



## Audit Subcommittee Meeting **MEETING MINUTES**

Location: Legislative Office Building, Room 1C  
Date: Tuesday, January 9, 2018  
Time: 11:30 a.m.

### **Members Present:**

Benjamin Barnes, Secretary, Office of Policy and Management; Miriam Delphin-Rittmon, Commissioner, Department of Mental and Health Addiction Services

### **Members on the Phone:**

Grant Ritter

### **Other Participants:**

Access Health CT (AHCT) Staff: James Wadleigh; James Michel; Susan Rich-Bye  
Whittlesey PC Staff: Jean Callan; Edward Sullivan

### **Members Absent:**

Lt. Governor Nancy Wyman

#### **A. Call to Order and Introductions**

Benjamin Barnes called the meeting to order at 11:36 a.m.

#### **B. Review and Approval of Minutes**

Benjamin Barnes requested a motion to approve the February 10, 2017, Special Meeting Minutes with revisions. Motion was made by Miriam Delphin-Rittmon and seconded by Grant Ritter.

***Motion passed unanimously.***

#### **C. 2017 AHCT Programmatic Audit Financial Statements**

Edward Sullivan and Jean Callan from Whittlesey, Certified Public Accountants and Consultants, provided an overview of the 2017 AHCT Audited Statements. Mr. Sullivan indicated that this document reflects the Fiscal Year (FY) 2017 activities and compares them to the previous two years. Mr. Sullivan added that it is the sixth year that Whittlesey had performed an AHCT audit. It is the last time that Whittlesey will perform an audit for AHCT due to the statute, which limits one entity to performing audits on quasi-public agencies for a maximum of six years. Mr. Sullivan

provided a summary of deliverables, which include the Independent Auditors' Report on Financial Statements, Reports in Accordance with Government Auditing Standards, Reports in Accordance with Uniform Guidance, Communications with Those Charged with Uniform Governance, Programmatic Audit, and Transitional Reinsurance. Reports in Accordance with Government Auditing Standards were prepared based on the overall Financial Statements. AHCT has about \$1.5 million of funds from the Department of Health and Human Services (HHS) which has passed through the Office of Policy and Management (OPM).

Mr. Sullivan indicated that it is the auditors' responsibility to provide an opinion on the financial statements in accordance with the Generally Accepted Accounting Principles (GAAP), which include design, implementation, and maintenance of internal controls. As part of the process, the evaluation of internal controls is provided, but no opinion is issued. Mr. Sullivan indicated that evaluation of risks for AHCT is part of the process. No obstacles were encountered in data collection. Mr. Sullivan added that various procedures are performed as a part of this process, which include assessing risks, reading and analyzing documents and agreements, as well as reading meeting minutes. Transaction testing also takes place. Independent verifications with third parties were performed.

Jean Callan indicated that in 2017, AHCT had \$37.7 million in total assets, which is down by about \$10 million in comparison to 2016. It was the result of a decrease from accounts receivable, which went down by approximately \$10 million. The biggest change in this area was a result of smaller accounts, receivable and obtained from the Department of Social Services (DSS). Total liabilities for 2017 were about \$9.2 million, which was down by over \$7 million from the prior year. The volume of expenses came down. Depreciation was part of it. Accounts payable and accrued expenses were about \$16.6 million. This left \$28.5 million in net position overall, which was down by about \$2.7 million when compared to the prior year. Total income at the end of 2017 was \$33.7 million, which was down by approximately \$6.2 million. The government grants and contracts were a major part of this decline. The marketplace assessment is up, based on the fact that the carriers are required to pay for each fiscal year. As the rates go up, so do the assessments. Total expenses were \$36.4 million, which decreased by about \$13 million when compared to 2016. The cost of hiring consultants is down. In addition, fewer IT-related expenses are also part of this decline. Depreciation is also down. Depreciation is a non-cash expense.

Ms. Callan noted that the auditors experienced commendable cooperation with AHCT staff members and other individuals who assisted them in compiling all of the necessary data. Mr. Sullivan added that as of June 30, 2017, \$1.5 million of federal funding existed. There is no federal funding going forward.

Benjamin Barnes asked for a motion to recommend the draft Fiscal Year 2017 Audited Financial Statements and Federal Single Audit Reports for review and acceptance by the Board. Motion was made by Miriam Delphin-Rittmon and seconded by Grant Ritter. ***Motion passed unanimously.***

#### **D. 2017 Programmatic Report**

Ms. Callan summarized the purpose and procedure of the Programmatic Audit. Ms. Callan indicated that it tests whether AHCT's operations comply with the Affordable Care Act (ACA). As part of the audit, AHCT policies and procedures, along with the training manuals, were reviewed. The objectives are program effectiveness, compliance with laws and regulations, safeguarding sensitive information, and integrity of computer systems. Some AHCT staff members were interviewed as part of this process. During last year's Open Enrollment, the call center in Bristol was toured. Various document reviews were done. The auditors also looked into the effectiveness of internal controls in order to determine if safeguarding of personal information is performed in a proper manner. Various documents were reviewed, such as samples of applications, eligibility and enrollment data, exemptions, and terminations, among others. The auditors did not find any issues that would have negatively affected the proper functioning of the organization.

Benjamin Barnes commended both the auditors and AHCT staff for their outstanding work in performing their tasks.

Benjamin Barnes requested a motion to recommend the draft Fiscal Year 2017 CMS Programmatic Audit for review and acceptance by the Board. Motion was made by Grant Ritter and seconded by Miriam Delphin-Rittmon. ***Motion passed unanimously.***

#### **E. Transitional Reinsurance Report**

Susan Rich-Bye, Director of Legal Affairs and Policy, indicated that Connecticut was the only state that operated its own transitional reinsurance program under the federal regulations. Connecticut operated its own program through April of 2017. It was transitioned over to the Department of Health and Human Services (HHS) in 2017. One of the requirements was for the state that conducted its own reinsurance program to submit a report regarding the payments made. Whittlesey performed this analysis.

Ms. Callan added that the reinsurance program was established to stabilize insurance premiums in the individual market in eight states between 2014 and 2016. Under this provision, health insurers and third party administrators on behalf of self-insured group health plans must make contributions to help support insurance payments to individual insurers that cover high cost customers. The Health Reinsurance Association administered this program in Connecticut. Ms. Callan indicated that in the process of creating this report, various documents were reviewed. Whittlesey documented standard operating procedures and protocols for receipt and control of the reinsurance funds, payment processing and payment appeals, as well as documenting transactions related to reinsurance receipts and payments.

Benjamin Barnes requested a motion to recommend the draft Report of Transitional Reinsurance Payments for review and acceptance by the Board. Motion was made by Miriam Delphin-Rittmon and seconded by Grant Ritter. ***Motion passed unanimously.***

James Michel, Director of Finance, indicated that this was the last time that the Whittlesey was able to perform an Audit for AHCT. This limitation is due to the legislative requirements. The Request For Proposals (RFP) to select new auditors will be issued.

Mr. Barnes thanked Whittlesey for their services to AHCT. Mr. Sullivan thanked AHCT staff for being cooperative and helpful throughout the process.

#### **F. Adjournment**

Benjamin Barnes requested a motion to adjourn the meeting. Motion was made by Miriam Delphin-Rittmon and seconded by Grant Ritter. ***Motion passed unanimously.*** Meeting adjourned at 12:02 p.m.