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June 30, 2021

Board of Directors
Indiana Comprehensive Health Insurance Association
945 Counselors Row, Suite 200
Indianapolis, IN 46240

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, 2020 to December 31, 2020. 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, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

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Independent Auditors' Report

Board of Directors
Indiana Comprehensive Health Insurance Association

Report on the Financial Statements

We have audited the accompanying financial statements of the single-purpose business-type activities of Indiana Comprehensive Health Insurance Association (the Association), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Comprehensive Health Insurance Association as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 are those diagnosed as End Stage Renal Disease patients. Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2021 on our consideration of the 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 the 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 the Association's internal control over financial reporting and compliance.

Katy Sapper & Miller, LLP

Indianapolis, Indiana
April 14, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2020

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, 2020. 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 are those diagnosed as End Stage Renal Disease patients. Coverage for End Stage Renal Disease patients has been extended until another coverage option can be established and will continue to be extended as determined by the Indiana Department of Insurance Commissioner. A plan of transition and a transition team has been put into place and is being monitored by the Association. A Plan of Dissolution has been submitted as required under the statute termination for the Association's program, and is under consideration by the Indiana Department of Insurance Commissioner. Upon dissolution, any remaining funds of the Association will be distributed in accordance with the Association's final assessment.

Total assets at December 31, 2020 decreased approximately 1% from 2019 and are comprised of cash, assessments receivable, accounts receivable, and deposits held by Anthem. Total liabilities at December 31, 2020 decreased \$28,000 from 2019, and are comprised of unpaid claims and claims adjustment expenses and various other accrued expenses. The decrease is due to a decrease in accounts payable as the 2019 net annual settlement due to Anthem was paid during 2020, and the 2020 net annual settlement resulted in an amount due from Anthem.

Membership, representing eligible persons covered, remained consistent during 2020, compared to decreasing by two members during 2019. There was one remaining member as of December 31, 2020.

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
December 31, 2020

Cash, representing 88% of total assets at December 31, 2020, has decreased approximately \$166,000 during the year. This was a result of the Association's ongoing administrative expenses and paying approximately \$28,000 to Anthem in 2020 relating to the 2019 net annual settlement due to Anthem.

Assessments receivable, representing 11% of total assets, represents amounts receivable from the State of Indiana and will be settled upon final true-up assessment and plan termination.

Accounts receivable represents the net annual settlement due from Anthem which includes the amount of paid member premiums during 2020 in excess of incurred claims. Accounts receivable represents less than 1% of total assets at December 31, 2020. In 2019, the amount of incurred claims were in excess of paid member premiums and resulted in an approximate \$28,000 net annual settlement due to Anthem recorded as accounts payable.

Deposits held by Anthem are funds held by Anthem to cover claims paid on behalf of the Association until billed. Deposits held by Anthem represent less than 1% of total assets at December 31, 2020.

The liability for unpaid claims and claims adjustment expenses is the Association's estimated reserve for claims incurred by covered members prior to December 31, 2020, but not yet reported or paid and represents 22% of total liabilities at December 31, 2020.

Accrued expenses represent unpaid expenses of the Association and are a function of the timing of payments. Accrued expenses remained consistent with 2019 and represent 78% of total liabilities at December 31, 2020.

Unrestricted net position represents the accumulation of operating revenue (primarily premiums earned), member assessments and investment income less operating expenses. During 2020, the change in net position was a decrease of approximately \$136,000, compared to a decrease in 2019 of approximately \$144,000.

Premiums earned decreased 66% in 2020, or approximately \$13,000, over the 2019 amount. This was a result of 2020 representing the first full year with only one member in the plan.

Claims expense decreased approximately \$41,000, or 91%, and is due to 2020 representing the first full year with only one member in the plan.

Total operating expenses decreased 12% in 2020 from 2019, primarily due to the decrease in claims expense.

FINANCIAL STATEMENTS

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

STATEMENT OF NET POSITION

December 31, 2020

ASSETS

Cash	\$ 11,432,885
Assessments receivable	1,469,719
Accounts receivable	2,442
Deposits held by Anthem	<u>50,000</u>

TOTAL ASSETS

\$ 12,955,046

LIABILITIES

Unpaid claims and claims adjustment expenses	\$ 5,000
Accrued expenses	<u>17,757</u>
Total Liabilities	<u>22,757</u>

UNRESTRICTED NET POSITION

12,932,289

TOTAL LIABILITIES AND UNRESTRICTED NET POSITION

\$ 12,955,046

See accompanying notes.

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION
STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
Year Ended December 31, 2020

OPERATING REVENUE	
Premiums earned	<u>\$ 6,785</u>
OPERATING EXPENSES	
Claims incurred	4,103
Plan administration fees	133,314
Other general and administrative	<u>5,819</u>
Total Operating Expenses	<u>143,236</u>
DECREASE IN NET POSITION	(136,451)
NET POSITION	
Beginning of Year	<u>13,068,740</u>
End of Year	<u><u>\$ 12,932,289</u></u>

See accompanying notes.

