

FLORIDA HEALTH INSURANCE ADVISORY BOARD MEETING

Tuesday, August 24, 2021, 2:00 PM
Conference Call
Call-In Number: 866-299-7949
Code: 4288083#

AGENDA

- I. Call to Order
- II. Roll Call – Attachment
- III. Antitrust Statement – Attachment
- IV. Chair’s Opening Remarks
- V. Approval of Minutes, December 18, 2020 – Attachment
- VI. Executive Director Selection Committee Status Report
- VII. Annual Audits – Attachments
- VIII. Other Business
- IX. Public Comment
- X. Adjourn

FLORIDA HEALTH INSURANCE ADVISORY BOARD

August 10, 2021

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FLORIDA HEALTH INSURANCE ADVISORY BOARD BOARD MEETING

August 24, 2021

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.

**Florida Health Insurance Advisory Board
Board of Directors Meeting Minutes
Friday, December 18, 2020, 2:00 PM
Via Teleconference
Tallahassee, FL**

Board Members Present:

Mike Yaworsky, Chair Designee	Ken Stevenson, Vice Chair	Molly McKinstry
Louisa McQueeney	Christina Lake	Eric Johnson
Richard B. Weiss	Seth M. Phelps	Robert Muszynski

Others Present:

- Amy Hardee, Administrative Assistant II to the Deputy Commissioner – Life & Health, Office of Insurance Regulation (OIR)
- Shannon Doheny, Special Counsel to the Deputy Commissioner – Life & Health, OIR
- John Reilly, Deputy Commissioner – Life & Health, OIR
- Chris Struk, Life & Health Policy Advisor, OIR

I. Call to Order

Mike Yaworsky (Chief of Staff, Office of Insurance Regulation) announced that he had been appointed as the Chair's designee for this meeting by Commissioner and Chair David Altmaier. The Chair then called the meeting to order at 2:02 pm indicating that the meeting was properly noticed to the public in accordance with Florida Law.

II. Roll Call

Amy Hardee conducted a roll call, noting the presence of a quorum.

III. Antitrust Statement

Shannon Doheny was recognized and reviewed the antitrust statement.

IV. Chair's Opening Remarks

The Chair thanked the members for their attendance today to provide their expertise and insights.

V. Approval of Minutes, November 17, 2020

The Chair presented the minutes from the November 17, 2020, meeting for adoption, noting that members had been provided with advance copies. Eric Johnson moved to adopt the minutes as written, with a second by Seth Phelps, and the minutes were adopted without objection.

VI. Executive Director Selection Committee Status Report

The Chair noted that the Executive Director Selection Committee is busy trying to find a replacement for our former Executive Director and they recently met on November 30. He then turned the time over to Seth Phelps, the Committee Chair, for a report from the Executive Director Selection Committee.

Seth Phelps reported that the Committee met on November 30 with the intent to interview all three candidates that applied for the open Executive Director position. However, after an initial discussion, the Committee came to a unanimous decision to recommend re-opening the search to ensure the best process for filling the position is followed and ensuring transparency in that process. The Committee Chair noted that this recommendation is not based upon the qualifications of those candidates who already applied, and those candidates are encouraged to re-apply.

Based on the above decision by the Committee, Seth Phelps noted that the Committee is seeking from the board a motion to:

1. Re-open the application process for the Executive Director position;
2. Post the position on a publicly available website, including the job description;
3. Keep the position open for not less than three weeks; and
4. Authorize the Selection Committee to evaluate and determine the details of the approach (including the website(s) upon which it will be posted) and return to the full Board with a recommendation, including those details.

Seth Phelps asked the Chair to make a motion to adopt the Committee's recommended plan. The Chair then made a motion to adopt the Committee's recommended plan, Eric Johnson seconded the motion, and it passed unanimously.

The Chair thanked Mr. Phelps for the report and the Committee's work so far. He then reassured the Board that as we proceed with the Executive Director search, OIR will continue to assist with some of the operational duties normally fulfilled by the Executive Director and help ensure Board materials are publicly available until a new Executive Director is appointed.

VII. State of the Market Annual Report Approval

The Chair presented the 2020 State of the Market Annual Report for adoption, noting that members had been provided with an advance copy.

Rich Weiss moved to adopt the report, with a second by Christina Lake. Chris Struk noted that there is a typo on Page 4: "**Total Market** – 3,734,680, an increase of 125,407 covered lives or 0.44%" should read, "**Total Market** – 3,734,680, an increase of 16,471 covered lives or 0.44%". The Chair asked if there was any object to this change and there was none. The report was adopted without objection.

