



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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July 10, 2024

Board of Directors
Indiana Comprehensive Health Insurance Association
Marion County, Indiana

We have received the audit report of the Indiana Comprehensive Health Insurance Association which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditor's Report*, the financial statements present fairly the financial condition of the Indiana Comprehensive Health Insurance Association as of December 31, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Katz, Sapper & Miller, LLP prepared the audit report in accordance with guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2022

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

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Independent Auditor's Report

Douglas Stratton
Indiana Comprehensive Health Insurance Association

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the single-purpose business-type activities of Indiana Comprehensive Health Insurance Association, a component unit of the State of Indiana, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Indiana Comprehensive Health Insurance Association's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the single-purpose business-type activities of Indiana Comprehensive Health Insurance Association, as of December 31, 2022, and the changes in financial position and cash flows thereof for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Indiana Comprehensive Health Insurance Association 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.

Termination of Association

As discussed in Note 1 to the financial statements, due to the Affordable Care Act provisions related to the implementation of an Exchange being found to be enforceable, coverage under the Association was terminated effective January 31, 2014, for all participants except for those covered under the Ryan White Fund and those diagnosed as End Stage Renal Disease patients. Effective April 30, 2014, coverage was terminated for Ryan White Fund participants and the only remaining participants were those diagnosed as End Stage Renal Disease patients. A Plan of Dissolution was submitted as required under the statute termination for the Indiana Comprehensive Health Insurance Association's program. Effective September 29, 2022, the Indiana Department of Insurance Commissioner approved the Plan of Dissolution. The Indiana Comprehensive Health Insurance Association dissolved effective December 31, 2022. Our opinion is not modified with respect to this matter.

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 Indiana Comprehensive Health Insurance Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 and *Government 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 and *Government 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 Indiana Comprehensive Health Insurance Association'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 Indiana Comprehensive Health Insurance Association'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of Indiana Comprehensive Health Insurance Association'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 solely 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 the effectiveness of Indiana Comprehensive Health Insurance Association's 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 Indiana Comprehensive Health Insurance Association's internal control over financial reporting and compliance.

Katy, Sappun & Miller, LLP

Indianapolis, Indiana
January 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2022

Introduction

The Management's Discussion and Analysis (MD&A) of Indiana Comprehensive Health Insurance Association's (the Association) financial performance provides an overall view of the Association's activities for the fiscal year ended December 31, 2022. The intent of this discussion and analysis is to look at the Association's financial performance as a whole. Readers should also review the financial statements and notes to the financial statements to enhance their understanding of the Association's financial performance.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB).

Financial Statements

The Statement of Net Position presents the assets, liabilities and net position of the Association at year end. Net position reflects the Association's overall financial position, represents total assets less liabilities of the Association, and is generally an accumulation of the excess or deficit from operations. The Statement of Revenue, Expenses and Change in Net Position presents the results of the operating and non-operating revenues and expenses of the Association for the year.

Due to the Affordable Care Act provisions related to the implementation of an Exchange being found to be enforceable, coverage under the Association was terminated effective January 31, 2014, for all participants except for those covered under the Ryan White Fund and those diagnosed as End Stage Renal Disease patients. Effective April 30, 2014, coverage was terminated for Ryan White Fund participants and the only remaining participants were those diagnosed as End Stage Renal Disease patients. Coverage for End Stage Renal Disease patients was extended until another coverage option could be established and continued to be extended as determined by the Indiana Department of Insurance Commissioner (the Commissioner). A Plan of Dissolution was submitted as required under the statute termination for the Association's program. The Commissioner held a public hearing regarding the Plan of Dissolution in July 2022 and approved the Plan of Dissolution on September 29, 2022. On November 30, 2022, the Association transferred its remaining cash balance to the State of Indiana due to the Association's pending dissolution. The Association dissolved effective December 31, 2022. Upon the Association's dissolution, the right to receive outstanding receivables and the obligation to pay outstanding liabilities was transferred to the State of Indiana in accordance with applicable Indiana statute.

There were no assets and liabilities at December 31, 2022, due to the dissolution of the Association effective December 31, 2022.

Membership, representing eligible persons covered, was zero as of December 31, 2022 and December 31, 2021.

Unrestricted net position represented the accumulation of operating revenue (primarily premiums earned), member assessments and investment income less operating expenses and transfers. During 2022, the change in net position was a decrease of approximately \$11,380,000, compared to a decrease in 2021 of approximately \$1,547,000. The decrease in net position during 2022 included a transfer of the remaining net position of the Association to the State of Indiana of approximately \$11,200,000.

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
December 31, 2022

There were no premiums earned in 2022. In 2021, premiums earned approximated \$76,000 as a result of a provider medical expense reimbursement recovered by the Association.

Bad debt expense approximated \$2,400 in 2022 and \$1,470,000 in 2021. The decrease is due to the write-off of the assessments receivable due from the State of Indiana in 2021 as a result of the pending dissolution of the Association creating the unlikelihood that the State of Indiana would pay the amount to the Association.

