CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

Financial Statements and
Federal Single Audit Reports

June 30, 2015

CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

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access health CT

Connecticut's Health Insurance Marketplace

Management's Discussion and Analysis
(unaudited)

1.0 Introduction

Tracking and profiling the financial activity of the state based insurance marketplace is an essential task to ensure efficient operations and optimal allocation of resources as Connecticut transitions from primarily design, development and implementation (DDI) activities to sustainable operations. The following document contains a discussion and analysis of the Connecticut Health Insurance Exchange (hereafter referred to as Access Health CT (AHCT or "exchange"))'s financial performance and net position for the fiscal years ended June 30, 2015, 2014 and 2013. The management of AHCT has prepared this document to provide an overview and analysis of the basic financial statements of AHCT, and it should be read in conjunction with the statements, tables, exhibits and notes that follow this section.

2.0 Table of Contents

3.0 Background of Access Health CT:

AHCT (which is the brand name under which the Connecticut Health Insurance Exchange does business) was created under Connecticut enabling legislation Public Act (PA) 11-53, effective July 1, 2011 "as a body politic and corporate, constituting a public instrumentality and political subdivision of the state" ... that "shall not be construed to be a department, institution or agency of the state." PA 11-53 is codified at CGS 38 a – 1080 through 1092.

The goals of AHCT as outlined in CGS 38a – 1080 3(b) mirror the goals of the Federal Patient Protection and Affordable Care Act (ACA) "to reduce the number of individuals without health insurance in this state and assist individuals and small employers in the procurement of health insurance by, among other services, offering easily comparable and understandable information about health insurance options." AHCT was established as a Quasi-Public Agency. PA 11-53 (Section 16, 17 and 18) specifically amended the Quasi-Public Agency Act, CGS 120 et seq. to add AHCT as an agency subject to its requirements.

AHCT is governed by a 14 member Board of Directors. Members include ex officio state government officials and private sector members appointed by both the legislative and executive branches of state government. The mission of AHCT, and by extension the mission of the Board, is to increase the number of insured residents, improve health care quality, lower costs and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and health care providers that best meet their needs.

Section 1311 of the ACA provides funding assistance to the states to help them plan and establish their marketplaces. According to the law, a marketplace must be self-sustaining by January 1, 2015. AHCT has received establishment and various Federal assistance awards pursuant to the ACA, as detailed in Section 4.0 Awards.

Connecticut PA 11-53 also authorized the Exchange to "charge assessments or user fees to health carriers that are capable of offering a qualified health plan through the Exchange". This assessment authority is a critical underpinning for the Exchange's operational sustainability. Public Act 13-247, gave AHCT the authority to charge interest and penalties to carriers failing to pay the assessments and fees required to fund Exchange operations, now codified at CGS 38a-1083 (c)(7). During its 2014 legislative session, the Connecticut General Assembly passed Public Act 14-217, which included provisions providing additional enforcement authority for the Exchange's assessment. Specifically the Legislature added a new section, CGS 38a-1083(d)(1) that directs the Commissioner of Insurance to "see that all laws respecting the authority of the exchange pursuant to said subdivision (7) are faithfully executed."

In January 2014, AHCT issued its first annual Health and Dental Marketplace Assessment to carriers that are capable of offering a qualified health plan through the exchange, beginning to transition from grant funds as sole source funding. Throughout 2014, AHCT collected $24.8M in Health and Dental Assessments from carriers. Assessments for 2015 assessments were sent out on January 1, 2015 and $13.2M of assessments has been collected as of June 30, 2015 for 2015 invoices.

4.0 Awards

Prior to the establishment of AHCT, much of the planning for AHCT was funded by a Federal Establishment Planning Grant that was awarded to Connecticut by the U.S. Department of Health and Human Services (HHS) on September 29, 2010. Based on its progress in its State Based Marketplace planning efforts, HHS awarded a $6.7M Establishment Grant to Connecticut in August of 2011 to build on the work conducted under the initial planning grant.

On August 2, and August 23, 2012, AHCT, through the State of Connecticut Office of Policy and Management, was awarded a $1,521,350 amendment to the existing Establishment Grant as well as a second Establishment Grant award of $107,358,676, respectively, from HHS to further the development of and to stabilize the operations of AHCT during its first year of operations. These funds allowed AHCT to shape its strategy successfully and meet all necessary development milestones and benchmarks during fiscal year 2013. On December 21, 2012, the grantee of these awards was changed to AHCT from the State of Connecticut Office of Policy and Management.

On February 14, 2013, AHCT was awarded an additional Federal Grant in the amount of $2,140,867 for the development and implementation of the In-Person Assister Program. Through a partnership with the State of Connecticut's Office of the Healthcare Advocate, the implementation of this program provided hands-on assistance directly to the uninsured individuals seeking health insurance coverage via AHCT during the initial open enrollment timeframe.

On August 28, and September 12, 2013, AHCT was awarded a $24,960,892 amendment to the existing Establishment Grant, and a $497,741 amendment to the existing In-Person Assister Grant, respectively, from HHS pursuant to Section 1311 of the ACA to support the on-going establishment of the state operated health insurance exchange marketplace. These funds were awarded as a result of administrative supplement requests submitted by AHCT to support unforeseen development and implementation costs.