VIII. Discussion/Approval of Legislative Proposals for 2021

The Chair noted that the substantive business before the Board today is the discussion and approval of the Board's 2021 legislative recommendations. He reminded members that only those proposals reaching a full consensus by the members today would be submitted to the 2021 Florida Legislature on behalf of the entire Florida Health Insurance Advisory Board (FHIAB). Eleven proposals have been received from Louisa McQueeney (Florida Voices for Health). They will be read with time for questions and discussions following each proposal.

1. Employee/Dependent Option Coverage in Small Group Plans

- ☐ **Recommendation:** *Provide a clear legislative directive whereby small group employers be specifically allowed the option to offer "employee/dependent(s)" coverage in the open market, where dependent(s) are dependent children only.*

Louisa McQueeney moved that the Board make this recommendation, with a second by Robert Muszynski. The motion passed unanimously.

2. **Direct insurance companies to itemize the cost of medical, dental and vision in plans that offer these coverages and control provider networks.**

- ☐ **Recommendation:** *Require insurance companies to itemize the cost of medical, dental and vision in bundled plans. Require insurance companies to refund consumers and, if applicable the federal government, for dental and/or vision services that cannot be used due to non-accessible provider networks.*

During the last Board meeting, the Office was tasked with obtaining consumer inquiry information from the Division of Consumer Services within the Department of Financial Services. The information provided indicated there were a total of four consumer inquiries related to policyholders being unable to locate in-network dental providers over the last year. Additionally, there were a total of six consumer inquiries regarding insufficient access to non-dental providers during the same time-period.

For additional information related to the review of network adequacy for these plans, Erin Bailey [Manager, Commercial Managed Care Florida Agency for Health Care Administration (AHCA)] was asked to provide a brief overview of network adequacy review. Ms. Bailey noted that AHCA performs network adequacy reviews for exclusive provider organizations, which these bundled plans would fall under, twice a year. These reviews include spreadsheets sorted by county and specialty, geographical access maps, and provider directories. No concerns have been found.

Louisa McQueeney moved that the Board make this recommendation. Eric Johnson noted his objection as he believes we have adequate protections in place and doesn't see how this recommendation adds additional protections. No vote was taken.

3. Deductible Health Credit Transfer

- ☐ **Recommendation:** *Expand statute 627.666 to include individual on- and off-exchange policy holders a Deductible Health Credit Transfer to a new policy equal to the deductible paid by the policy holder to the prior insurer. The Credit Transfer should be for the entire amount paid by the consumer without limitations such as a time frame of 90 days preceding the effective date of the succeeding insurer's plan or recognition of the expenses actually incurred under the terms of the succeeding insurer's plan and subject to a similar deductible provision.*

Louisa McQueeney moved that the Board make this recommendation. Molly McKinstry seconded the motion after confirming the FHIAB previously submitted this recommendation in 2019 and 2020. The motion passed unanimously.

4. Provide health care consumers with one free copy of their own medical records.

- ☐ **Recommendation:** *Provide consumer with one free copy of their medical record, to be provided to consumer by mail or electronic mail, at the time of payment request for services provided.*

Molly McKinstry requested clarification regarding who would provide the copy. Louisa McQueeney responded that it would be the provider.

Louisa McQueeney moved that the Board make this recommendation, with a second by Ken Stevenson. The motion passed unanimously.

5. Protect Consumers from prescription drug formulary changes during a policy year.

- ☐ **Recommendation:** *Prohibit insurance carriers from amending or removing a covered prescription drug during the policy year. This will not preclude the insurance carrier from expanding the formulary and lowering prices throughout the policy year. This would exclude the formulary for Florida Medicaid which is covered under section 409.91195, Florida Statutes)*

Robert Muszynski noted his objection as he believes this is more of an issue with drug companies rather than insurers. No vote was taken.

6. Protect Consumers from uncontrolled health insurance premium rates based on preexisting conditions.

- ☐ **Recommendation:** *Codify into state law requirements that Florida health plans may not vary rates based on one or more pre-existing conditions. Rates can vary based solely on four factors: family composition, geographic area, age, and tobacco use. Insurers are prohibited from charging an older adult in the oldest age band more than 3 times the rate of a younger person in the youngest age band and from charging tobacco users more than 1.5 times the rate of a non-tobacco-user's rate.*

Eric Johnson asked which policies this recommendation applies to. Louisa McQueeney responded that it would apply to all ACA plans. Based on this discussion, the Chair asked Louisa McQueeney and the Board if they would be amenable to adding “ACA-compliant” to the first sentence in the recommendation so that it now reads, “Codify into state law requirements that Florida ACA-compliant health plans may not vary rates based on one or more pre-existing conditions.” No objections to this change.

