CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

Financial Statements and
Federal Single Audit Reports

June 30, 2016

CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

Table of Contents

---

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, 2016, 2015 and 2014. 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 pursuant to 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 Connecticut General Statutes (CGS) § 38a -1080 through 1093. AHCT was established as a Quasi-Public Agency, subject to the requirements of the Quasi-Public Agency Act, CGS § 120 *et seq.*

The goals of AHCT as outlined in CGS § 38a - 1083(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 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. Lieutenant Governor Nancy Wyman serves as chair of the Exchange Board of Directors. AHCT staff has worked closely with its Board to ensure that its governance structure remains in compliance with the ACA and any and all relevant State and Federal regulations. The Board meets primarily monthly and has focused on Exchange strategy and policy development, and the operations of the Exchange's Qualified Health Plan (QHP) requirements. Future updates and changes to the ACA, or any other applicable Federal and/or State laws, regulations, and guidance continue to be monitored and changes are made by the Board to the Exchange's Bylaws and Policies and Procedures as required.

Section 1311 of the ACA provides funding assistance to the states to help them plan and establish their marketplaces. AHCT received establishment and various Federal assistance awards pursuant to the ACA, as detailed in Section 4.0 Awards.

AHCT successfully launched its State-based Integrated Eligibility System and Health Insurance Marketplace on October 1, 2013, for the plan year beginning January 1, 2014.

According to the ACA law, a marketplace must be self-sustaining by January 1, 2015. The operational sustainability of AHCT is achieved by issuing annual Health and Dental Marketplace Assessments to carriers that are capable of offering a qualified health plan through the Exchange. Connecticut PA 11-53 and 13-247 initially gave AHCT the authority to charge assessments to fund the Exchange's operations and to charge interest and penalties to carriers failing to pay the assessments and fees required. This is now codified at CGS 38a-1083 (c)(7).

During its 2014 legislative session, the Connecticut General Assembly passed PA 14-217, which included provisions providing additional enforcement authority for the Exchange's assessment. Specifically, the Legislature added Subsection (d) to CGS 38a-1083 directing the Commissioner of Insurance to see that all laws respecting the authority of the Exchange are faithfully executed. In enforcing the assessment, the Commissioner "has all the powers specifically granted under Title 38a and all further powers that are reasonable and necessary."

AHCT issued its first annual Health and Dental Marketplace Assessment in January 2014 to carriers that are capable of offering a qualified health plan through the exchange. Assessments are billed and collected on a calendar year basis, with $24M and $28.2M collected for 2014 and 2015 assessments, respectively. Collections for 2016 calendar year assessments were $15.7M as of June 30, 2016.

4.0 Awards:

Initial planning, development and then stabilization of the first year of operations for AHCT was funded by Federal Establishment Planning Grants awarded to Connecticut by the U.S. Department of Health and Human Services (HHS) Centers for Medicare and Medicaid Services (CMS) during 2010-2013. These funds allowed AHCT to shape its strategy successfully and meet all necessary development milestones and benchmarks during its establishment and start-up of operations.

HHS establishment grants covered operating and capital expenses for the development and implementation of the Integrated Eligibility System (IES), used for QHPs on the exchange and for Modified Adjusted Gross Income (MAGI) Medicaid and Children's Health Insurance Plan (CHIP) eligibility determination. Additional establishment grants funded an In-Person Assistor Program during the initial open enrollment timeframe.

Level I and II Establishment Grants awarded in fiscal years 2014 and 2015 funded the stabilization of systems for adherence to new Federal guidance and regulations of the ACA, and to support unforeseen development and implementation costs. They also supported continued efforts needed to develop enhancements to the Electronic Data Interchange (EDI) 834 benefit enrollment and maintenance interfaces of IES.

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 CMS 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 portal, Learning Management System and establishment of Tier 2 & 3 customer service center for issue resolution were also funded.

In October 2015, AHCT applied for and received a no-cost extension for the 2014 New 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. This is the sole remaining CMS grant open at June 30, 2016.

5.0 Access Health CT Business Model:

During fiscal years ended June 30, 2016, 2015 and 2014, grant funds and health and dental marketplace assessments were the two revenue sources for AHCT. 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 approved 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 IES.

AHCT's commitment to transitioning to a self-sustaining entity has focused on building a sustainable operating model. Continued efforts in technology, plan management and consumer engagement by AHCT has been fundamental to the success and progress of AHCT to date. 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.

