

FLORIDA HEALTH INSURANCE ADVISORY BOARD MEETING

Thursday, September 28, 2023, 9:00 AM

Conference Call

Call-In Number: 866-299-7949

Code: 1433866#

AGENDA

- I. Call to Order**
- II. Roll Call - Attachment**
- III. Antitrust Statement - Attachment**
- IV. Approval of Minutes, November 30, 2022 - Attachment**
- V. Executive Director's Report – Attachment**
- VI. Approval of 2021 Audits & 2022 Audit Engagement - Attachments**
- VII. Other Business**
- VIII. Public Comment**
- IX. Adjourn**

Attachment A

FLORIDA HEALTH INSURANCE ADVISORY BOARD

Alexis Bakofsky, Chair Designee

Chief of Staff
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Office of Insurance Regulation

Ken Stevenson, Vice Chair

Vice President, Employee Benefits
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Term Ending: 12/31/2022
Agent

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Chief of Staff
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Agency for Health Care Administration

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Christina Lake

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Employers or Employer Representatives

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Employers or Employer Representatives

Eric Johnson, PhD, ASA

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Carrier

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Carrier

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Carrier

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Carrier

Rick Wallace

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Employers or Employer Representatives

Robert Muszynski

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Employers or Employer Representatives

Nathan Landsbaum

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Term Ending: 12/31/2023
Carrier

Vacant

Agent

Attachment B

FLORIDA HEALTH INSURANCE ADVISORY BOARD

BOARD MEETING

September 2023

Antitrust Statement

We are here to discuss and act on matters relating to the business of the Florida Health Insurance Advisory Board. We are not here to discuss or pursue the business interests of any individual companies. All of us should proceed with caution and awareness of the requirements and prohibitions of federal and state antitrust laws. We should not engage in discussions, either at this meeting or in private conversation, of our individual companies' plans or contemplated activities. We should concern ourselves only with the business of the Florida Health Insurance Advisory Board, as set forth in the agenda for this meeting and each company's business plans cannot be discussed. If you have questions, please contact the General Counsel.

Attachment C

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**Florida Health Insurance Advisory Board
Board of Directors Meeting Minutes
Wednesday, November 30, 2022, 3:00 PM
Via Teleconference
Tallahassee, FL**

Board Members Present:

Alexis Bakofsky, Chair
Ken Stevenson, Vice Chair
Eric Johnson, PhD, ASA

Rick Wallace
Louisa McQueeney
Christina Lake

Richard B. Weiss, CPA
Nathan Landsbaum
Seth M. Phelps

Others Present:

- Jack McDermott, FHIAB Executive Director
- Anoush Brangaccio, General Counsel, Office of Insurance Regulation (OIR)

I. Call to Order

Alexis Bakofsky (Chief of Staff, Office of Insurance Regulation), as the Chair, called the meeting to order at 3:00 pm, indicating the meeting was properly noticed to the public in accordance with Florida Law.

II. Roll Call

Jack McDermott conducted a roll call of members, noting the presence of a quorum.

III. Antitrust Statement

Anoush Brangaccio was recognized to review the antitrust statement.

IV. Approval of Minutes, September 15, 2022

The Chair presented the minutes from the Board's September 15, 2022, meeting and asked for questions or comments. The Chair accepted a motion from Seth Phelps to approve the minutes, seconded by Louisa McQueeney. The minutes were approved without changes.

V. State of the Market Annual Report Approval

The Chair introduced the Executive Director to provide a brief overview of the State of the Market Annual Report. The Executive Director stated the format of the report follows prior formats and although this is the 2022 report, it is comprised of 2021 data and events – the exception being a CMS declaration about transitional policies (which were extended indefinitely).

Some highlights included observation of a gradual normalization of data following disruptions caused by COVID-19. Additionally, previously noted trends of Floridians shifting from group plans to individual plans has continued. Finally, although the small group and large group markets continue to contract in Florida – this decline was smaller than during the data from the prior year's report.

The Chair asked for questions from the Board. Hearing none, the Chair asked for a vote for the approval of the 2022 State of the Market Annual Report. The Chair accepted a motion from Eric Johnson to approve the report, seconded by Richard Weiss. The report was approved without changes.

VI. Executive Director's Report

The Chair recognized the Executive Director for the Executive Director's Report. The Executive Director discussed the latest financial statements, including the Board's balance sheet and income statement. The Executive Director also reported the 2020 Audits were finalized (signed and auditor issued final compensation).

