

**CONNECTICUT HEALTH INSURANCE EXCHANGE**

**(DBA ACCESS HEALTH CT)**

**Report on Transitional Reinsurance Payments**

**December 31, 2015**



**Headquarters**  
280 Trumbull St  
24th Floor  
Hartford, CT 06103  
Tel: 860.522.3111  
[www.WAdvising.com](http://www.WAdvising.com)

One Hamden Center  
2319 Whitney Ave, Suite 2A  
Hamden, CT 06518  
Tel: 203.397.2525

14 Bobala Road #3  
Holyoke, MA 01040  
Tel: 413.536.3970

To the Board of Directors

Connecticut Health Insurance Exchange (“AHCT”)

### **Report on compliance**

We have audited AHCT’s compliance with the types of compliance requirements described in 45 CFR 153.260, 45 CFR 153.265 and 45 CFR 153.20(a)(1) for the benefit year ended December 31, 2015, including standard operating procedures and protocols for receipt and control of reinsurance funds, payment processing, and payments appeals; documentation demonstrating the verification and validation that payments made by the reinsurance entity match EDGE outbound reports; records of accounting procedures and financial statements with respect to the transitional reinsurance program; restrictions on use for administrative expenses; and selection of an administrator.

### **Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to 45 CFR 153.260, 45 CFR 153.265 and 45 CFR 153.20(a)(1).

### **Auditors’ Responsibility**

Our responsibility is to express an opinion on AHCT’s compliance with 45 CFR 153.260, 45 CFR 153.265 and 45 CFR 153.20(a)(1). We conducted our audit of compliance 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 and the Centers for Medicare & Medicaid Services (CMS). Those standards 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 the program occurred. An audit includes examining, on a test basis, evidence about AHCT’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 with 45 CFR 153.260, 45 CFR 153.265 and 45 CFR 153.20(a)(1). However, our audit does not provide a legal determination of AHCT’s compliance.

## **Opinion on Compliance**

In our opinion, AHCT complied in all material respects with the compliance requirements referred to above that could have a direct and material effect on the program for the benefit year ended December 31, 2015.

The purpose of this report on compliance with 45 CFR 153.260, 45 CFR 153.265 and 45 CFR 153.20(a)(1) is solely to describe the scope of our testing on the requirements of laws, regulations, contracts and grants applicable to 45 CFR 153.260, 45 CFR 153.265 and 45 CFR 153.20(a)(1). Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford Connecticut

January 18, 2018

**CONNECTICUT HEALTH INSURANCE EXCHANGE**

**(DBA ACCESS HEALTH CT)**

**Schedule of Reinsurance Payments**

Benefit Year ended December 31, 2015

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Transitional reinsurance contributions received from The U.S. Department of Health and Human Services (HHS)	<u>\$ 101,100,509</u>
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Transitional reinsurance payments made to issuers	<u>\$ 101,100,509</u>
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The notes are an integral part of the schedule.

**CONNECTICUT HEALTH INSURANCE EXCHANGE**  
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Notes to the Schedule

December 31, 2015

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**NOTE 1 - ACCOUNTING BASIS**

Schedule of reinsurance payments

The accompanying schedule of expenditures of reinsurance payments has been prepared in accordance with regulations established in 45 CFR 153.260.

**NOTE 2 – BACKGROUND AND ACCESS HEALTH CT’S CONNECTICUT TRANSITIONAL REINSURANCE PROGRAM**

Background

The Affordable Care Act establishes a transitional reinsurance program and a permanent risk adjustment program, two of three premium stabilization programs, to provide payments to health insurance issuers that cover higher-cost and higher-risk populations to more evenly spread the financial risk borne by issuers and help stabilize premiums. Beginning with plan years that begin in 2014, the Affordable Care Act provides that non-grandfathered plans in the individual and small group markets can no longer discriminate against enrollees due to their health status. Individuals with pre-existing conditions or chronic illnesses generally can no longer be charged higher premiums by plans in these markets based on their health status.

The reinsurance program, which started in the 2014 benefit year, is designed to provide issuers with greater payment stability as the insurance market reforms are implemented. The reinsurance program will help reduce the uncertainty of insurance risk in the individual market by partially offsetting issuers’ claims associated with high-cost enrollees.

Access Health CT’s Connecticut Transitional Reinsurance Program (CTRP)

AHCT made the determination that it will initially leverage the federal risk adjustment program but operate its own transitional reinsurance program. In future years, AHCT may utilize data from its All Payers Claim Database (APCD) to administer a state-based risk adjustment program.

For the transitional reinsurance program, AHCT has chosen to leverage an existing state asset to run its state-based reinsurance program. Health Reinsurance Association (HRA) is the not-for-profit entity created by Conn. Gen. Stat. 38a 556. All insurers, health care centers and self-insurers doing business as a condition of their authority to transact the applicable kinds of health insurance specified in the law are members of the association. Actual administrative duties are performed by Pool Administrators Inc. (PAI), a Connecticut Subchapter S Corporation.

On April 7, 2017 AHCT transitioned the transitional reinsurance program to CMS.

**NOTE 3 - PAYMENT DETAIL**

The following is a listing of eligible claims for reinsurance, reinsurance contributions from HHS and reinsurance payments to issuers for benefit year ended December 31, 2015:

Issuer	Eligible Claims for Reinsurance	Reinsurance Contribution From HHS	Reinsurance Payment To Issuer
Aetna Life Insurance Company	\$ 8,232,299	\$ 4,563,532	\$ 4,563,532
Golden Rule Insurance Company	3,555,371	1,970,902	1,970,902
United Healthcare Insurance Company	3,604,379	1,998,069	1,998,069
ConnectiCare, Inc.	48,136	26,683	26,683
ConnectiCare Benefits, Inc.	37,387,921	20,725,798	20,725,798
United Healthcare Life Insurance Company	1,923,495	1,066,279	1,066,279
Time Insurance Company	4,384,405	2,430,471	2,430,471
Anthem Health Plans Inc. (Anthem BCBS)	68,489,936	37,966,756	37,966,756
Cigna Health and Life Insurance Company	1,720,830	953,933	953,933
Healthy CT, Inc.	20,743,825	11,499,232	11,499,232
ConnectiCare Insurance Company, Inc.	32,288,309	17,898,854	17,898,854
	<u>\$ 182,378,906</u>	<u>\$ 101,100,509</u>	<u>\$ 101,100,509</u>

**NOTE 4 – ADMINISTRATIVE EXPENSES**

Administrative expenses for the benefit year ended December 31, 2015 were as follows:

Reinsurance contributions received from HHS for administrative expenses	<u><u>\$ -</u></u>
Administrative expenses incurred for the reinsurance program	<u><u>\$ 166,801</u></u>