5.0 Access Health CT Business Model: *(Continued)*

AHCT has leveraged the federal risk adjustment program, but operates its own transitional reinsurance leveraging an existing state asset to run its state-based reinsurance program through Health Reinsurance Association (HRA). HRA 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 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 for customer support and services. In August 2016, AHCT executed a contract with Faneuil, Inc. to provide customer care and other business processing support, following an extensive open bid process. The contract prior to that time was held with Maximus, which served call center operations since inception.

- Marketing and communications firms have supported AHCT's creative development, community outreach, media buying and the execution of AHCT's campaigns to reach and engage Connecticut consumers. AHCT contracted with RDW Group, Grossman Heinz and Touchpoint during fiscal years 2016 and 2015. Fuse, Spitfire, Grossman Heinz and Touchpoint were utilized during 2015 and 2014.

- 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 Exchange:

- AHCT maintains its MOU with the DSS to document the specific roles and responsibilities of each agency. The allocation of costs for development of the IES is shared by DSS and AHCT. Design, development, and implementation costs are paid 84% by DSS after December 2014 and 28.53% previously. Additionally, the allocation of costs for certain operational costs are shared, 80% paid by DSS after October 2014 and 56% prior to that period.

- AHCT leveraged an existing DSS Contract with Xerox for 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 costs will then be split with DSS covering 80% of costs and AHCT covering 20%. Prior to October 2014, DSS covered 56% of costs and AHCT covered the remaining 44%.

5.0 Access Health CT Business Model: *(Continued)*

- 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 provides to AHCT.

6.0 Summarized Financial Information:

AHCT's financial report includes three financial statements:

1. The Statements of Net Position (Balance Sheet)
2. The Statements of Revenues, Expenses and Changes in Net Position
3. The Statements 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 Revenues, 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.

7.0 Revenues, Expenses and Changes in Net Position:

Summarized financial information as of and for the year ended June 30, 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Operating Revenues:			
Government grants and contracts	$ 9,482,162	$ 41,921,051	$ 73,303,817
Grants	41,000	-	205,000
Marketplace assessment	30,455,332	26,861,723	12,465,573
Interest income	15,995	43,611	17,879
Total revenues	39,994,489	68,826,385	85,992,269
Operating Expenses:			
Wages	7,025,627	7,856,531	6,985,039
Fringe benefits	2,244,497	2,008,861	1,546,881
Consultants	24,312,816	40,271,647	50,438,598
Equipment	361,999	248,022	1,231,834
Supplies	34,437	36,293	38,850
Travel	128,347	239,640	202,096
Maintenance	2,621,610	597,622	1,270,281
Administration	1,145,493	1,516,387	1,502,855
Depreciation and amortization	11,969,729	12,067,967	9,469,050
Total operating expenses	49,844,555	64,842,970	72,685,484
Change in net position	(9,850,066)	3,983,415	13,306,785
Net position, beginning of year	41,177,734	37,194,319	23,887,534
Net position, end of year	$ 31,327,668	$ 41,177,734	$ 37,194,319

Total 2016 operating revenues have decreased, due to the anticipated decrease in Government Grants and Contracts as the sole source of funding offset by increased 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 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 2016, compared to 2015 from an increase in both the assessment rate charged and underlying carrier premiums used in the calculation of assessments. The increase in 2015 over 2014, resulted as the Exchange was able to collect a full year assessment from carriers in 2015 compared to a partial year in 2014. Marketplace assessment are billed and collected on a calendar year basis.

7.0 Revenues, Expenses and Changes in Net Position: *(Continued)*

Operating expenses consist primarily of consultant expenses that are related to technology; the Individual and SHOP marketplaces; marketing AHCT's brand; as well as operating costs for the Call Center. Depreciation and amortization are related to capitalization of the IES. Total operating expenses decreased each year in 2016 and 2015 compared to the prior year primarily due to reductions in consultant expenses. Consultant expenses decreased by $16M in 2016 and $10.2M in 2015 as a result of non-IT reductions, reprioritization of system changes, shifts in the IT implementation schedule and an increased reimbursement rate from DSS. These were offset by higher call center costs and operational vendor costs.