The Executive Director then discussed the 2022-2023 Budget. The Chair asked if there were questions about the 2022-2023 Budget. Hearing none, the Chair asked for a vote for the approval of the 2022-2023 Budget. The Chair accepted a motion from Nathan Landsbaum to approve the budget, seconded by Ken Stevenson. The budget was approved without changes.

The Executive Director continued by discussing the 2023 Assessments that were based on the 2022-2023 budget. This included an overall assessment of \$100,000 -- \$74,700 apportioned to the small employer group plan and \$25,300 apportioned to the individual plans based on the Board's Plan of Operations. The Chair asked if there were questions about the 2023 Assessments. Hearing none, the Chair asked for a vote for the approval of the 2023 Assessments. The Chair accepted a motion from Louisa McQueeney to approve the assessments, seconded by Seth Phelps. The assessments were approved without changes.

The Executive Director then made a recommendation for the Board to adopt the State Retention schedule as the document retention schedule for the Board. The Board currently does not have a retention schedule within its Plan of Operation. The Chair asked if there were questions about the retention schedule. Louisa McQueeney asked whether this was included in the packet. The Executive Director responded that due to its length – it was not, but a link to the schedule was included in the prior Board Meeting packet. The Chair asked for a vote for the approval of the retention schedule. The Chair accepted a motion from Richard Weiss to approve the report, seconded by Christina Lake. The retention schedule was approved effective immediately with the understanding that it would be officially incorporated into the Plan of Operation the next time the Plan of Operation is revised.

The Executive Director segued into requesting that any Board member interested in assisting in the revision of the Board's Plan of Operation to contact him. The goal was to put together a Plan of Operation Committee to recommend potential changes to the full Board for adoption.

The Executive Director reported that a P.O. Box had been obtained for the Board which has been posted on the FHIAB website. The new address which will be used for the assessments is: FHIAB, c/o Jack McDermott, 3122 Mahan Drive, Suite 801-152, Tallahassee, FL, 32308.

The Executive Director ended his report by stating the Fictitious Name, "Florida Health Insurance Advisory Board", has been renewed for five years at a cost of \$50. This fictitious name is officially registered with the State of Florida's Division of Corporations and was set to expire December 31, 2022. It has been renewed through December 31, 2027.

VII. Discussion/Approval of Legislative Proposals for 2023

The Chair started with an overview of the Board's approval process for its legislative proposals. All eight proposals originally discussed during the September 15, 2022, Board Meeting were on the agenda without alterations. All approved legislative proposals will be forwarded to the Insurance Commissioner, Speaker of the Florida House of Representatives and President of the Florida Senate.

The Chair introduced **Proposal # 1: Deductible Health Credit Transfer**

The Chair asked if any Board members have questions, concerns, or recommend changes. Hearing none, the Chair accepted a motion to approve this proposal, which was made by Louisa McQueeney, which was seconded by Rick Wallace. The Chair then requested a vote. The vote was unanimous, and the proposal was adopted.

The Chair introduced **Proposal # 2: Provide Health Care Consumers with One Free Copy of their Own Medical Records**

The Chair asked if any Board members have questions, concerns, or recommend changes. Hearing none, the Chair accepted a motion to approve this proposal, which was made by Louisa McQueeney, which was seconded by Christina Lake. The Chair then requested a vote. The vote was unanimous, and the proposal was adopted.

The Chair introduced **Proposal # 3: Protect Consumers from Prescription Drug Formulary Changes During a Policy Year**

The Chair asked if any Board members have questions, concerns, or recommend changes. Hearing none, the Chair accepted a motion to approve this proposal, which was made by Rick Wallace, which was seconded by Louisa McQueeney. The Chair then requested a vote. The vote was unanimous, and the proposal was adopted.

The Chair introduced **Proposal # 4: Cap the Cost of Insulin at \$35 a Month**

The Chair asked if any Board members have questions, concerns, or recommend changes. Hearing none, the Chair accepted a motion to approve this proposal, which was made by Louisa McQueeney, which was seconded by Rick Wallace. The Chair then requested a vote. The vote was unanimous, and the proposal was adopted.

The Chair introduced **Proposal # 5: Prohibit Balance Billing for Ground Emergency Medical Transportation**

The Chair asked if any Board members have questions, concerns, or recommend changes. Hearing none, the Chair accepted a motion to approve this proposal, which was made by Christina Lake, which was seconded by Louisa McQueeney. The Chair then requested a vote. The vote was unanimous, and the proposal was adopted.

The Chair introduced **Proposal # 6: Include Applied Behavioral Analysis as a Covered Benefit in all Insurance Plans**

The Chair asked if any Board members have questions, concerns, or recommend changes. Hearing none, the Chair accepted a motion to approve this proposal, which was made by Rick Wallace, which was seconded by Louisa McQueeney. The Chair then requested a vote. The vote was unanimous, and the proposal was adopted.

