregon

May 9, 2024