Salaries, benefits and related travel increases year over year are aligned with staffing in administration and operations. Wages in 2016 are down primarily as a result of lower PTO accruals compared to the prior year as the PTO period was changed from a calendar year to a fiscal year basis. Lower incentive compensation also contributed to lower wages in 2016 compared to 2015. As of June 30, 2016, the organization had 91 permanent employees and no durational employees. Permanent staff was 74 and 68 in 2015 and 2014, respectively, plus seasonal staffing required for open enrollment. The 2016-2017 fiscal year budget has funding for 88 positions and 30 durational employees. 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 and maintenance expense includes hardware and software for open enrollment support, administration and operations. As AHCT moves from design, development and implementation of IES to ongoing support and maintenance, more software support and renewal costs were incurred resulting in higher maintenance expense. Administration expenses include rent, insurance and operating expenses associated with the operations and storefronts and are relatively stable year over year. Depreciation and amortization increased in 2015 over 2014 by $2.6M related to capitalization of the IES and were steady thereafter as capital expenditures decreased. Total operating expenses were reduced by $48.7M, $21.6M and $16.5M in 2016, 2015 and 2014 respectively, as a result of the cost reimbursement from DSS for shared costs.

8.0 Access Health CT Net Position:

	2016	2015	2014
Assets			
Current assets			
Cash and cash equivalents	$ 24,586,547	$ 22,144,345	$ 39,782,505
Accounts and grants receivable	16,924,057	34,227,705	3,325,310
Prepaid expenses	187,022	185,410	154,822
Total current assets	41,697,626	56,557,460	43,262,637
Noncurrent assets			
Security Deposit	8,653	8,653	8,653
Software development in progress	1,848,035	179,735	-
Equipment and software, net	4,451,391	15,571,488	25,177,072
Total noncurrent assets	6,308,079	15,759,876	25,185,725
Total assets	$ 48,005,705	$ 72,317,336	$ 68,448,362
Liabilities and Net Position			
Current liabilities:			
Accounts payable	$ 1,669,600	$ 1,973,945	$ 214,732
Accrued liabilities	15,008,437	29,165,657	30,303,613
Refundable advances	-	-	735,698
Total current liabilities	16,678,037	31,139,602	31,254,043
Net Position:			
Net position invested in capital assets	6,299,426	15,751,223	25,177,072
Net position	25,028,242	25,426,511	12,017,247
Total net position	31,327,668	41,177,734	37,194,319
Total liabilities and net position	$ 48,005,705	$ 72,317,336	$ 68,448,362

Cash and cash equivalents primarily include funds received from DSS for reimbursement of costs incurred by AHCT and marketplace assessments received, net of expenditures.

Accounts receivable at June 30, 2016 includes $13.8M from DSS, $2.1 for grants and $1M from carriers for Marketplace Assessments in 2016.

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, 2015, $26.4 was due from DSS, $6.1 for grants and $1.7 from carriers for 2015 assessments.

Accounts Payable represents amounts due for consulting services and administrative services. Accrued expenses represent technology and hosting services from DAS, call center services and amounts due to DSS for shared services incurred on behalf of AHCT.

9.0 Capital Assets:

At the June 30, 2016, AHCT had $41.3M invested in capital assets, $6.3M net of accumulated depreciation. This consists primarily of capitalization of software development costs for the IES, as well as equipment and other software. Total capital expenses were reduced by $0.1M in 2016, $6.4M in 2015 and $5.8M in 2014 as a result of cost reimbursement by the DSS.

Capital Assets at Year-end Net of Depreciation

	2016	2015	2014
Software development in progress	$ 1,848,035	$ 179,735	$ -
Equipment and software	4,451,391	15,571,488	25,177,072
	$ 6,299,426	$ 15,751,223	$ 25,177,072

Major Additions

	2016	2015	2014
Software development in progress	$ 1,668,300	$ 179,735	$ -
Equipment and software	849,632	2,462,383	10,758,588
	$ 2,517,932	$ 2,642,118	$ 10,758,588

10.0 Currently Known Facts, Decisions or Conditions:

In August 2016, AHCT executed a contract with Faneuil, Inc. (Faneuil) to provide customer care and other business processing support. Faneuil was selected following an extensive open-bid process that included a review of the company's past experience in call center operations, prior client recommendations, in-person presentations, and an evaluation of the cost of services. Faneuil replaced Maximus, Inc.

In addition to its call center functions, Faneuil has implement a new broker, or health insurance advisor, program to provide advice to consumers when selecting healthcare coverage through AHCT. Because carriers are not paying broker commissions for plans sold through the Exchange, AHCT searched for a solution to enhance the customer experience as Connecticut law provides that only licensed brokers may advise consumers regarding plan selection. The company will recruit approximately 20 certified brokers to assist with enrollment during open enrollment for the plan year 2017.

The AHCT Employee Handbook is continually updated and available to all staff. New policies added in 2016 include a Merit-based Pay for Performance Policy. Beginning in January 2016, the PTO period was changed from a calendar year to a fiscal year, with a transition period during the first half of 2016. The Employee Handbook was revised for the 2017 fiscal year and includes new policies addressing severance pay, telecommuting, safety while driving on AHCT business, a privacy and security sanctions policy, and a policy restricting employees from making media comments without permission.