The Chair introduced **Proposal # 7: Add Fetal Alcohol Spectrum Disorder (FASD) to Include the Definition of the Term Developmental Disabilities**

The Chair asked if any Board members have questions, concerns, or recommend changes. Hearing none, the Chair accepted a motion to approve this proposal, which was made by Louisa McQueeney, which was seconded by Rick Wallace. The Chair then requested a vote. The vote was unanimous, and the proposal was adopted.

The Chair introduced **Proposal # 8: Apply Payments by, or on Behalf of, a Beneficiary to Count Toward the Out-of-Pocket Cost Sharing Calculations**

The Chair asked if any Board members have questions, concerns, or recommend changes. Hearing none, the Chair accepted a motion to approve this proposal, which was made by Louisa McQueeney, which was seconded by Ken Stevenson. The Chair then requested a vote. The vote was unanimous, and the proposal was adopted.

VIII. Other Business

The Chair asked if any Board members had other business. Hearing none, the Chair moved to the next agenda item.

IX. Public Comment

The Chair asked if any member of the public wanted to comment. Hearing none, the Chair moved to the next agenda item.

X. Adjourn

The Chair thanked the Board members for their participation and the public for listening to the discussion. Having completed the agenda, the Chair adjourned the meeting.

Jack McDermott

Prepared by: Jack McDermott, Executive Director

Approved by Board

Attachment D

Balance Sheet
August 31, 2023
FHIAB

	Small Employer Plan	Individual Plan	Eliminating Entry	Combined Total
Assets				
Cash Operating	72,878.24	14,011.60		86,889.84
Cash Depository	11,490.04			11,490.04
Cash Special Purpose	680.70			680.70
Prepaid Expenses	67.81	13.89		81.70
Due from Indiv Pool	(5,456.72)		5,456.72	-
Assessments Receivable	-	-		-
Total Assets	79,660.07	14,025.49	5,456.72	99,142.28
Liabilities				
Federal Income Tax Payable				-
Due to Small Employer Plan		(5,456.72)	5,456.72	-
Accrued Audit Fees	10,833.36	5,416.64		16,250.00
Account Payable - Postage	-	-		-
Account Payable - Line1 Comm	-	-		-
Total Liabilities	10,833.36	(40.08)	5,456.72	16,250.00
Net Assets	68,826.71	14,065.57	-	82,892.28
Total Liabilities and Net Assets	79,660.07	14,025.49	5,456.72	99,142.28

Income Statement
For the Month Ended August 31, 2023
FHIAB

	Small Employer Plan	Individual Plan	Eliminating Entry	Combined Total
Revenues				
Interest Income	12.15	13.99		26.14
Expense Write-off	-	-		-
Approved Assessments	-	-		-
Expenses				
Contract Services	33,200.00	6,800.00		40,000.00
Professional Fees	4,333.36	2,166.64		6,500.00
Meetings	-	-		-
Storage Fees	45.19	9.26		54.45
Adobe Acrobat	99.53	20.39		119.92
PO Box	180.83	37.04		217.87
Postage	-	-		-
Document Destruction	226.60	46.41		273.01
Total Expenses	38,085.52	9,079.73		46,892.24
Change in Net Assets	(\$38,085.52)	(\$9,079.73)		(\$47,165.25)

Attachment E

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2021

Florida Individual Health Reinsurance
Program

Financial Statements and
Independent Auditor's Report

December 31, 2021

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

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**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT**

**FLORIDA INDIVIDUAL HEALTH
REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA**

DECEMBER 31, 2021

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PURVIS GRAY

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florida Individual Health Reinsurance Program
Tallahassee, Florida

Opinion

We have audited the accompanying financial statements of the Florida Individual Health Reinsurance Program (the Program), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Programs' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Lakeland | Tampa

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Board of Directors
Florida Individual Health Reinsurance Program
Tallahassee, Florida

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combining financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Program's 2020 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated September 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

July 21, 2023
Tallahassee, Florida

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STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA

ASSETS

Assets	<u>2021</u>	<u>2020</u>
Cash	\$ 33,989	\$ 30,662
Prepaid Expenses	<u>16</u>	<u>16</u>
Total Assets	<u><u>34,005</u></u>	<u><u>30,678</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Accrued Expenses	6,284	6,103
Due to Florida Small Employer Health Reinsurance Program	<u>23,545</u>	<u>16,906</u>
Total Liabilities	<u>29,829</u>	<u>23,009</u>
Net Assets		
Without Donor Restrictions	<u>4,176</u>	<u>7,669</u>
Total Net Assets	<u>4,176</u>	<u>7,669</u>
Total Liabilities and Net Assets	<u><u>\$ 34,005</u></u>	<u><u>\$ 30,678</u></u>

See accompanying notes.