Seth Phelps noted again that this is based on the Supreme Court invalidating the ACA; however, if that were to happen, additional changes would probably be needed, and this recommendation may not have the intended consequence.

Louisa McQueeney moved that the Board make this recommendation, with a second by Christina Lake. The motion passed unanimously.

7. Direct the Florida Office of Insurance Regulation to develop better and more inclusive standards of network adequacy for all group and individual health plans.

- ☐ **Recommendation:** *In inadequate narrow networks where primary care, mental health and hospital services are not within 30 miles or 30 minutes of each enrollee’s place of residence or work, treat out-of-network care as in-net-work care and apply the cost of the care to the annual accumulators, such as the deductible. Improve network adequacy.*

Eric Johnson noted that we have network adequacy requirements currently in place and 30 miles or 30 minutes may be too tight due to Florida’s geographic diversity.

Molly McKinstry reiterated that complaints should be referred to AHCA as they are usually able to resolve issues.

The Chair noted that this proposal was submitted as a recommendation by the FHIAB last year; however, following discussions during the FHIAB meetings, this was changed from “Florida Office of Insurance Regulation” to “Agency for Health Care Administration” and asked if the Board was interested in making this change again. Molly McKinstry agreed with this change. No objections to this change.

Louisa McQueeney moved that the Board make this recommendation; however, there was no second so the motion fails.

Following the vote, Molly McKinstry suggested that this recommendation may benefit in the future from specificity. While she agrees that 30 miles or 30 minutes is a good baseline, flexibility is needed, especially with regard to the rarity of some specialties. She also suggested adding clarity to this recommendation regarding what is meant by “Improve network adequacy.”

Molly McKinstry also noted that AHCA will work on ensuring consumers know to contact their office regarding networking adequacy complaints. To assist in this regard, she also suggested reviewing what health plans are sharing regarding who to call.

8. Prohibit balance billing for emergency medical transportation.

- ☐ **Recommendation:** *Apply the balance bill rules under HB221, signed into law by Governor Scott, to include emergency transportation.*

Due to the fact that this issue is currently in litigation, Molly McKinstry suggested that this recommendation not be submitted at this time. Seth Phelps concurs. He noted that the Federal Legislature is also reviewing this issue. Eric Johnson noted his objection, believing that a vote on this issue would be premature at this time due to the preceding discussion. No vote was taken.

9. Protect Consumers and Insurance Markets from short term plans.

- ☐ **Recommendation:** *Require a stronger consumer disclosure than is required by federal regulation. Ensure brokers and agents read the full disclosure to the consumer and require the consumer to sign a statement that they have read the disclosure. Institute an external appeal process where a third party will make final appeal determinations.*

During the last Board meeting, the Office was tasked with obtaining consumer inquiry information from the Division of Consumer Services within the Department of Financial Services. The information provided for the time period of January 2019 to current contained a total of 60 consumer inquiries related to short-term limited duration plans with more than half of them related to claims denial or claims delay.

Louisa McQueeney moved that the Board make this recommendation; however, there was no second so the motion fails.

Following the vote, Molly McKinstry suggested that this recommendation may benefit in the future from specificity.

10. Include Applied Behavioral Analysis as a covered benefit in select private insurance plans.

- ☐ **Recommendation:** *Require each carrier authorized to sell health insurance in Florida to include at minimum one plan in each service area to cover Applied Analysis Services as covered by Medicaid.*

Louisa McQueeney moved that the Board make this recommendation; however, there was no second so the motion fails.

11. Establish Step Therapy Protocols.

- ☐ **Recommendation:** *Establish clear, meaningful, and accessible procedures for prescribers to override the process by requesting an exemption; Prohibit insurers from requiring insured patients to fail a drug more than once.*

Molly McKinstry requested that Medicaid be excluded from this recommendation, by adding the following sentence to the end of the recommendation: "This would exclude Florida Medicaid which is covered under section 409.91195, Florida Statutes." No objections to this change.

Louisa McQueeney moved that the Board make this recommendation; however, there was no second so the motion fails.