On October 23, 2013, AHCT was awarded a new Level I Establishment Grant in the amount of $20,302,003 by HHS. This request was submitted primarily to fund the stabilization of AHCT's first year of operations for adherence to Federal guidance and regulations of the ACA that were not contemplated at the time of the Establishment Grant funding request. On September 16, 2014, AHCT applied for a supplement award request on the Level I Establishment Grant. The supplemental funds of $2,146,974 were awarded on December 17, 2014 and are intended to be used in order to support continued efforts needed to develop enhancements to the EDI 834 benefit enrollment and maintenance interfaces.

On October 2, 2014, AHCT was awarded no-cost extensions for the Level I and Level II Establishment Grants, along with a re-budgeting request for the Level II Establishment Grant, through October 23, 2015 and December 31, 2015, respectively.

On October 15, 2014, AHCT applied for a New Level I Establishment Grant through HHS primarily to support required system enhancements to maintain compliance with Federal regulations. The award of $9,256,987 was granted on December 17, 2014. In addition to regulatory system changes, the grant funded new customer outreach approaches and establishing the transitional reinsurance program. System enhancements to the plan management worker portal, Learning Management System and establishment of tier 2 & 3 contact center (Issue Resolution Department) were also funded.

In October 2015, AHCT applied for and received a no-cost extension for the 2014 Level I Establishment Grant to extend the project performance period from December 15, 2015 to December 15, 2016 in order to complete necessary design, development and implementation activities.

On December 28, 2015, AHCT received approval for a re-budgeting request for the Level II Establishment Grant.

5.0 Access Health CT Business Model:

During fiscal years ended June 30, 2015 and 2014, grant funds and health and dental marketplace assessments were the two revenue sources for AHCT. In fiscal year June 30, 2013, grant funds were the sole source of revenue. The investment for the development of the State Exchange was entirely funded from Federal grant dollars awarded. This Federal investment was expected to cover all development,

start-up, and operating expenses during the first year of operations and extension periods. The ongoing operational charges for AHCT were not funded by Federal grant funds after December 31, 2014. Ongoing operations are funded with health and dental marketplace assessments and cost reimbursements from the Connecticut Department of Social Services (DSS) related to maintaining and operating the Integrated Eligibility System for both Qualified Health Plans (QHPs) and for Modified Adjusted Gross Income (MAGI) Medicaid and Children's Health Insurance Plan (CHIP) operated by AHCT and DSS, respectively.

AHCT successfully launched its State-based Integrated Eligibility System and Health Insurance Marketplace on October 1, 2013. At the end of the first open enrollment period for plan year beginning January 1, 2014, AHCT processed 208,301 individuals including 129,588 Medicaid eligibility determinations and 78,713 customers enrolled in QHPs. As compared to estimates by the Congressional Budget Office, AHCT exceeded those estimates by the highest percentage in the country. AHCT also exceeded its own enrollment goal of 100,000 individuals processed during this first open enrollment period, making it one the most successful marketplaces in the country.

The efforts in technology, plan management and consumer engagement by AHCT has been fundamental to the success and progress of AHCT to date. AHCT's initial focus for the first Open Enrollment launch was a multi-channel "no wrong door" approach, which included the web portal (including the SHOP platform), paper applications and call center for enrollment. From a technology perspective, the Integrated Eligibility System leverages existing State Bureau of Enterprise Systems and Technology (BEST) infrastructure, operations management, and other hosting capabilities. AHCT worked with Connecticut carriers, to publish QHP plan design options and components of the QHP application for the AHCT web portal. In addition, each year, AHCT launches an integrated multi-language marketing strategy that combines media, outreach and engagement. In addition to TV, radio, newspaper, mailings, billboards, sponsorships and online advertising, AHCT also hosted educational Community Chats and interactive social media promotions. AHCT implemented enrollment assistance channels such as storefronts, branded as AHCT enrollment centers and local sites with Community Enrollment Partners (CEPs).

AHCT continued to make system updates to the Integrated Eligibility system related to non-critical deferred functionality and regulatory requirements. System changes were also made to enhance the customer experience for the 2015 Open Enrollment which began on November 15, 2014. For the plan year beginning January 1, 2015, AHCT enrolled 110,095 QHP applicants. An additional 1,429 enrolled in a Special Open Enrollment in April 2015. Similar to the Federally-facilitated Marketplaces, AHCT offered a special enrollment period to individuals who did not have coverage in 2014 and were subject to a penalty on their 2014 Federal taxes. In addition, since October 1, 2013, AHCT processed a volume of over 492,000 total Medicaid eligibility determinations.

AHCT's commitment to transitioning to a self-sustaining entity has focused on building a sustainable operating model. AHCT continues to work diligently on technology focusing on three essential areas: improving processes, growing sustainability across the technology footprint and enhancing the customer experience through innovation. AHCT continues to ensure the necessary financial processes and procedures are developed and implemented.

In December 2014, the Access Health Exchange Solutions (AHES) department was developed. AHES is working to partner with other State Based Marketplace to enable financial sustainability for AHCT and other states. Revenue from AHES contracts was $210,000 in fiscal year 2015.

AHCT has leveraged the federal risk adjustment program, but will operate its own transitional reinsurance leveraging an existing state asset to run its state-based reinsurance program through Health Reinsurance Association (HRA). HRA has established the transitional reinsurance program in compliance with the requirements of Section 1341 of the Affordable Care Act and Standards Related to Reinsurance, Risk

Corridors, and Risk Adjustment. The primary contract between HRA and AHCT was executed in June 2015 to provide services for the plan years 2014 through 2016.

