



# Silver State Health Insurance Exchange

FINANCIAL STATEMENTS

June 30, 2023

With Independent Auditor's Report





## INDEPENDENT AUDITOR'S REPORT

Management  
Silver State Health Insurance Exchange

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Silver State Health Insurance Exchange (the Exchange), a function within the State of Nevada, which comprise the balance sheet (cash basis) as of June 30, 2023, and the related statement of revenues and expenditures and changes in net position (cash basis) for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Exchange as of June 30, 2023 and the results of its operations for the year then ended in accordance with the cash basis of accounting described in Note 3.

#### *Basis for Opinion*

We conducted our audit in accordance with U.S. generally accepted auditing standards (U.S. GAAS) 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 the Exchange 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.

#### *Correction of Error*

As discussed in Note 7 to the financial statements, certain errors resulting in the overstatement of amounts previously reported for net position, revenues and expenses as of and for the year ended June 30, 2022, were discovered by management of the Exchange during the current year. Accordingly, amounts reported for net position at June 30, 2022 have been restated to correct the error. Our opinion is not modified with respect to that matter.

#### *Basis of Accounting*

We draw attention to Note 3 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to that matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 3, and for determining that the cash basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances. Management is also responsible 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 Exchange'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 objective is 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 U.S. GAAS 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 U.S. GAAS 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 the Exchange'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 Exchange'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.

Management  
Silver State Health Insurance Exchange

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024 on our consideration of the Exchange'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 Exchange'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 Exchange's internal control over financial reporting and compliance.

**Purpose of this Report**

This report is intended solely for the information and use of management, the Medicaid and Exchange Advisory Board, and the Centers for Medicare & Medicaid Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
January 16, 2024

**SILVER STATE HEALTH INSURANCE EXCHANGE**

**Balance Sheet (Cash Basis)**

**June 30, 2023**

Assets	
Cash	\$ <u>11,414,066</u>
Total assets	\$ <u>11,414,066</u>
Net position	
Unrestricted	\$ <u>11,414,066</u>
Total net position	\$ <u>11,414,066</u>

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

## SILVER STATE HEALTH INSURANCE EXCHANGE

### Statement of Revenues and Expenditures and Changes in Net Position (Cash Basis)

Year Ended June 30, 2023

Revenues	
Fees from qualified health plans	\$ 16,682,764
Other federal revenue	<u>28,500</u>
Total revenues	<u>16,711,264</u>
Expenditures	
Personnel services	2,177,113
Marketing	3,368,428
Exchange platform	6,220,723
General operations	321,824
Travel	19,153
Information services	60,767
Training	6,301
Navigators	1,490,022
Purchasing assessment	17,293
Department of Human Resources management cost allocation	9,724
Statewide cost allocation	<u>15,155</u>
Total expenditures	<u>13,706,503</u>
Excess of revenues over expenditures	<u>3,004,761</u>
Net position, beginning of year, as previously presented	8,755,512
Prior period adjustment	<u>(346,207)</u>
Net position, beginning of year, as restated	<u>8,409,305</u>
Net position, end of year	\$ <u>11,414,066</u>

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

# SILVER STATE HEALTH INSURANCE EXCHANGE

## Notes to the Financial Statements

Year Ended June 30, 2023

### 1. Purpose of Organization

The Patient Protection and Affordable Care Act (Public Law 111-148) and the Health Care and Education Reconciliation Act (Public Law 111-152) (together, the "ACA") provide for the establishment of a Health Benefits Exchange by each State. The Silver State Health Insurance Exchange ("SSHIE") was established during the 2011 Legislative Session by Senate Bill 440.

SSHIE serves two primary purposes: first, to negotiate for high quality, affordable health insurance options on behalf of small businesses and individuals; and second, to be a robust resource to learn about and compare the quality and affordability of their health insurance options, enroll in coverage and, if eligible, access Medicaid or federal tax subsidies for coverage.

SSHIE is the state agency that operates the online marketplace, Nevada Health Link, where Nevada consumers can purchase quality and affordable health insurance. SSHIE is an organized State-based Marketplace ("SBM") established to help consumers and businesses buy health insurance in a way that permits easy comparison of available plan options based on price, benefits, and quality through a web portal. SSHIE provides access to Qualified Health Plans ("QHP") to individuals, families, employers and their employees. As a SBM, SSHIE is subject to regulations established by the Centers for Medicare & Medicaid Services.

As an operation within the State of Nevada (the "State"), financial and administrative processes are performed at the State level including payroll, purchasing, accounts payable, cash management and general ledger accounting.

### 2. Basis of Presentation

The accompanying financial statements of SSHIE have been prepared to meet the Federal requirement in 45 CFR §155.1200 that states:

- (b) (1) "Reporting. The State Exchange must, at least annually, provide to HHS...a financial statement..." and,
- (c) "External audits. The State Exchange must engage an independent qualified auditing entity which follows generally accepted governmental auditing standards (GAGAS) to perform an annual independent external financial...audit..."

### 3. Accounting Policies

The accompanying financial statements have been prepared on the cash basis of accounting which is a basis of accounting other than U.S. generally accepted accounting principles. On this basis, income is recognized when cash is received rather than when earned, and expenditures are recognized when cash is paid rather than when expenditures are incurred.

The financial statements do not include insurance premiums collected from consumers as part of SSHIE carrying out its responsibilities under the ACA of 2010.