The Chair thanked everyone for their participation and input into the discussion. He then asked Amy Hardee to finalize the Board's recommendations and issue a copy to the Office of Insurance Regulation, the Senate President, the House Speaker, and the Agency for Health Care Administration.

IX. Other Business

With there being no further business items on the agenda, the Chair asked if there were any members of the Board with other business to be brought before the Board.

Louisa McQueeney asked if there was a reason why the FHIAB Meetings seem to have moved from August/September to the end of the year, which is not an opportune time. The Chair responded that the lack of an Executive Director has played into this as well as the COVID situation this year. He hopes the Board may be able to assemble in person earlier in the year once the Executive Director position is filled.

There being no further business, the Chair moved to the next agenda item.

X. Public Comment

The Chair asked if there were any members of the public who would like to comment. There being none, the Chair moved to the next agenda item.

XI. Adjourn

The Chair thanked everyone for participating. Having no further business, the meeting was adjourned at 3:30 pm.

Mike Yaworsky, Chair Designee

Date

PURVIS GRAY

Board of Directors
Florida Individual Health Reinsurance Program
Tallahassee, Florida

In planning and performing our audit of the financial statements of Florida Individual Health Reinsurance Program (the Program), as of and for the year ended December 31, 2019, 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 19-01 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 19-02.

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.



June 23, 2021
Tallahassee, Florida

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SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

19-01—A consulting executive director was hired by the Program for three and a half months during 2019. During the time in which the executive director's position was unoccupied, the 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 for review. We recommend the Program develop procedures to ensure the books and records are reconciled and kept up to date when the executive director position is unoccupied. We further recommend that a secondary review of bank reconciliations and financial reports be performed by an appropriate official on a monthly basis.

***19-02**—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 upon completion.

* Indicates findings or recommendations that were present since 2009.

2019

Florida Individual Health Reinsurance Program

Financial Statements
and Independent Auditor's Report

December 31, 2019

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

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

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florida Individual Health Reinsurance Program
Tallahassee, Florida

We have audited the accompanying financial statements of Florida Individual Health Reinsurance Program (the Program), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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.

Basis for Qualified Opinion

We were unable to obtain written representations from management of the Program since the Executive Director's position was vacant at the conclusion of the audit.

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Board of Directors
Florida Individual Health Reinsurance Program
Tallahassee, Florida

INDEPENDENT AUDITOR'S REPORT

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of December 31, 2019 and 2018, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



June 23, 2021
Tallahassee, Florida

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA

ASSETS

	<u>2019</u>	<u>2018</u>
Assets		
Cash	\$ 7,010	\$ 7,007
Assessments Receivable	26,972	-
Prepaid Expenses	<u>66</u>	<u>7</u>
Total Assets	<u><u>34,048</u></u>	<u><u>7,014</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Accrued Expenses	9,030	9,000
Due to Florida Small Employer Health Reinsurance Program	<u>13,156</u>	<u>5,209</u>
Total Liabilities	<u>22,186</u>	<u>14,209</u>

Net Assets

Without Donor Restrictions	<u>11,862</u>	<u>(7,195)</u>
Total Net Assets	<u>11,862</u>	<u>(7,195)</u>
Total Liabilities and Net Assets	<u><u>\$ 34,048</u></u>	<u><u>\$ 7,014</u></u>

See accompanying notes.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA

	Without Donor Restrictions 2019	Without Donor Restrictions 2018
Revenues		
Administrative Assessment	\$ 26,972	\$ -
Investment Income	<u>3</u>	<u>4</u>
Total Revenues	<u>26,975</u>	<u>4</u>
Expenses		
Program Services	2,840	2,687
Management and General	<u>5,078</u>	<u>466</u>
(Total Expenses)	<u>(7,918)</u>	<u>(3,153)</u>
(Decrease) Increase in Net Assets	19,057	(3,149)
Net Assets, Beginning of Year	<u>(7,195)</u>	<u>(4,046)</u>
Net Assets, End of Year	<u><u>\$ 11,862</u></u>	<u><u>\$ (7,195)</u></u>

See accompanying notes.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA**

	December 31, 2019		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Expenses			
Contract Services	\$ 2,625	\$ 463	\$ 3,088
Professional Fees	-	4,600	4,600
Office Administration	88	15	103
Meetings	127	-	127
Total Expenses	<u>\$ 2,840</u>	<u>\$ 5,078</u>	<u>\$ 7,918</u>