The Connecticut General Assembly passed Public Act 15-5 granting AHCT the authority to create legal subsidiaries during its 2015 legislative session. This new authority will support the Exchange's sustainability efforts to generate additional revenue by offering additional products or services. Sections 503 and 504 of Public Act 15-5 amended CGS 38a-1083 to provide, in part, that "(a) The exchange may establish one or more subsidiaries for such purposes as prescribed by resolution of the board of directors of the exchange, which purposes shall be consistent with the purposes of the exchange, provided no subsidiary shall be established for the purpose of providing insurance broker services, except dental or vision services, as necessary." No legal subsidiaries have been established.

AHCT has partnered with several strategic vendors to address key requirements of marketplace development and operations:

- AHCT utilizes a call center vendor, Maximus for customer support and services. In August 2014, AHCT approved the expansion of the Issue Resolution Department (IRD) to cover tier 2 and 3 calls.

- Marketing and communications firms have supported the development and implementation of AHCT's advertising and marketing plan, creative efforts, brand development and launch, advertising purchasing, and the overall execution of AHCT's marketing and communications campaign. The initial comprehensive consumer outreach and engagement plan was developed and implemented by Pappas MacDonnell in fiscal year 2013. In fiscal years 2014 and 2015, AHCT contracted with FUSE and RDW Group, respectively, to development and execute the marketing and communications strategy to reach and engage Connecticut consumers.

- AHCT leveraged State of Connecticut Contracts with Sir Speedy which supported operations specific to notice and forms issuance and Scan Optics, which scans paper applications and other documents.

In addition, AHCT has continued its partnerships with multiple state agencies through the execution of Memorandums of Understanding (MOU) and/or Memorandums of Agreement (MOA) in order to leverage state resources and expertise to operate the Health Insurance Marketplace:

- AHCT maintained its MOU with the Department of Social Services (DSS) to document the specific roles and responsibilities of each agency during development and implementation of the Health Insurance Marketplace. The allocation of costs for development of the Integrated Eligibility System is shared by DSS and AHCT. Design, development, and implementation costs were paid 84% by DSS after November 2014 and 28.53% previously. Additionally, the allocation of costs for operations is shared, with 80% share of operational costs being paid by DSS after November 2014 and 56% prior to that period.

- AHCT leveraged an existing DSS Contract with Xerox for other operational support services. This arrangement did not require a contract directly with Xerox. AHCT is cost sharing these services with DSS based on volume of use applicable to AHCT. The MOA with DSS states that these costs will then be split with DSS covering 80% of costs and AHCT covering the remaining 20%. Costs were split 56% to DSS and 44% to AHCT prior to November 2014

- AHCT has an MOU with the Connecticut Department of Administrative Services' (DAS) Bureau of Enterprise Systems & Technology (BEST) for technology hosting and support roles that BEST will provide to AHCT.

- AHCT had an MOU with the Office of the Healthcare Advocate (OHA) for the management and administrative support of the Navigator and Assister programs with a successful program completion.

6.0 Summarized Financial Information:

AHCT's financial report includes three financial statements:

1. The Statement of Net Position (Balance Sheet)
2. The Statement of Income, Expenses and Changes in Net Position
3. The Statement of Cash Flows

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used, similar to private industry. Income is recorded when earned, and expenses are recorded when incurred.

The Statement of Net Position presents information on AHCT assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of AHCT is improving or deteriorating.

The Statement of Income, Expenses and Changes in Net Position reports income and expenses of AHCT for the fiscal year. The difference – increase or decrease in net assets – is presented as the change in net assets for the fiscal year. The cumulative differences from inception forward are presented as the net assets of AHCT, reconciling to total net assets on the Statement of Net Position.

The Statement of Cash Flows presents information showing how AHCT cash and cash equivalent positions changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments as resulting from cash provided by operating activities and cash used for capital assets and related financing activities. The net result of those activities is reconciled to the cash balances reported at the end of the fiscal year. This statement is prepared using the direct method, which allows the reader to easily understand the amount of cash received and how much cash was disbursed.

Summarized financial information as of and for the year ended June 30, 2015, 2014 and 2013 is as follows:

7.0 Revenues, Expenses and Changes in Net Position

	2015	2014	2013
Operating Revenues:			
Government grants and contracts	$ 41,921,051	$ 73,303,817	$ 45,463,090
Grants	-	205,000	-
Marketplace assessment	26,862,411	12,465,573	-
Interest income	42,923	17,879	513
Total revenues	68,826,385	85,992,269	45,463,603
Operating Expenses:			
Wages	7,856,531	6,985,039	2,734,791
Fringe benefits	2,053,491	1,546,881	626,199
Consultants	40,271,647	50,438,598	16,838,212
Equipment	248,022	1,231,834	217,628
Supplies	36,293	38,849	21,882
Travel	239,640	202,096	99,891
Administration	1,471,757	1,502,855	249,885
Maintenance	597,622	1,270,282	875,491
Depreciation and amortization	12,067,967	9,469,050	1,509,001
Total operating expenses	64,842,970	72,685,484	23,172,980
Change in net position	3,983,415	13,306,785	22,290,623
Net position, beginning of year	37,194,319	23,887,534	1,596,911
Net position, end of year	$ 41,177,734	$ 37,194,319	$ 23,887,534

Total 2015 operating revenues were lower than 2014, due to the anticipated decrease in Government Grants and Contracts as the sole source of funding offset by increased Marketplace Assessments, while total 2014 operating revenues were higher than 2013 due to increases in both Government Grants and Contracts and Marketplace Assessments.