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**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA**

	Without Donor Restrictions 2021	Without Donor Restrictions 2020
Revenues		
Investment Income	<u>3</u>	<u>7</u>
Total Revenues	<u>3</u>	<u>7</u>
Expenses		
Program Services	228	332
Management and General	<u>3,268</u>	<u>3,868</u>
(Total Expenses)	<u>(3,496)</u>	<u>(4,200)</u>
(Decrease) in Net Assets	(3,493)	(4,193)
Net Assets, Beginning of Year	<u>7,669</u>	<u>11,862</u>
Net Assets, End of Year	<u>\$ 4,176</u>	<u>\$ 7,669</u>

See accompanying notes.

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**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA**

	December 31, 2021		
	Program Services	Management and General	Total
Expenses			
Professional Fees	\$ -	\$ 3,250	\$ 3,250
Office Administration	95	18	113
Meetings	133	-	133
Total Expenses	\$ 228	\$ 3,268	\$ 3,496

	December 31, 2020		
	Program Services	Management and General	Total
Expenses			
Professional Fees	\$ -	\$ 3,850	\$ 3,850
Office Administration	105	18	123
Meetings	227	-	227
Total Expenses	\$ 332	\$ 3,868	\$ 4,200

See accompanying notes.

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**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Assessments Received	\$ 3,324	\$ 23,645
Interest Received	<u>3</u>	<u>7</u>
Net Cash Provided by Operating Activities	<u>3,327</u>	<u>23,652</u>
Net Increase in Cash	3,327	23,652
Cash, Beginning of Year	<u>30,662</u>	<u>7,010</u>
Cash, End of Year	<u>\$ 33,989</u>	<u>\$ 30,662</u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA**

Note 1 - Organization

The Florida Individual Health Reinsurance Program (the Program) is established by Section 627.6475, Florida Statutes, for the purpose of ensuring coverage for individuals who are eligible for individual health insurance pursuant to Section 627.7487(3), Florida Statutes (eligible individuals).

The Program operates subject to the control and supervision of the Board of the Small Employer Health Reinsurance Program (the Board) established pursuant to Section 627.6699(11), Florida Statutes. During the 2005 legislative session, this statute was amended to require the Board to advise the Office of Insurance Regulation, other executive departments, and the legislature on health insurance issues. As part of these changes, the composition of the Board was changed to include the employer representatives, an individual purchaser, and a representative of the Agency for Health Care Administration.

All insurers issuing individual health insurance, as defined in Section 627.6487(2), Florida Statutes, are members of the Program. Members have limited rights in that they have no control or voting rights in the Program. Any funds held by the Program upon its termination, after payment of all claims and expenses of the Program, shall be distributed to the Program's members existing at that time in accordance with the then-existing assessment formula.

The Program has the ability to reinsure health benefit coverage, as specified in the law, for eligible individuals. The Plan of Operation establishes all policies and procedures of the Program, including the methods of assessing members, collecting premiums, and paying claims. Currently, there are no individuals participating in the reinsurance program. The Program's current activities are advisory in nature.

Note 2 - Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows *Accounting Standards Codification (ASC) 958-205, Financial Statements for Not-For-Profit Organizations*. Under ASC 958-205, the Program is required to report information regarding its financial position and activities as follows:

■ **Without Donor Restrictions**

Net assets that are not subject to donor-imposed stipulations.

■ **With Donor Restrictions**

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Program and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Functional Allocation of Expenses

The cost of the Program has been summarized on a functional basis in the statements of activities. Expenses that are directly identifiable with a specific program or initiative are charged to that program. Expenses that relate to both programs and general operations of the Program are allocated based on management's best estimates of time spent or benefits provided.

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NOTES TO FINANCIAL STATEMENTS FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM TALLAHASSEE, FLORIDA

Cash

Cash of the Program consists of various accounts, which are held at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2021 and 2020, accounts did not exceed FDIC deposit insurance limits.