In April 2016, UnitedHealthcare informed AHCT that it would not be offering plans for sale through the Exchange (Individual and SHOP) for the 2017 plan year. UnitedHealthcare has announced it is exiting health insurance exchanges across the United States. On July 5, 2016, the Connecticut Insurance Department placed HealthyCT, Connecticut's nonprofit health insurance co-op, under an Order of

10.0 Currently Known Facts, Decisions or Conditions: *(Continued)*

Supervision and HealthyCT was ordered to stop writing new policies in Connecticut, effective immediately. As a result, AHCT will no longer be selling or renewing healthcare coverage offered by HealthyCT on the Exchange for both Individual and SHOP. Both UnitedHealthcare and HealthyCT will continue to provide service and pay claims to our existing members until their coverage ends on December 31, 2016 for Individual and the end of the plan year for SHOP.

Throughout fiscal year 2017, AHCT will continue to monitor future updates and changes to the ACA, or any other applicable Federal and/or State laws, regulations, and guidance for any required changes to the legal authority and governance of Connecticut's Health Insurance Marketplace. AHCT is posed to adapt to changes and proactively manage those changes in support of an ACA compliant Marketplace for the consumers of Connecticut.

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.

WHITTLESEY & HADLEY, P.C.

Certified Public Accountants/Consultants

280 Trumbull Street, 24th Floor
Hartford, Connecticut 06103-3509

860.522.3111 (voice)
860.728.0232 (fax)

www.whcpa.com

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, 2016 and 2015, 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 AHCT'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 AHCT'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, 2016 and 2015, 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 an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)* is presented for purposes of additional analysis and are 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 16, 2017 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 16, 2017

CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

Statements of Net Position

June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 24,586,547	$ 22,144,345
Accounts and grants receivable	16,924,057	34,227,705
Prepaid expenses	187,022	185,410
Total current assets	41,697,626	56,557,460
Noncurrent assets		
Security deposit	8,653	8,653
Software development in progress	1,848,035	179,735
Equipment and software, net	4,451,391	15,571,488
Total noncurrent assets	6,308,079	15,759,876
Total assets	$ 48,005,705	$ 72,317,336
Liabilities and net position		
Current liabilities:		
Accounts payable	$ 1,669,600	$ 1,973,945
Accrued liabilities	15,008,437	29,165,657
Total current liabilities	16,678,037	31,139,602
Net position:		
Net position invested capital assets	6,299,426	15,751,223
Net position	25,028,242	25,426,511
Total net position	31,327,668	41,177,734
Total liabilities and net position	$ 48,005,705	$ 72,317,336

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

CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

Statements of Revenues, Expenses and Change in Net Position

For the years ended June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Government grants and contracts	$ 9,482,162	$ 41,921,051
Grants	41,000	-
Marketplace assessment	30,455,332	26,861,723
Interest income	15,995	43,611
Total revenues	39,994,489	68,826,385
Operating Expenses		
Wages	7,025,627	7,856,531
Fringe benefits	2,244,497	2,008,861
Consultants	24,312,816	40,271,647
Equipment	361,999	248,022
Supplies	34,437	36,293
Travel	128,347	239,640
Maintenance	2,621,610	597,622
Administration	1,145,493	1,516,387
Depreciation and amortization	11,969,729	12,067,967
Total operating expenses	49,844,555	64,842,970
Change in net position	(9,850,066)	3,983,415
Net position, beginning of year	41,177,734	37,194,319
Net position, end of year	$ 31,327,668	$ 41,177,734

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, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Receipts from funding sources	$ 13,476,696	$ 22,681,369
Receipts from Marketplace Assessment	31,237,162	26,000,098
Reimbursement of operating costs	48,551,054	21,584,424
Payments to employees	(7,383,546)	(9,551,406)
Payments to vendors	(80,921,232)	(66,330,843)
Net cash provided by operating activities	4,960,134	(5,616,358)
Cash flows from capital and related financing activities		
Payments for software development in progress	(1,690,450)	(12,664,959)
Purchase of equipment and software	(941,009)	(924,356)
Reimbursement of equipment and software, and software development in progress	113,527	1,567,513
Net cash (used for) capital and related financing activities	(2,517,932)	(12,021,802)
Net change in cash and cash equivalents	2,442,202	(17,638,160)
Cash and cash equivalents at beginning of year	22,144,345	39,782,505
Cash and cash equivalents at end of year	$ 24,586,547	$ 22,144,345
Reconciliation of operating income to net cash provided in operating activities		
Change in net position	$ (9,850,066)	$ 3,983,415
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	11,969,729	12,067,967
Changes in assets and liabilities:		
Accounts and grants receivable	17,303,648	(32,469,908)
Prepaid expenses	(1,612)	(30,588)
Accounts payable	(304,345)	12,706,410
Accrued liabilities	(14,157,220)	(1,137,956)
Refundable advances	-	(735,698)
Net cash provided by operating activities	$ 4,960,134	$ (5,616,358)