Revenues from grant awards are recognized to the extent of obligated expenditures to cover incurred operating and capital expenses for the development and implementation of the Integrated Eligibility System (IES). This peaked in 2014 when the major IES development and implementation activities occurred.

Marketplace Assessments are charged to all health and dental carriers that are capable of offering a qualified health plan through the exchange to generate funding necessary to support the operations of AHCT. Marketplace Assessment revenue increased in 2015, compared to 2014, as the exchange was able

to collect a full year assessment from carriers compared to a partial year in 2014. Marketplace Assessment revenues were first initiated in January, 2014 with none assessed in 2013. Marketplace assessment is billed and collected on a calendar year basis.

Total operating expenses decreased in 2015 compared to 2014 primarily due to reductions in consultant expenses, partially offset by an increase in depreciation and amortization. Consultant expenses decreased $10.2M as a result of non-IT reductions, reprioritization of system changes, and a shift in the implementation schedule and an increased reimbursement rate from DSS. Total operating expenses for 2014 were higher than 2013 substantially from a $33.6M increase in consultant expenses related to outsourcing support for developing and marketing AHCT's brand; design, development and implementation (DDI) of the individual and Small Business Health Options (SHOP) marketplaces, as well as operating costs for the Call Center and Xerox.

Salaries, benefits and related travel increases year over year are aligned with staffing growth in administration and operations. As of June 30, 2015, the organization had 73 permanent employees and no durational employees. There were 15 open positions at the end of the fiscal year. Permanent staff was 68 and 43 in 2014 and 2013, respectively, plus seasonal staffing required for open enrollment. The 2015-2016 fiscal year budget has funding for 88 positions. The Board of Directors approved a bonus plan for full time employees employed in 2014 and 2015, which was paid on November 19, 2014 and September 4, 2015, respectively.

Equipment expense, which includes hardware and software, decreased in 2015, following an increase in 2014 over 2013 as a result of purchasing laptops for IPAs necessary for open enrollment support and the NetSuite Enterprise Resource Planning application. The administration expenses decreased slightly in 2015, compared to 2014 as associated services were relatively steady. Administration expenses increased in 2014 compared to 2013 due to mailing services and rent expense associated with the acquisition of storefronts. Additionally, the depreciation and amortization increases in 2015 and 2014 are related to capitalization of the IES. Total operating expenses were reduced by $21.6M, $16.5M and $.8M in 2015, 2014 and 2013 respectively, as a result of the cost reimbursement by the Department of Social Services.

8.0 Access Health CT Net Position

	2015	2014	2013
Assets			
Current assets			
Cash and cash equivalents	$ 22,144,345	$ 39,782,505	$ 4,994,339
Accounts and grants receivable	34,227,705	3,325,310	7,342,366
Prepaid expenses	185,410	154,822	1,003,958
Total current assets	56,557,460	43,262,637	13,340,663
Noncurrent assets			
Security Deposit	8,653	8,653	-
Software development in progress	179,735	-	16,869,697
Equipment and software, net	15,571,488	25,177,072	7,017,837
Total noncurrent assets	15,759,876	25,185,725	23,887,534
Total assets	$ 72,317,336	$ 68,448,362	$ 37,228,197
Liabilities and Net Position			
Current liabilities:			
Accounts payable	$ 1,973,945	$ 214,732	$ 112,509
Accrued liabilities	29,165,657	30,303,613	9,773,138
Refundable advances	-	735,698	30,811
Total current liabilities	31,139,602	31,254,043	9,916,458
Long-term liabilities:			
Accounts payable - long-term	-	-	3,424,205
Total liabilities	31,139,602	31,254,043	13,340,663
Net Position:			
Net position invested in capital assets	15,751,223	25,177,072	23,887,534
Net position	25,426,511	12,017,247	-
Total net position	41,177,734	37,194,319	23,887,534
Total liabilities and net position	$ 72,317,336	$ 68,448,362	$ 37,228,197

Cash and cash equivalents primarily include funds received from the Department of Social Services for reimbursement of development costs incurred by AHCT as well as marketplace assessments received, net of expenditures.

Accounts receivable at June 30, 2015 includes $26.3M from DSS, $6.1 from grants and $1.7M from carriers for Marketplace Assessments in 2015. The accounts receivable from DSS represents the DSS reimbursable portion of amounts paid and accrued by AHCT. This results from timing of payments and billings. At June 30, 2014 and 2015, no amounts were owed to AHCT from DSS.

Accounts Payable represents amounts due for consulting services and administrative services. Accrued expenses represent technology and hosting services from DAS, contact center services and $2.0M due to DSS for shared services incurred on behalf of AHCT. Accrued liabilities also represent unpaid work and related 20% contractual withholding of the system integrator. Refundable advances in 2014 were related to the timing of cash utilization from grant drawdowns.

9.0 Capital Assets

At the June 30, 2015, AHCT had $39M invested in capital assets, $16M net of accumulated depreciation. This consists primarily of capitalization of software development costs for the Integrated Eligibility System, as well as equipment and other software. Total capital expenses were reduced by $6.4M in 2015 and $5.8M in 2014 as a result of cost reimbursement by the Department of Social Services.