Assessments

Assessments are administered by the Program based on budgeted operating needs. Members are assessed in accordance with Florida Statutes and the Plan of Operation. Assessment revenues are recorded at the time of billing to members. The Program annually reviews assessment collections and operating expenditures to reconcile final assessment action. All assessments are considered to be collectible; therefore, no allowance for doubtful accounts is provided for in the financial statements. Assessment revenues were \$0 and \$0 during 2021 and 2020, respectively. Assessments receivable at the beginning of the year were \$0 and \$26,972 as of January 1, 2021 and 2020, respectively. Assessments receivable at the end of the year were \$0 and \$0 as of December 31, 2021 and 2020, respectively.

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the reporting period.

Federal Income Taxes

The Program currently files its federal tax returns as a membership organization under Section 277 of the Internal Revenue Code. This section requires the Program to pay tax on either net member income or investment income. The Program may take deductions attributable to providing goods and services to members to the extent of member income. Any excess deductions can be carried forward to future years. No deferred tax asset is currently recorded because the asset is not expected to be realized. For the tax years 2021 and 2020, the Program was taxed on investment income. Income tax expense for the years ended December 31, 2021 and 2020, was not material.

Under ASC Subtopic 740-10, *Income Tax Uncertainties*, it is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management believes there are no uncertain tax positions taken, or expected to be taken, that would require recognition of an asset or liability, or disclosure in the financial statements.

The Program is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before the 2018 tax year. The Program recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

Subsequent Events

The Program has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements as of the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA

Note 3 - Related-Party

The Florida Small Employer Health Reinsurance Program, an organization affiliated through common board membership and shared cost arrangements, pays certain expenses on behalf of the Program, primarily related to office and program administration expenses, and is subsequently reimbursed for its payments. Amounts due to the Florida Small Employer Health Reinsurance Program for the years ended December 31, 2021 and 2020, were \$23,545 and \$16,906, respectively.

Note 4 - Liquidity and Availability of Financial Assets

The following reflects the Program’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	<u>2021</u>	<u>2020</u>
Program’s Financial Assets, at December 31:		
Cash	\$ <u>33,989</u>	\$ <u>30,662</u>
Total Financial Assets	<u>33,989</u>	<u>30,662</u>
Program’s Financial Assets Available to Meet		
Cash Needs for Expenditures Within One Year	<u>\$ 33,989</u>	<u>\$ 30,662</u>

Note 5 - Subsequent Events

In November 2022, the Board of Directors approved assessments to its members totaling \$100,000 for the fiscal year ending December 31, 2023. Of this amount, \$25,300 is to be apportioned to the Program. As of the reporting date, over 99% of this amount has been collected.

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Directors
Florida Individual Health Reinsurance Program
Tallahassee, Florida

We have audited the financial statements of the Florida Individual Health Reinsurance Program (the Program) for the year ended December 31, 2021, and have issued our report thereon dated July 21, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated July 27, 2022. Professional standards require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Program are described in Note 2 to the financial statements.

We noted no transactions entered into by the Program during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates in the financial statements.

There were no particularly sensitive disclosures in the financial statements. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. The delay in the issuance of our audit resulted from a vacancy of the Executive Director position during 2020, 2021, and part of 2022.

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Board of Directors
Florida Individual Health Reinsurance Program
Tallahassee, Florida

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Certain adjustments were needed to convert the accounting records from cash to accrual basis. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were considered material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 21, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Program's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the Program's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Program and is not intended to be, and should not be, used by anyone other than these specified parties.

July 21, 2023
Tallahassee, Florida

DRAFT

PURVIS GRAY

Board of Directors
Florida Individual Health Reinsurance Program
Tallahassee, Florida

In planning and performing our audit of the financial statements of the Florida Individual Health Reinsurance Program (the Program), as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Program's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Program's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider item 21-01 in the attached Summary of Audit Findings and Recommendations to be a significant deficiency.

We noted an additional matter involving internal control and its operation that we have reported to management, which is described in the attached Summary of Audit Findings and Recommendations—item 21-02.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Program, and is not intended to be, and should not be, used by anyone other than these specified parties.

July 21, 2023
Tallahassee, Florida

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SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

- ***21-01**—The consulting Executive Director’s position was unoccupied during 2021 and as a result, the Program’s financial records were kept using manual ledgers by a staff member of the Office of Insurance Regulation. Bank reconciliations and financial reports were not performed or completed in a timely manner and submitted to the Board of Directors for review. In addition, year-end accruals were not identified and posted to the financial records in accordance with generally accepted accounting principles. We recommend the Program develop procedures to ensure the books and records are reconciled timely and kept up to date when the Executive Director position is unoccupied, including the identification and posting of year-end accruals. We further recommend that a secondary review of bank reconciliations and financial reports be performed by an appropriate official on a monthly basis to ensure proper separation of duties.