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 Connecticut General Statute (CGS) 38 a-1080 through 1093. 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.

The investment for the development of the State Marketplace was entirely funded from Federal grant dollars awarded. This Federal investment covered all development, start-up, and ongoing operating expenses until Access Health CT generated 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. AHCT's 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) 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. This is codified at CSG 38a-1083(c)(7).

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)*

Fair Value Measurements

AHCT categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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, 2016 through February 16, 2017, the date on which the financial statements were available to be issued.

NOTE 3 - CASH

Deposits - At June 30, 2016 and 2015, the carrying amounts of Access Health CT's deposits were as follows:

Account	2016	2015
Operating	$ 5,045,423	$ 7,087,128
STIF	18,962,857	14,592,191
SHOP	578,267	465,026
	$ 24,586,547	$ 22,144,345

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 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, 2016 and 2015, $24,671,878 and $22,536,614, 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	2016	2015
Operating	$ 5,130,754	$ 7,479,197
STIF	18,962,857	14,592,191
SHOP	578,267	465,026
	$ 24,671,878	$ 22,536,414

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, 2016 and 2015, equipment and software consisted of the following:

	June 30, 2016			
	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
Software development in progress	$ 179,735	$ 1,668,300	$ -	$ 1,848,035
Equipment and software	38,618,570	849,632	-	39,468,202
	$ 38,798,305	$ 2,517,932	$ -	$ 41,316,237

	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
Accumulated depreciation and amortization	$ 23,047,082	$ 11,969,729	$ -	$ 35,016,811
Net book value				$ 6,299,426

	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 07/01/14	Additions	Deletions	Balance 6/30/2015
Accumulated depreciation and amortization	$ 10,979,115	$ 12,067,967	$ -	$ 23,047,082
Net book value				$ 15,571,488

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.

DSS reimburses AHCT for the funds disbursed by AHCT for development and other costs that relate to the share of development and operational costs attributable to DSS. This share was not awarded to AHCT as part of grant awards.

During the fiscal year 2016 and 2015, approximately 24% and 61%, 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, 2016 and 2015, was $433,679 and $414,562, respectively. Estimated future payments for the leases are as follows:

Year ended June 30,	
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,	
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 $333,534 and $311,429 for June 30, 2016, and 2015 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 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 December 17, 2014, AHCT was awarded a Level One Establishment grant of $9,256,987, primarily to support required system enhancements to maintain compliance with Federal regulations.

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 Uniform Guidance

WHITTLESEY & HADLEY, P.C.

Certified Public Accountants/Consultants

280 Trumbull Street, 24th Floor
Hartford, Connecticut 06103-3509

860.522.3111 (voice)
860.728.0232 (fax)

www.whcpa.com

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 net position as of June 30, 2016 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued a report thereon dated February 16, 2017.

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 the Access Health CT's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 the 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 16, 2017

WHITTLESEY & HADLEY, P.C.

Certified Public Accountants/Consultants

280 Trumbull Street, 24th Floor
Hartford, Connecticut 06103-3509

860.522.3111 (voice)
860.728.0232 (fax)

www.whcpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
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 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, 2016. 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 federal statutes, regulations, and terms and conditions op its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 2016.

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 Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Whittlesey & Hadley, P.C.

Hartford, Connecticut
February 16, 2017

CONNECTICUT HEALTH INSURANCE EXCHANGE
(DBA ACCESS HEALTH CT)

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2016

Federal Grantor, Pass-through Grantor, Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Total Federal 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	N/A	$ 9,482,162

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, 2016

NOTE 1 - ACCOUNTING BASIS

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 financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements of the Uniform Guidance.

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, 2016

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 2 CFR 200.516(a) of Uniform Guidance?	_____	yes	X	no

Identification of Major Programs

Name of Federal Program or Cluster	
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	

Dollar threshold used to distinguish between type A and type B programs	$ 750,000			
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.