Capital Assets at Year-end Net of Depreciation

	2015	2014	2013
Software development in progress	$ 179,735	$ -	$ 16,869,697
Equipment and software	15,571,488	25,177,072	7,017,837
	$ 15,751,223	$ 25,177,072	$ 23,887,534

Major additions

	2015	2014	2013
Software development in progress	$ 179,735	$ -	$ 15,311,729
Equipment and Software	2,462,383	10,758,588	8,487,895
	$ 2,642,118	$ 10,758,588	$ 23,799,624

10.0 Currently Known Facts, Decisions or Conditions

The Employee Policies and Procedures Handbook is continually updated and available to all staff. New policies added in 2014 included an updated Family Medical Leave Act (FMLA) policy and an updated Paid Time Off (PTO) policy to allow PTO time to be rolled over. Beginning in January 2016, the PTO period will be changed from a calendar year to a fiscal year, with a transition period during the first half of 2016.

On December 22, 2014, the AHCT Board's Audit Committee approved a Whistleblower Policy. AHCT has contracted with a whistleblower hotline, which allows employees to anonymously call or report issues online. This Whistleblower Policy is consistent with state statutes regarding whistleblower protections.

On February 19, 2015, James R. Wadleigh became the permanent CEO of Access Health CT.

On October 6, 2015, AHCT received a no-cost extension for the 2014 Level One I Establishment Grant to extend the project performance period to December 15, 2016 in order to complete necessary design, development and implementation activities.

On December 28, 2015, AHCT received approval for a re-budgeting request for the Level II Establishment Grant.

11.0 Contacting the AHCT's Management

This financial report is designed to provide citizens, taxpayers, and grantors with a general view of the AHCT's finances and to show the Exchange's accountability for the money it receives. If you have any questions about this report or need additional information, contact Mr. Steven J. Sigal, Chief Financial Officer of the Connecticut Health Insurance Exchange at 280 Trumbull Street, Hartford, CT 06103.

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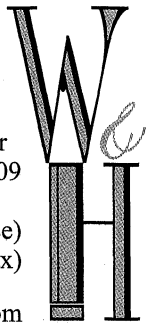

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Connecticut Health Insurance Exchange

Report on the Financial Statements

We have audited the accompanying statements of Connecticut Health Insurance Exchange (hereafter referred to as Access Health CT ("AHCT")), which comprise the statement of net position as of June 30, 2015 and 2014, and the related statement of changes in net position, revenues, expenses and change in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Access Health CT as of June 30, 2015 and 2014, and the changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 11 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2016 on our consideration of the Access Health CT'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 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 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 Access Health's internal control over financial reporting and compliance.

Whittlesey & Hadley, P.C.

Hartford, Connecticut
February 18, 2016

CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

Statements of Net Position

June 30, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 22,144,345	$ 39,782,505
Accounts and grants receivable	34,227,705	3,325,310
Prepaid expenses	185,410	154,822
Total current assets	56,557,460	43,262,637
Noncurrent assets		
Security deposit	8,653	8,653
Software development in progress	179,735	-
Equipment and software, net	15,571,488	25,177,072
Total noncurrent assets	15,759,876	25,185,725
Total assets	$ 72,317,336	$ 68,448,362
Liabilities and net position		
Current liabilities:		
Accounts payable	$ 1,973,945	$ 214,732
Accrued liabilities	29,165,657	30,303,613
Refundable advances	-	735,698
Total current liabilities	31,139,602	31,254,043
Net position:		
Net position invested capital assets	15,751,223	25,177,072
Net position	25,426,511	12,017,247
Total net position	41,177,734	37,194,319
Total liabilities and net position	$ 72,317,336	$ 68,448,362

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

CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

Statements of Revenue, Expenses and Change in Net Position

For the years ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Government grants and contracts	$ 41,921,051	$ 73,303,817
Grants	-	205,000
Marketplace assessment	26,862,411	12,465,573
Interest income	42,923	17,879
Total revenues	68,826,385	85,992,269
Operating Expenses		
Wages	7,856,531	6,985,039
Fringe benefits	2,053,491	1,546,881
Consultants	40,271,647	50,438,598
Equipment	248,022	1,231,834
Supplies	36,293	38,849
Travel	239,640	202,096
Maintenance	597,622	1,270,282
Administration	1,471,757	1,502,855
Depreciation and amortization	12,067,967	9,469,050
Total operating expenses	64,842,970	72,685,484
Change in net position	3,983,415	13,306,785
Net position, beginning of year	37,194,319	23,887,534
Net position, end of year	$ 41,177,734	$ 37,194,319

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

CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

Statements of Cash Flows

For the years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Receipts from funding sources	$ 22,681,369	$ 93,043,719
Receipts from Marketplace Assessment	26,000,098	11,557,380
Reimbursement of operating costs	21,584,424	16,524,148
Payments to employees	(9,551,406)	(7,863,696)
Payments to vendors	(66,330,843)	(59,359,748)
Net cash provided by operating activities	(5,616,358)	53,901,803
Cash flows from capital and related financing activities		
Payments for software development in progress	(12,664,959)	(22,468,544)
Purchase of equipment and software	(924,356)	(2,451,563)
Reimbursement of equipment and software, and software development in progress	1,567,513	5,806,470
Net cash (used for) capital and related financing activities	(12,021,802)	(19,113,637)
Net change in cash and cash equivalents	(17,638,160)	34,788,166
Cash and cash equivalents at beginning of year	39,782,505	4,994,339
Cash and cash equivalents at end of year	$ 22,144,345	$ 39,782,505
Reconciliation of operating income to net cash provided in operating activities		
Operating income and change in net position	$ 3,983,415	$ 13,306,785
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	12,067,967	9,469,050
Changes in assets and liabilities:		
Accounts and grants receivable	(32,469,908)	(1,789,414)
Prepaid expenses	(30,588)	849,136
Security deposit	-	(8,653)
Accounts payable	12,706,410	14,263,742
Accrued liabilities	(1,137,956)	20,530,475
Accounts payable - long-term	-	(3,424,205)
Refundable advances	(735,698)	704,887
Net cash provided by operating activities	$ (5,616,358)	$ 53,901,803