# SILVER STATE HEALTH INSURANCE EXCHANGE

## Notes to the Financial Statements

Year Ended June 30, 2023

### Net Position

Net position represents the difference between assets and liabilities in SSHIE's financial statements. Restricted net position encompasses the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through grantors, contributors, laws or regulations, as well as restrictions imposed by law through constitutional provisions or enabling legislation. Unrestricted net position includes all remaining net position that does not meet the definition of "restricted." SSHIE did not have restricted net position as of June 30, 2023.

### Custodial Credit Risk

SSHIE maintains its cash in various deposit accounts, the balances of which are periodically in excess of federally insured limits. SSHIE has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk with respect to these accounts.

#### 4. Commitments and Contingencies

With respect to litigation, SSHIE officials are of the opinion that there are no lawsuits likely to result, either individually or in the aggregate, in final judgments against SSHIE that would materially affect the financial statements.

SSHIE has entered into a number of contracts with vendors to support the creation and operation of SSHIE. These contracts extend through November of 2027; some contain renewal options. At June 30, 2023, minimum payments under SSHIE's contractual commitments were as follows:

2024	\$5,914,000
2025	2,476,000
2026	111,000
2027	55,000
2028	400

#### 5. Employee Retirement Plan

Employees of SSHIE participate in the Public Employees' Retirement System ("PERS") of the State of Nevada, under either the Employer Pay Contribution Plan or the Employee/Employer Contribution Plan, at their discretion. Membership in the plan is mandatory for all covered state employees. Required contributions for the Employer Pay Contribution Plan and the Employee/Employer Contribution Plan were 29.75% and 15.5%, respectively, of eligible compensation for the PERS for the year ended June 30, 2023. Retirement contribution expense for the year was approximately \$281,000 and is included in personnel services in the statement of revenues and expenditures and changes in net position.

#### 6. Related Party Transactions

As a function within the State of Nevada, any additional State funds would be subject to appropriation, if necessitated by an excess of expenditures over revenues.



# SILVER STATE HEALTH INSURANCE EXCHANGE

## Notes to the Financial Statements

Year Ended June 30, 2023

### 7. Restatement of Prior Period

During 2023, the Exchange identified misstatements in amounts previously reported in the financial statements as of and for the year ended June 30, 2022. The Exchange incorrectly recorded 2023 cash transactions in 2022, resulting in an overstatement of revenues and expenditures in 2022. Amounts previously reported as an increase in net position were overstated by \$346,207 for the year ended June 30, 2022. Accordingly, these amounts have been restated in beginning net position presented in the June 30, 2023 financial statements.



**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**

Management  
Silver State Health Insurance Exchange

We have audited, in accordance with U.S. generally accepted auditing standards 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 Silver State Health Insurance Exchange (the Exchange), a function within the State of Nevada, which comprise the balance sheet (cash basis) as of June 30, 2023, and the related statement of revenues and expenditures and changes in net position (cash basis) for the year then ended, and the related notes to the financial statements, which collectively comprise the Exchange's basic financial statements, and have issued our report thereon dated January 16, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Exchange'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 Exchange's internal control. Accordingly, we do not express an opinion on the effectiveness of the Exchange'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal controls, described in the attached schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Exchange'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*.

### **The Exchange's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Exchange's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Exchange's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 Exchange'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 Exchange's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
January 16, 2024

# SILVER STATE HEALTH INSURANCE EXCHANGE

## Schedule of Findings and Responses

Year Ended June 30, 2023

### Finding 2023-001

#### Criteria

The Exchange is responsible for designing, implementing and maintaining effective internal controls over financial reporting that provide reasonable assurance that the internal controls will prevent misstatements or detect and correct misstatements on a timely basis, intentional or unintentional, from occurring.

#### Condition

Certain transactions were not recorded in accordance with the cash basis of accounting.

#### Cause and Effect

The Exchange operates according to the financial policies of the State of Nevada which requires accruing certain expenses paid or revenues received subsequent to fiscal year end. In accordance with that policy, the Exchange recorded \$877,045 of revenues and \$530,838 of expenditures in fiscal 2022 that pertain to fiscal 2023 according to the cash basis of accounting. In addition, the Exchange recorded \$632,242 of revenues and \$499,686 of expenditures in fiscal 2023 that pertain to fiscal 2024 according to the cash basis of accounting. Audit adjustments were recorded as of June 30, 2023 and 2022 to correct the errors in cut-off for the financial statements presented on the cash basis of accounting.

#### Recommendation

We recommend that the Exchange segregate non cash basis transactions when preparing the financial statements in order to present activity in accordance with the cash basis of accounting.

#### Views of Responsible Officials and Planned Corrective Actions

Management agrees with the finding. Management will segregate transactions used for preparing the financial statements in order to present only cash transactions that occurred during the year.



# Silver State Health Insurance Exchange

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## Finding 2023-001

### Corrective Action Plan

The Exchange has reviewed and partially accepts this finding. The Exchange follows and operates in accordance with the policies and procedures of the State of Nevada. One of these policies allows all state agencies to process transactions after the fiscal year ends, which is June 30 of each year. According to a state policy, transactions can still be processed up until the end of August of that year pertaining to the fiscal year that ended on June 30 of that year. For FY23, the audit year of this audit, specifically the deadline to process transactions for the FY that ended on June 30, 2023, was August 25, 2023. As a result, according to the cash basis of accounting being utilized by this audit, some revenues and expenditures that were recorded in audit years FY 2022 and 2023 were pertaining to the future fiscal year resulting in an audit finding.

Moving forth and in order to continue to meet the State of Nevada's financial policies, while still following the cash basis of accounting, the Exchange will segregate transactions used for preparing the financial statements in order to present only cash transactions that occur during the audited fiscal year.

Responsible official: Jonathan Lopez, Chief Financial Officer 775-687-9703