	December 31, 2018		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Expenses			
Professional Fees	\$ 2,550	\$ 450	\$ 3,000
Office Administration	88	16	104
Meetings	49	-	49
Total Expenses	<u>\$ 2,687</u>	<u>\$ 466</u>	<u>\$ 3,153</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Other Receipts	\$ -	\$ 9
Interest Received	<u>3</u>	<u>4</u>
Net Cash Provided by (Used in) Operating Activities	<u>3</u>	<u>13</u>
Net Increase (Decrease) in Cash	3	13
Cash, Beginning of Year	<u>7,007</u>	<u>6,994</u>
Cash, End of Year	<u><u>\$ 7,010</u></u>	<u><u>\$ 7,007</u></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, with donor restrictions assets are reclassified to without donor restrictions, and reported in the statement of activities as nets assets released from restrictions.

Functional Allocation of Expenses

The cost of the Program has been summarized on a functional basis in the statement 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.

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

Cash

Cash of the Program consist 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, 2019 and 2018, 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. The Program annually reviews assessment collections and operating expenditures to reconcile final assessment action. Assessment revenues totaled \$26,972 during 2019 and \$0 during 2018.

Accounting Estimates

The preparation of financial statements in conformity with 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 2019 and 2018, the Program will only be taxed on investment income. Income tax expense for the years ended December 31, 2019 and 2018, 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 2016 tax year. The Program recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses. The Program recognized \$0 and \$0 for the payment of interest and penalties for the years ended December 31, 2019 and 2018, respectively.

Reclassifications

Certain reclassifications have been made to the December 31, 2018, statement of functional expenses to conform to the December 31, 2019 presentation.

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

In March 2020, the World Health Organization classified the novel coronavirus, COVID-19, outbreak as a pandemic based on the rapid increase in exposure globally. The COVID-19 outbreak in the United States has caused general economic disruption and uncertainties. While the disruption is expected to be temporary, the magnitude and duration of this event is unknown.

Accounting Pronouncements Issued But Not Yet Adopted

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contract with Customers*, which supersedes nearly all existing revenue recognition guidance under U.S. generally accepted accounting principles. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgement and estimates may be required within the revenue recognition process than are required under existing U.S. generally accepted accounting principles.

The standard is effective for periods beginning after December 15, 2019, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosure). The Program is currently evaluating the impact of its pending adoption of ASU 2014-09 on its financial statements, if any, and has not yet determined the method by which it will adopt the standard.

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, 2019 and 2018, were \$13,156 and \$5,209, 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>2019</u>	<u>2018</u>
Program's Financial Assets, at December 31:		
Cash	\$ 7,010	\$ 7,007
Assessment Receivable	<u>26,972</u>	<u>-</u>
Total Financial Assets	<u>33,982</u>	<u>7,007</u>
Less Those Unavailable for General Expenditures		
Within One Year, Due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donors or with Time or		
Purpose Restrictions	<u>-</u>	<u>-</u>
Program's Financial Assets Available to Meet		
 Cash Needs for Expenditures Within One Year	<u>\$ 33,982</u>	<u>\$ 7,007</u>

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

In planning and performing our audit of the financial statements of Florida Small Employer Health Reinsurance Program (the Program), as of and for the year ended December 31, 2019, 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 a certain deficiency in internal control that we consider to be a significant deficiency.

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 19-01 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 19-02.

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.



June 23, 2021
Tallahassee, Florida

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SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

19-01—A consulting executive director was hired by the Program for three and a half months during 2019. During the time in which the executive director's position was unoccupied, the 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 for review. We recommend the Program develop procedures to ensure the books and records are reconciled and kept up to date when the executive director position is unoccupied. We further recommend that a secondary review of bank reconciliations and financial reports be performed by an appropriate official on a monthly basis.

***19-02**—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 upon completion.

* Indicates findings or recommendations that were present since 2009.

2019

Florida Small Employer Health Reinsurance Program

Financial Statements and Independent Auditor's Report

December 31, 2019

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

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

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Florida Small Employer Health Reinsurance Program (the Program), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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.

Basis for Qualified Opinion

We were unable to obtain written representations from management of the Program since the Executive Director's position was vacant at the conclusion of the audit.