- ***21-02**—In an effort to promote continuity of operations during transition of Program management, written policies and procedures should be developed in the following areas:
 - Records, Retention, and Storage

 - Accounting, Purchasing, and Assessment Procedures

 - Accounting Software Backups and Secure Storage of Accounting System Files

We further recommend that these procedures be reviewed and approved by the Board of Directors upon completion.

* Indicates findings or recommendations that were present in prior years.

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2021

Florida Small Employer Health Reinsurance
Program

Financial Statements and
Independent Auditor's Report

December 31, 2021

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**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT**

**FLORIDA SMALL EMPLOYER HEALTH
REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA**

DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florida Small Employer Health Reinsurance Program
Tallahassee, Florida

Opinion

We have audited the accompanying financial statements of the Florida Small Employer Health Reinsurance Program (the Program), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Board of Directors
Florida Small Employer Health Reinsurance Program
Tallahassee, Florida

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Program's 2020 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated September 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

July 21, 2023
Tallahassee, Florida

DRAFT

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA

ASSETS

Assets	<u>2021</u>	<u>2020</u>
Cash	\$ 66,305	\$ 80,474
Prepaid Expenses	45	45
Due from Florida Individual Health Reinsurance Plan	<u>23,545</u>	<u>16,906</u>
Total Assets	<u><u>89,895</u></u>	<u><u>97,425</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable and Accrued Expenses	<u>12,665</u>	<u>12,505</u>
Total Liabilities	<u>12,665</u>	<u>12,505</u>
Net Assets		
Without Donor Restrictions	<u>77,230</u>	<u>84,920</u>
Total Net Assets	<u>77,230</u>	<u>84,920</u>
Total Liabilities and Net Assets	<u><u>\$ 89,895</u></u>	<u><u>\$ 97,425</u></u>

See accompanying notes.

DRAFT

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA**

	Without Donor Restrictions 2021	Without Donor Restrictions 2020
Revenues		
Interest Income	\$ 1	\$ 4
Total Revenues	<u>1</u>	<u>4</u>
Expenses		
Program Services	1,110	1,617
Management and General	<u>6,581</u>	<u>7,841</u>
(Total Expenses)	<u>(7,691)</u>	<u>(9,458)</u>
Change in Net Assets	(7,690)	(9,454)
Net Assets, Beginning of Year	<u>84,920</u>	<u>94,374</u>
Net Assets, End of Year	<u><u>\$ 77,230</u></u>	<u><u>\$ 84,920</u></u>

See accompanying notes.

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**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA**

	<u>December 31, 2021</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Expenses			
Professional Fees	\$ -	\$ 6,500	\$ 6,500
Meetings	649	-	649
Office Administration	461	81	542
Income Tax Expense	-	-	-
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 1,110</u>	<u>\$ 6,581</u>	<u>\$ 7,691</u>

	<u>December 31, 2020</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Expenses			
Professional Fees	\$ -	\$ 7,750	\$ 7,750
Meetings	1,108	-	1,108
Office Administration	509	90	599
Income Tax Expense	-	1	1
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 1,617</u>	<u>\$ 7,841</u>	<u>\$ 9,458</u>

See accompanying notes.

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**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash Paid to Vendors for Services	\$ (14,170)	\$ (18,609)
Assessments Received	-	82,994
Interest Received	1	4
	<u>(14,169)</u>	<u>64,389</u>
Net Cash Provided by (Used in) Operating Activities		
	(14,169)	64,389
Net Increase (Decrease) in Cash		
	(14,169)	64,389
Cash, Beginning of Year	<u>80,474</u>	<u>16,085</u>
Cash, End of Year	<u>\$ 66,305</u>	<u>\$ 80,474</u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA**

Note 1 - Organization

The Florida Small Employer Health Reinsurance Program (the Program) is a not-for-profit entity created under the *Employee Health Care Access Act* (the Act), Section 627.6699 of the Florida Statutes, for the purposes of assuring the availability of appropriate health care coverage to Florida residents on an affordable basis and to provide a reinsurance mechanism to facilitate the provision of small employer coverage.

During the 2005 legislative session, the Act was amended to require the Program to advise the Office of Insurance Regulation, other executive departments, and the legislature on health insurance issues. As part of these changes, the composition of the Board of Directors of the Program was changed to include employer representatives, an individual purchaser, and a representative of the Agency for Health Care Administration.

All insurers, as defined in Section (5)(a) of the Act, issuing health insurance or providing health plan benefits in Florida on or after January 1, 1993, are members of the Program. Members have limited rights in that they have no control or voting rights in the Program. Any funds held by the Program upon its termination, after payment of all claims and expenses of the Program, shall be distributed to the Program’s members existing at that time in accordance with the then-existing assessment formula.