Total operating expenses decreased 89% in 2022 from 2021, primarily due to the bad debt expense incurred in 2021 as a result of writing-off the assessments receivable. Total operating expenses were approximately \$180,000 in 2022 compared to \$1,624,000 in 2021.

The full amount transferred to the State of Indiana resulting from the dissolution of the entity, consisting of the Association's remaining cash balance, the right to receive outstanding receivables, and the obligation to pay outstanding liabilities, approximated \$11,200,000.

FINANCIAL STATEMENTS

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

STATEMENT OF NET POSITION

December 31, 2022

ASSETS

Cash	\$	-
Accounts receivable		-
Deposits held by Anthem		-
		<hr/>

TOTAL ASSETS

\$ -

LIABILITIES

Unpaid claims and claims adjustment expenses	\$	-
Accounts payable		-
Accrued expenses		-
Total Liabilities		<hr/>

UNRESTRICTED NET POSITION

-

TOTAL LIABILITIES AND UNRESTRICTED NET POSITION

\$ -

See accompanying notes.

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION
STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
Year Ended December 31, 2022

OPERATING EXPENSES	
Bad debt expense	\$ 2,442
Plan administration fees	171,496
Other general and administrative	5,685
Total Operating Expenses	179,623
Net Operating Loss	(179,623)
TRANSFER TO THE STATE OF INDIANA	(11,205,207)
DECREASE IN NET POSITION	(11,384,830)
NET POSITION	
Beginning of Year	11,384,830
End of Year	\$ -

See accompanying notes.

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

STATEMENT OF CASH FLOWS Year Ended December 31, 2022

OPERATING ACTIVITIES

Premiums collected	\$ 72,641
General and administrative expenses paid	(197,105)
Net Cash Used by Operating Activities	<u>(124,464)</u>

FINANCING ACTIVITIES

Transfer to the State of Indiana	(11,160,207)
Net Cash Used by Financing Activities	<u>(11,160,207)</u>

NET DECREASE IN CASH

(11,284,671)

CASH

Beginning of Year	<u>11,284,671</u>
End of Year	<u>\$ -</u>

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Net operating loss	\$ (179,623)
Changes in assets and liabilities:	
Accounts receivable	75,083
Accrued expenses	(17,360)
Accounts payable	<u>(2,564)</u>
Net Cash Used by Operating Activities	<u>\$ (124,464)</u>

SUPPLEMENTAL DISCLOSURES

Noncash financing activities:	
Right to receive assets included in the transfer to the State of Indiana	\$ 50,000
Obligation to pay liabilities included in the transfer to the State of Indiana	5,000

See accompanying notes.

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Indiana Comprehensive Health Insurance Association (the Association), a nonprofit legal entity, was established by the State of Indiana to assure that health insurance was made available throughout the year to each eligible Indiana resident applying to the Association for coverage. At December 31, 2022, there were no eligible persons covered by the Association.

All insurance carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana were required to be members of the Association. A member was required to comply with the Association's Plan of Operation, under Indiana Code 27-8-10-2.5(a).

Due to the Affordable Care Act provisions related to the implementation of an Exchange being found to be enforceable, coverage under the Association was terminated effective January 31, 2014, for all participants except for those covered under the Ryan White Fund and those diagnosed as End Stage Renal Disease patients. Effective April 30, 2014, coverage was terminated for Ryan White Fund participants and the only remaining participants were those diagnosed as End Stage Renal Disease patients. Coverage for End Stage Renal Disease patients was extended until another coverage option could be established and continued to be extended as determined by the Indiana Department of Insurance Commissioner (the Commissioner). A Plan of Dissolution was submitted as required under the statute termination for the Association's program. The Commissioner held a public hearing regarding the Plan of Dissolution in July 2022 and approved the Plan of Dissolution on September 29, 2022. The Association dissolved effective December 31, 2022. See Note 2.

Basis of Presentation: The Association prepares its financial statements in accordance with Governmental Accounting Standards. As a proprietary fund, the Association's financial statements are reported using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Association distinguishes operating revenues and expenses from nonoperating. Operating revenues and expenses generally result from providing services in connection with the Association's principal ongoing operations. The principal operating revenues and expenses of the Association relate to premium revenues, claims incurred, bad debt expense and administrative expenses. Grants are reported as nonoperating revenues.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

Net Position can be displayed in three components:

- The Net Investment in Capital Assets component consists of property acquired, net of any related debt.
- The Restricted Net Position component represents net position with constraints placed on their use that are either (i) externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or (ii) imposed by law through constitutional provisions or enabling legislation, as defined in the Governmental Accounting Standards Board (GASB) Codification.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The Unrestricted Net Position component consists of net position that does not meet the definition of the preceding two components.