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

STATEMENT OF CASH FLOWS Year Ended December 31, 2020

OPERATING ACTIVITIES

Premiums collected	\$ 6,785
Claims and claims adjustment expenses paid	(4,103)
General and administrative expenses paid	<u>(169,134)</u>
Net Cash Used by Operating Activities	<u>(166,452)</u>

NET DECREASE IN CASH

(166,452)

CASH

Beginning of Year	<u>11,599,337</u>
End of Year	<u><u>\$ 11,432,885</u></u>

RECONCILIATION OF DECREASE IN NET POSITION TO NET CASH USED BY OPERATING ACTIVITIES

Decrease in net position	\$ (136,451)
Changes in assets and liabilities:	
Accounts receivable	(2,442)
Accrued expenses	397
Accounts payable	<u>(27,956)</u>
Net Cash Used by Operating Activities	<u><u>\$ (166,452)</u></u>

See accompanying notes.

INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2020

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 is made available throughout the year to each eligible Indiana resident applying to the Association for coverage. At December 31, 2020, the Association had one eligible person covered.

All insurance carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana must be members of the Association. A member shall 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 are those diagnosed as End Stage Renal Disease patients. Coverage for End Stage Renal Disease patients has been extended until another coverage option can be established and will continue to be extended as determined by the Indiana Department of Insurance Commissioner. A plan of transition and a transition team has been put into place and is being monitored by the Association. A Plan of Dissolution has been submitted as required under the statute termination for the Association's program, and is under consideration by the Indiana Department of Insurance Commissioner. Upon dissolution, any remaining funds of the Association will be distributed in accordance with the Association's final assessment.

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 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. The Association only has unrestricted net position.

Cash: Interest-bearing and noninterest-bearing deposits at the Association's financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020, the Association's uninsured cash on deposit totaled \$11,182,885. There have been no losses in such accounts.

Accounts Receivable/Accounts Payable consist of the net annual settlement due from/to Anthem Insurance Companies, Inc. (Anthem) which includes 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.

Deposits Held by Anthem consist 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 is estimated based on historical claims development. Considerable variability is inherent in such estimates. However, management believes that the liability for unpaid claims and claims adjustment expenses is adequate. The estimates are continually reviewed and updated as experience develops or new information becomes known; such adjustments are reflected in current operations.

Income Taxes: The Association is 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, 2020.

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 2017.

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

Assessments receivable represent outstanding balances assessed to the member insurance carriers and the State of Indiana but not yet collected. Assessments are recognized as an increase to unrestricted net position.

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

Subsequent Events: The Association has evaluated the financial statements for subsequent events occurring through April 14, 2021, the date the financial statements were available to be issued.

NOTE 2 - ASSESSMENTS AND NET POSITION

The Association has 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 are 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 can be made in July of the following year for the difference between the net losses and actual assessments made during the year.

NOTE 2 - ASSESSMENTS AND NET POSITION (CONTINUED)

The Board of Directors has not approved a true-up during 2020 and does not plan to complete one for 2021. A true-up based on past over-assessments and net losses for 2013 forward would decrease the Association's net position. Subject to Board of Directors approval, the true-up for over-assessment to be applied and recorded would be approximately \$6.85 million based on the initial \$12 million dollar assessment in 2014 and losses incurred through December 31, 2020.

NOTE 3 - LIABILITY FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

The following table provides a reconciliation of the liability for unpaid claims and claims adjustment expenses for the year ended December 31, 2020:

Balance at Beginning of Year	\$ 5,000
Claims incurred related to:	
Current year	14,821
Prior year	<u>(10,718)</u>
Total claims incurred	<u>4,103</u>
Paid related to:	
Current year	9,821
Prior year	<u>(5,718)</u>
Total paid	<u>4,103</u>
Balance at End of Year	<u>\$ 5,000</u>

Claims incurred related to prior years vary from previously estimated liabilities, as the claims are ultimately settled. Negative amounts reported for incurred losses and loss adjustment expenses related to prior years are indicative of favorable development in the related prior year end liability.

NOTE 4 - CONTINGENCIES

In the normal course of operations, the Association is subject to various litigation, claims and assessments that it intends to defend. However, management believes that the ultimate resolution of these matters will not have a material adverse effect on the Association's results of operation or financial position.

NOTE 5 - PLAN ADMINISTRATION AGREEMENTS

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

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

OTHER REPORT

*Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards*

Year Ended December 31, 2020

Board of Directors
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 Indiana Comprehensive Health Insurance Association (the Association), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise of the Association's basic financial statements, and have issued our report thereon dated April 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Katy, Sapper & Miller, LLP

Indianapolis, Indiana
April 14, 2021