The Program has the ability to reinsure health benefit coverage, as specified in the law after consideration of applicable deductibles, of small employers’ eligible employees and their dependents. The Plan of Operation establishes all policies and procedures of the Program, including the methods of assessing members, collecting premiums, and paying claims. Currently, there are no small employers participating in the reinsurance program. The Program’s current activities are advisory in nature.

Note 2 - Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows *Accounting Standards Codification (ASC) 958-205, Financial Statements for Not-For-Profit Organizations*. Under ASC 958-205, the Program is required to report information regarding its financial position and activities as follows:

- **Without Donor Restrictions**
Net assets that are not subject to donor-imposed stipulations.
- **With Donor Restrictions**
Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Program and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Functional Allocation of Expenses

The cost of the Program has been summarized on a functional basis in the statements of activities. Expenses that are directly identifiable with a specific program or initiative are charged to that program. Expenses that relate to both programs and general operations of the Program are allocated based on management’s best estimates of time spent or benefits provided.

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NOTES TO FINANCIAL STATEMENTS FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM TALLAHASSEE, FLORIDA

Cash

Cash of the Program consists of various bank accounts which are held at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2021 and 2020, accounts did not exceed FDIC deposit insurance limits.

Assessments

Assessments are administered by the Program based on budgeted operating needs. Members are assessed in accordance with Florida Statutes and the Plan of Operation. Assessment revenues are recorded at the time of billing to members. The Program annually reviews assessment collections and operating expenditures to reconcile final assessment actions. All assessments are considered to be collectible; therefore, no allowance for doubtful accounts is provided for in the financial statements. Assessment revenues were \$0 during 2021 and 2020. Assessments receivable at the beginning of the year were \$0 and \$82,994 as of January 1, 2021 and 2020, respectively. Assessments receivable at the end of the year were \$0 as of December 31, 2021 and 2020.

Federal Income Taxes

The Program currently files its federal tax returns as a membership organization under Section 277 of the Internal Revenue Code. This section requires the Program to pay tax on net member income and investment income. The Program may take deductions attributable to providing goods and services to members to the extent of member income. Any excess deductions can be carried forward to future years. No deferred tax asset is currently recorded because the asset is not expected to be realized. For the tax years 2021 and 2020, the Program is taxed on investment income. Income tax expense for the years ended December 31, 2021 and 2020, was \$0 and \$1, respectively.

Under *Accounting Standards Codification (ASC) Subtopic, 740-10, Income Tax Uncertainties*, it is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management believes there are no uncertain tax positions taken or expected to be taken that would require recognition of an asset or liability, or disclosure in the financial statements.

The Program is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before the 2018 tax year. The Program recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the reporting period.

Subsequent Events

The Program has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements as of the date the financial statements were available to be issued.

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Note 3 - Related-Party

The Program pays certain expenses on behalf of the Florida Individual Health Reinsurance Program, an organization affiliated through common board membership and cost-sharing arrangements. These expenses are primarily related to office and program administration expenses and are subsequently reimbursed for such payments. Amounts due from the Florida Individual Health Reinsurance Program for the years ended December 31, 2021 and 2020, were \$23,545 and \$16,906, respectively.

Note 4 - Liquidity and Availability of Financial Assets

The following reflects the Program’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2021</u>	<u>2020</u>
Program’s Financial Assets, at December 31:		
Cash	\$ 66,305	\$ 80,474
Due from Florida Individual Health Reinsurance Program, Net	<u>23,545</u>	<u>16,906</u>
Total Financial Assets	<u>89,850</u>	<u>97,380</u>
Program’s Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 89,850</u>	<u>\$ 97,380</u>

Note 5 - Subsequent Events

In November 2022, the Board of Directors approved assessments to its members totaling \$100,000 for the fiscal year ending December 31, 2023. Of this amount, \$74,700 is to be apportioned to the Program. As of the reporting date, over 99% of this amount has been collected.

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Directors
Florida Small Employer Health Reinsurance Program
Tallahassee, Florida

We have audited the financial statements of the Florida Small Employer Health Reinsurance Program (the Program) for the year ended December 31, 2021, and have issued our report thereon dated July 21, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated July 27, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Program are described in Note 2 to the financial statements.

We noted no transactions entered into by the Program during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates in the financial statements.

There were no particularly sensitive disclosures in the financial statements. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. The delay in the issuance of our audit resulted from a vacancy of the Executive Director position during 2020, 2021, and part of 2022.