Cash: Interest-bearing and noninterest-bearing deposits at the Association's financial institution were insured by the Federal Deposit Insurance Corporation up to \$250,000. There were no losses in such accounts.

Accounts Receivable/Accounts Payable consist of the net annual settlement due from/to Anthem Insurance Companies, Inc. (Anthem) which included the net of premiums due, claims paid and refunds of past deposits held by Anthem deemed to be in excess of reserve necessary to cover future claims. At , accounts receivable also consisted of a provider medical expense reimbursement due to the Association in the amount of \$75,083.

Deposits Held by Anthem consisted of funds paid to Anthem annually, held as a reserve against estimated future claims on plan years being administered by Anthem.

Unpaid Claims and Claims Adjustment Expenses: The liability for unpaid claims and claims adjustment expenses was estimated based on historical claims development. Considerable variability is inherent in such estimates. However, management believed that the liability for unpaid claims and claims adjustment expenses was adequate. The estimates were continually reviewed and updated as experience developed or new information became known; such adjustments were reflected in current operations, as applicable.

Income Taxes: The Association was exempt from federal income taxes under Section 501(c)(26) of the Internal Revenue Code (IRC), though it is subject to income unrelated to its tax-exempt purpose, unless that income is otherwise excluded by the IRC. There was no unrelated business income tax for the year ended December 31, 2022.

The Association files U.S. federal and State of Indiana information tax returns. The Association is no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2019.

Assessments: Member assessments were recorded upon approval of the Board of Directors and generally were based on projected losses and cash flow needs. Historically, subsequent to December 31, a true-up of projected amounts compared to actual results was made and any excess loss was assessed, or if assessments exceeded the actual losses, then members were allowed a credit against the next interim assessment. Also, uncollectable assessments from the current year were allocated to members as part of the true-up. True-up assessments were not recorded until approved by the Board of Directors.

Assessments receivable represented outstanding balances assessed to the member insurance carriers and the State of Indiana but not yet collected. Assessments were recognized as an increase to unrestricted net position. The full assessments receivable balance was written-off during 2021 due to the pending dissolution of the Association.

Revenue Recognition: Premiums were earned pro rata over the policy periods to which the premiums relate. Unearned premiums included amounts billed and/or collected, but not yet earned.

Subsequent Events: The Association has evaluated the financial statements for subsequent events occurring through January 31, 2023, the date the financial statements were available to be issued.

NOTE 2 - ASSESSMENTS AND NET POSITION

The Association had the statutory authority to assess the member insurance carriers writing business in Indiana for 25% of its net loss, with the remaining 75% to be paid by the State of Indiana. Assessments were calculated based on projected losses and current cash flow needs of the Association. The last assessment by the Association was for \$12 million in January 2014. According to the statute, a true-up assessment could be made in July of the following year for the difference between the net losses and actual assessments made during the year. The Board of Directors did not approve a true-up during 2022 due to the pending dissolution.

On November 30, 2022, the Association transferred its remaining cash balance to the State of Indiana due to the Association's pending dissolution. The Association dissolved effective December 31, 2022. Upon the Association's dissolution, the right to receive outstanding receivables and the obligation to pay outstanding liabilities was transferred to the State of Indiana in accordance with applicable Indiana statute. The full amount transferred to the State of Indiana resulting from the dissolution of the entity, consisting of the Association's remaining cash balance, the right to receive outstanding receivables, and the obligation to pay outstanding liabilities, approximated \$11,200,000.

NOTE 3 - CONTINGENCIES

In the normal course of operations, the Association was subject to various claims and assessments that it intended to defend. However, management believed that the ultimate resolution of these matters would not have a material adverse effect on the Association's results of operation or financial position. Any potential obligation related to these various claims or assessments was transferred to the State of Indiana, upon the dissolution of the Association on December 31, 2022.

NOTE 4 - PLAN ADMINISTRATION AGREEMENTS

The Association outsourced its administrative services to Hypesmith, Inc. (Hypesmith). Under the agreement, which expired upon termination of the program as specified in the Association's Plan of Dissolution, Hypesmith was compensated at a rate of \$4,750 per month plus reimbursement of direct expenses incurred.

The Association outsourced its claims administration to Anthem. Under the agreement, Anthem was compensated based on the number of eligible persons covered. Additional charges were described in the agreement.

OTHER REPORT

*Independent Auditor's 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*

Douglas Stratton
Indiana Comprehensive Health Insurance Association

We have audited, in accordance with the 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 the single-purpose business-type activities of the Indiana Comprehensive Health Insurance Association, a component unit of the State of Indiana, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Indiana Comprehensive Health Insurance Association's basic financial statements, and have issued our report thereon dated January 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Indiana Comprehensive Health Insurance Association'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 Indiana Comprehensive Health Insurance Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Indiana Comprehensive Health Insurance Association'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 a 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 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.

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Indiana Comprehensive Health Insurance Association'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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
January 31, 2023