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

NOTE 1 - PURPOSE OF ORGANIZATION

The Connecticut Health Insurance Exchange (hereafter referred to as Access Health CT ("AHCT") is a body politic and corporate, and constituting a public instrumentality and political subdivision of the State of Connecticut. Access Health CT was established pursuant to Public Act No. 11-53 and is codified at CGS 38 a-1080 through 1092. The goals of AHCT are to reduce the number of individuals without health insurance in the State of Connecticut and to assist individuals and small employers in the procurement of health insurance by, among other services, offering easily comparable and understandable information about health insurance options. Access Health CT was established as a Quasi-Public Agency.

Access Health CT is governed by a 14 member Board of Directors. Members include ex officio state government officials and private sector members appointed by both the legislative and executive branches of state government. The mission of Access Health CT, and by extension the mission of the Board, is to increase the number of insured residents, improve health care quality, lower costs and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and health care providers that best meet their needs.

During fiscal years 2015 and 2014 grant revenue and assessment revenue were the only revenue sources for Access Health CT. The investment for the development of the State Marketplace is entirely funded from Federal grant dollars awarded. This Federal investment is expected to cover all development, start-up, and ongoing operating expenses until Access Health CT begins generating revenues from the operation of a fully-functioning state Health Insurance Marketplace beginning in October 2013.

Beginning in 2014, Americans had access to health coverage through newly established Exchanges in each state. Individuals and small businesses use AHCT to purchase affordable health insurance from a choice of qualified health plans offered by various issuers. AHCT ensures that participating health plans meet certain standards and uses ratings from the National Committee on Quality Assurance (NCQA) and converts it to a star system to facilitate choices. Individuals and families purchasing health insurance through AHCT may qualify for premium tax credits if their household income is between 138 percent and 400 percent of the Federal Poverty Level (FPL) and between 100 percent and 138 percent of the FPL for certain individuals and families that may not meet the residency requirements for Medicaid, and reduce cost-sharing if their household income is between 138 percent and 250 percent of the FPL. AHCT coordinates eligibility and enrollment with State Medicaid and Children's Health Insurance Programs to ensure all Connecticut residents have affordable health coverage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis.

Reporting Entity and Basis of Presentation

The accompanying financial statements of Access Health CT have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

Under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting, Access Health CT has adopted the option to apply only those Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Access Health CT has adopted GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, deferred Inflows of Resources and Net Position, issued June 2011.

Access Health CT utilizes the full accrual basis of accounting, which focuses on changes in total economic resources, in the preparation of financial statements. Under the full accrual basis of accounting, long-term assets and liabilities are reflected in the financial statements.

Capital Assets

Capital assets comprise software development in progress, as well as equipment and other software. Access Health CT's (AHCT) policy is to treat individual assets greater than $5,000 as capital assets. Computer equipment is recorded and tracked to ensure accountability. Assets are recorded individually to the extent possible to ensure proper accountability, accurate depreciation, and to allow for specific identification for recording of disposition.

Design, development and implementation costs incurred for the AHCT state based marketplace application are capitalized as software development in progress in accordance with GASB Statement No.51, "Accounting and Financial Reporting for Intangible Assets". The funds for this development project were provided from Federal funds awarded to AHCT and the Connecticut Department of Social Services (DSS), respectively, from each organization's U.S. Department of Health and Human Services (HHS) grant applications.

The AHCT state based marketplace application is an integrated eligibility system that determines eligibility and facilitates enrollment for both AHCT's and DSS's programs in addition to other functionality. In applying for the awarded funds, a cost allocation methodology was also filed and approved to allocate the accountability for development costs between AHCT and DSS. This allocation is 16% to AHCT and 84% to DSS. Prior to November 2014, the allocation was 71.47% to AHCT and 28.53% to DSS. While both AHCT and DSS jointly design and develop the system, AHCT is the procuring entity and, therefore, initially funds all design, development and implementation costs and then is cost reimbursed by DSS for the share awarded to DSS. Design, development and implementation costs, including capital assets, are presented net of the DSS reimbursement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *(CONTINUED)*

Depreciation and Amortization

Capital assets will be depreciated using the straight-line method over the following estimated useful lives:

Software	3 years
Furniture and Equipment	5 years

Depreciable lives are based upon actual expected use by Access Health CT, not by tax lives or other general estimates.

Cash and Investments

Access Health CT has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures.

Deposits with Financial Institutions:

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the depositor will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured or uncollateralized.

Amounts on deposit at a single financial institution occasionally exceed the federally insured limit.

AHCT may invest any funds not needed for immediate use or disbursement in obligations of the United States of America or United States government sponsored corporation, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service.

AHCT invests in obligations of the United States, including its instrumentalities and agencies, and the State of Connecticut Treasurer's short-term pooled investment fund (STIF). The STIF is available for use by the State's funds and agencies, public authorities and municipalities. State statutes authorized these pooled investment funds to be invested in United States Government and agency obligations, United States Postal Service obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, banker acceptances, student loans, and repurchase agreements.

Marketplace assessments

Connecticut PA 11-53 authorized AHCT to "charge assessments or user fees to health carriers that are capable of offering a qualified health plan through the Exchange". This assessment authority is a critical underpinning for AHCT's operational sustainability. Public Act 13-247, gave AHCT the authority to charge interest and penalties to carriers failing to pay the assessments and fees required to fund Exchange operations.

Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *(CONTINUED)*

Net Position

Net position represents the difference between assets and liabilities in three categories:

Net investment in capital assets – consists of net capital assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose.

Unrestricted net position – consists of all other net position that are not considered to be in the above two categories.

Subsequent Event Measurement Date

Access Health CT monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the fiscal year ended June 30, 2015 through February 18, 2016, the date on which the financial statements were available to be issued.

NOTE 3 - CASH

Deposits - At June 30, 2015 and 2014, the carrying amounts of Access Health CT's deposits were as follows:

Account	2015 Amount	2014 Amount
Operating	$ 7,087,128	5,910,451
STIF	14,592,191	33,719,404
SHOP	465,026	152,650
	$ 22,144,345	$ 39,782,505

Custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, Access Health CT will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Access Health CT does not have a deposit policy for custodial credit risk.

Access Health CT has deposits in the Connecticut Short-Term Investment Fund (STIF), which is an investment pool of high-quality, short term money market instruments. Operated in a manner similar to money market mutual funds, STIF is rated AAAm by Standard & Poor's, and has an average maturity of under 60 days.

As of June 30, 2015 and 2014, $22,536,614 and $40,345,432, respectively, of Access Health CT's bank balance was uninsured and uncollateralized and therefore exposed to custodial credit risk. Bank balances by account were as follows:

NOTE 3 – CASH (CONTINUED)

Account	2015 Amount	2014 Amount
Operating	$ 7,479,197	$ 6,473,378
STIF	14,592,191	33,719,404
SHOP	465,026	152,650
	$ 22,536,414	$ 40,345,432

Concentrations of credit risk - Access Health CT places no limits on the amount of cash in any one bank. Access Health CT does not have a policy on credit risk concentration.

NOTE 4 - EQUIPMENT AND SOFTWARE

At June 30, 2015 and 2014, equipment and software consisted of the following:

	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
Software development in progress	$ -	$ 179,735	$ -	$ 179,735
Equipment and software	36,156,187	2,462,383	-	38,618,570
	$ 36,156,187	$ 2,642,118	$ -	$ 38,798,305

	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
Accumulated depreciation and amortization	$ 10,979,115	$ 12,067,967	$ -	$ 23,047,082
Net book value				$ 15,751,223

	Balance 07/01/13	Additions	Deletions	Balance 6/30/2014
Software development in progress	$ 16,869,697	$ (16,869,697)	$ -	$ -
Equipment and software	8,527,902	27,628,285	-	36,156,187
	$ 25,397,599	$ 10,758,588	$ -	$ 36,156,187

	Balance 07/01/13	Additions	Deletions	Balance 6/30/2014
Accumulated depreciation and amortization	$ 1,510,065	$ 9,469,050	$ -	$ 10,979,115
Net book value				$ 25,177,072

NOTE 5 - CONTINGENCIES AND CONCENTRATIONS

Some grants require the fulfillment of certain conditions. Failure to fulfill the conditions could result in the return of funds. Access Health CT does not believe any funds will need to be returned, because the stipulated conditions are being met.

Reimbursement received by AHCT from DSS reimburses AHCT for the funds disbursed by AHCT for development and other costs that relate to the share of the development allocated to DSS. This share was not awarded to AHCT as part of the grant application. The reimbursements are being retained by AHCT to fund ongoing design, development and other costs.

During the fiscal year 2015 and 2014, approximately 61% and 85%, respectively, of funding came from one funder, the U.S. Department of Health and Human Services.

AHCT is from time to time, subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position of AHCT.

NOTE 6 - COMMITMENTS

Leases

Access Health CT has entered into various leases for office space. Rent expense for June 30, 2015 and 2014, was $414,562 and $557,538, respectively. Estimated future payments for the leases are as follows:

Year ended June 30,	
2016	$ 484,830
2017	428,319
2018	418,622
2019	68,719

Other

Access Health CT has entered into various agreements with contractors for its call center, for IT environment services and for data management services. The contracts call for fixed and variable costs. Estimated future fixed payments for the contracts are as follows:

Year ended June 30,	
2016	$ 3,235,350
2017	1,678,742
2018	606,675

NOTE 7 – RETIREMENT AND PROFIT SHARING

During fiscal year 2013, Access Health CT joined the State of Connecticut's Deferred Compensation Section 457 Plan covering eligible employees. The purpose of the Plan is to enable employees who become covered under the plan to enhance their retirement security by permitting them to enter into agreements with Access Health CT to defer a portion of their salary. Participation in this Plan should not be construed to establish or create an employment contract between any eligible employee and Access Health CT.

In addition, Access Health CT established a Profit Sharing and Trust 401(a) plan for eligible employees. Access Health CT contributes a fixed rate of 3% of employee annual earnings and matches 50% of voluntary participant contributions, up to 6%, of annual earnings made by employees to the State of Connecticut's Deferred Compensation Section 457 Plan.

In total, Access Health CT made retirement and profit sharing payments of $311,429 and $287,453 for June 30, 2015,and 2014 respectively, for both plans.

NOTE 8 – AWARDS

Prior to the establishment of AHCT, much of the planning for AHCT was funded by a Federal establishment planning grant that was awarded to Connecticut by the Federal Department of Health and Human Services (HHS) on September 29, 2010. Based on its progress in its State Based Marketplace planning efforts, HHS awarded a $6.7M Establishment Grant to AHCT in August of 2011 to build on the work conducted under the initial planning grant.