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Board of Directors
Florida Small Employer Health Reinsurance Program
Tallahassee, Florida

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Certain adjustments were needed to convert the accounting records from cash to accrual basis. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

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This information is intended solely for the use of the Board of Directors and management of the Program, is not intended to be, and should not be, used by anyone other than these specified parties.

July 21, 2023
Tallahassee, Florida

DRAFT

PURVIS GRAY

Board of Directors
Florida Small Employer Health Reinsurance Program
Tallahassee, Florida

In planning and performing our audit of the financial statements of the Florida Small Employer Health Reinsurance Program (the Program), as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Program's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Program's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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We noted an additional matter involving internal control and its operation that we have reported to management, which is described in the attached Summary of Audit Findings and Recommendations—item 21-02.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Program, and is not intended to be, and should not be, used by anyone other than these specified parties.

July 21, 2023
Tallahassee, Florida

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SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

- ***21-01**—The consulting Executive Director’s position was unoccupied during 2021 and as a result, the Program’s financial records were kept using manual ledgers by a staff member of the Office of Insurance Regulation. Bank reconciliations and financial reports were not performed or completed in a timely manner and submitted to the Board of Directors for review. In addition, year-end accruals were not identified and posted to the financial records in accordance with generally accepted accounting principles. We recommend the Program develop procedures to ensure the books and records are reconciled timely and kept up to date when the Executive Director position is unoccupied, including the identification and posting of year-end accruals. We further recommend that a secondary review of bank reconciliations and financial reports be performed by an appropriate official on a monthly basis to ensure proper separation of duties.

- ***21-02**—In an effort to promote continuity of operations during transition of Program management, written policies and procedures should be developed in the following areas:
 - Records, Retention, and Storage

 - Accounting, Purchasing, and Assessment Procedures

 - Accounting Software Backups and Secure Storage of Accounting System Files

We further recommend that these procedures be reviewed and approved by the Board of Directors upon completion.

* Indicates findings or recommendations that were present in prior years.

Attachment F

August 3, 2023

AUDIT ENGAGEMENT LETTER

Florida Small Employer Health Reinsurance Program and
Florida Individual Health Reinsurance Program
200 East Gaines Street
Tallahassee, Florida 32399

We are pleased to confirm our understanding of the services we are to provide for the Florida Small Employer Health Reinsurance Program and the Florida Individual Health Reinsurance Program (collectively known as the Florida Health Insurance Advisory Board, or the Organization) for the year ended December 31, 2022.

Audit Scope and Objectives

We will audit the financial statements of each organization, which comprise the statements of financial position as of December 31, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the disclosures (collectively, the financial statements).

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will

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plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from: (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will obtain an understanding of the Organization and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to you and those charged with governance internal control-related matters that are required to be communicated under professional standards.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Separation of Incompatible Duties
- Conversion of Accounting Records from Cash to Accrual Basis

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal

information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of the financial statements does not relieve you of your responsibilities.

Other Services

We will prepare each organization's federal tax returns for the year ended December 31, 2022, based on information provided by you. We will also prepare the financial statements of each organization in conformity with accounting principles generally accepted in the United States of America based on information provided by you.

We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants. The other services are limited to the financial statement and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will advise management with regard to tax positions taken in the preparation of the information return, but management must make all decisions with regard to those matters.

You agree to assume all management responsibilities for the tax services, financial statement preparation services, and any other non-attest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. You are also responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with: (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the Organization from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving: (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws and regulations.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

Ryan M. Tucker, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. We expect to begin our audit in September of 2023 and issue our report by December 2023.

We estimate that our fees for the audit and tax returns will be as follows:

Florida Small Employer Health Reinsurance Program	\$	6,850
Florida Individual Health Reinsurance Program		<u>3,500</u>
Total	\$	<u>10,350</u>

The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will keep you informed of any problems we encounter, and our fees will be adjusted accordingly. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Reporting

We will issue a written report upon completion of our audits of each Organization's financial statements. Our report will be addressed to the Board of Directors of each organization. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

Florida Small Employer Health Reinsurance Program and
Florida Individual Health Reinsurance Program
Tallahassee, Florida

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August 3, 2023

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign and return it to us.

Respectfully Submitted,

PURVIS, GRAY AND COMPANY, LLP



Ryan M. Tucker, CPA
Partner

RMT/jlk

RESPONSE:

This letter correctly sets forth the understanding of the Florida Small Employer Health Reinsurance Program and the Florida Individual Health Reinsurance Program.

Signature: _____

Title: _____

Date: _____