On August 2, and August 23, 2012 AHCT, through the State of Connecticut Office of Policy and Management, was awarded a $1,521,350 amendment to the existing Establishment Grant as well as a second Establishment Grant award of $107,358,676, respectively, from HHS to further the development of and to stabilize the operations of AHCT during its first year of operations. These funds have allowed AHCT to shape its strategy successfully and meet all necessary development milestones and benchmarks during fiscal year 2013. On December 21, 2012, the grantee of these awards was changed to AHCT from the State of Connecticut Office of Policy and Management.

On February 14, 2013, AHCT was awarded an additional Federal Grant in the amount of $2,140,867 for the development and implementation of the In-Person Assister Program. Through a partnership with the State of Connecticut's Office of the Healthcare Advocate, the implementation of this program will provide hands-on assistance directly to the uninsured individuals seeking health insurance coverage via AHCT during the initial open enrollment timeframe.

On August 28, and September 12, 2013 AHCT was awarded a $24,960,892 amendment to the existing Establishment Grant, and a $497,741 amendment to the existing In-Person Assister Grant respectively, from the U.S. Department of Health and Human Services pursuant to Section 1311 of the Affordable Care Act to support the on-going establishment of the state operated health insurance exchange marketplace. These funds were awarded as a result of administrative supplement requests submitted by AHCT to support unforeseen development and implementation costs.

NOTE 8 – AWARDS – *(CONTINUED)*

On October 23, 2013, AHCT was awarded a new Level I Establishment Grant in the amount of $20,302,003 by the U.S. Department of Health and Human Services pursuant to Section 1311 of the Affordable Care Act. This request was submitted primarily to fund the stabilization of AHCT's first year of operations for adherence to Federal guidance and regulations that were not contemplated at the time of the Establishment Grant funding request.

On October 2, 2014, AHCT was awarded no-cost extensions for the Level I and Level II Establishment Grants, along with a re-budgeting request for the Level II grant, through October 23, 2015 and December 31, 2015 respectively.

On October 6, 2015, AHCT received a no-cost extension for the 2014 Level One Establishment Grant to extend the project performance period to December 15, 2016 in order to complete necessary design, development and implementation activities.

On December 28, 2015, AHCT received approval for a re-budgeting request for the Level II Establishment Grant.

Reports in Accordance with OMB Circular A-133

WHITTLESEY & HADLEY, P.C.

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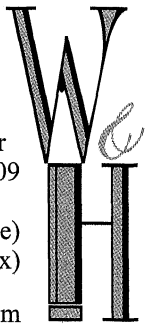

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Connecticut Health Insurance Exchange

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 financial statements of Connecticut Health Insurance Exchange (hereafter referred to as Access Health CT ("AHCT")), which comprise the statement of financial position as of June 30, 2015 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued a report thereon dated February 18, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of financial statements, we considered Access Health CT's internal control over financial reporting (internal control) to determine the 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 Access Health CT's internal control. Accordingly, we do not express an opinion on the effectiveness of Access Health CT'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 statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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 Access Health CT'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 determination of financial statement amounts. 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 result of that testing, and not to provide an opinion on the effectiveness of Access Health CT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Access Health CT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whittlesey & Hadley, P.C.

Hartford, Connecticut
February 18, 2016

WHITTLESEY & HADLEY, P.C.

Certified Public Accountants/Consultants

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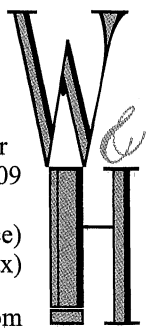

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Connecticut Health Insurance Exchange

Report on Compliance for Each Major Federal Program

We have audited Connecticut Health Insurance Exchange's (hereafter referred to as Access Health CT ("AHCT")) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Access Health CT's major federal programs for the year ended June 30, 2015. Access Health CT's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Access Health CT's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Access Health CT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Access Health CT's compliance.

Opinion on Each Major Federal Program

In our opinion, Access Health CT complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Access Health CT is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Access Health CT 's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Access Health CT's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Whittlesey & Hadley, P.C.

Hartford, Connecticut
February 18, 2016

CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

Schedule of Expenditures of Federal Awards

June 30, 2015

Grantor, Pass-through Grantor, Program Title	Federal CFDA Number	Grant Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through the State of Connecticut Office of Policy and Management		
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	$ 41,710,091

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

Notes to Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

NOTE 1 - ACCOUNTING BASIS

Basic Financial Statements

The accounting policies of Access Health CT conform to accounting principles generally accepted in the United States of America.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

Schedule of Findings and Questioned Costs

For the year ended June 30, 2015

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	*Unmodified*			
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	X	No
Significant deficiency(ies) identified?	_____	yes	X	None reported
Noncompliance material to financial statements noted?	_____	yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	_____	yes	X	no
Significant deficiency(ies) identified?	_____	yes	X	none reported
Type of auditors' report issued on compliance for major programs:	*Unmodified*			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____	yes	X	no

Identification of major programs

Name of Federal Program or Cluster	Federal CFDA Number
U.S. DEPARTMENT OF HEALTH AND	
Passed through the State of Connecticut Office of Policy and Management	
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525

Dollar threshold used to distinguish between type A and type B programs	$ 1,251,303			
Auditee qualified as low-risk auditee?	X	yes	_____	no

II. FINANCIAL STATEMENT FINDINGS

No matters reported.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.