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

INDEPENDENT AUDITOR'S REPORT

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Small Employer Health Reinsurance Program as of December 31, 2019 and 2018, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



June 23, 2021
Tallahassee, Florida

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA

ASSETS

	<u>2019</u>	<u>2018</u>
Assets		
Cash	\$ 16,085	\$ 49,763
Assessments Receivable	82,994	-
Prepaid Expenses	291	49
Due from Florida Individual Health Reinsurance Plan	<u>13,156</u>	<u>5,209</u>
Total Assets	<u><u>112,526</u></u>	<u><u>55,021</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Accrued Expenses	<u>18,152</u>	<u>18,028</u>
Total Liabilities	<u>18,152</u>	<u>18,028</u>

Net Assets

Without Donor Restrictions	<u>94,374</u>	<u>36,993</u>
Total Net Assets	<u>94,374</u>	<u>36,993</u>
Total Liabilities and Net Assets	<u><u>\$ 112,526</u></u>	<u><u>\$ 55,021</u></u>

See accompanying notes.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA

	Without Donor Restrictions 2019	Without Donor Restrictions 2018
Revenues		
Administrative Assessment	\$ 82,994	\$ -
Interest Income	27	39
Total Revenues	<u>83,021</u>	<u>39</u>
Expenses		
Program Services	13,892	5,767
Management and General	11,748	984
(Total Expenses)	<u>(25,640)</u>	<u>(6,751)</u>
Change in Net Assets	57,381	(6,712)
Net Assets, Beginning of Year	<u>36,993</u>	<u>43,705</u>
Net Assets, End of Year	<u><u>\$ 94,374</u></u>	<u><u>\$ 36,993</u></u>

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA

	December 31, 2019		
	Program Services	Management and General	Total
Expenses			
Contract Services	\$ 12,816	\$ 2,262	\$ 15,078
Professional Fees	-	9,400	9,400
Meetings	620	-	620
Office Administration	456	80	536
Income Tax Expense	-	6	6
Total Expenses	\$ 13,892	\$ 11,748	\$ 25,640

	December 31, 2018		
	Program Services	Management and General	Total
Expenses			
Professional Fees	\$ 5,100	\$ 900	\$ 6,000
Meetings	237	-	237
Office Administration	430	76	506
Income Tax Expense	-	8	8
Total Expenses	\$ 5,767	\$ 984	\$ 6,751

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM
TALLAHASSEE, FLORIDA

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash Paid to Vendors for Services	\$ (33,705)	\$ (899)
Interest Received	<u>27</u>	<u>39</u>
Net Cash Provided by (Used in) Operating Activities	<u>(33,678)</u>	<u>(860)</u>
Net Increase (Decrease) in Cash	(33,678)	(860)
Cash, Beginning of Year	<u>49,763</u>	<u>50,623</u>
Cash, End of Year	<u><u>\$ 16,085</u></u>	<u><u>\$ 49,763</u></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, with donor restrictions assets are reclassified to without donor restrictions, and reported in the statement of activities as nets assets released from restrictions.

Functional Allocation of Expenses

The cost of the Program has been summarized on a functional basis in the statement 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.

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

Cash

Cash of the Program consist 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, 2019 and 2018, 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. The Program annually reviews assessment collections and operating expenditures to reconcile final assessment actions. Assessment revenues totaled \$82,994 during 2019, and \$0 during 2018.

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 2019 and 2018, the Program will only be taxed on investment income. Income tax expense for the years ended December 31, 2019 and 2018, was \$6 and \$8, 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 2016 tax year. The Program recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses. The Program recognized \$0 and \$0 for the payment of interest and penalties for the years ended December 31, 2019 and 2018, respectively.

Accounting Estimates

The preparation of financial statements in conformity with 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.

Reclassifications

Certain reclassifications have been made to the December 31, 2018, statement of functional expenses to conform to the December 31, 2019 presentation.

Subsequent Events

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

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

In March 2020, the World Health Organization classified the novel coronavirus, COVID-19, outbreak as a pandemic based on the rapid increase in exposure globally. The COVID-19 outbreak in the United States has caused general economic disruption and uncertainties. While the disruption is expected to be temporary, the magnitude and duration of this event is unknown.

Accounting Pronouncement Issued But Not Yet Adopted

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contract with Customers*, which supersedes nearly all existing revenue recognition guidance under U.S. generally accepted accounting principles. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgement and estimates may be required within the revenue recognition process than are required under existing U.S. generally accepted accounting principles.

The standard is effective for periods beginning after December 15, 2019, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosure). The Program is currently evaluating the impact of its pending adoption of ASU 2014-09 on its financial statements, if any, and has not yet determined the method by which it will adopt the standard.

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 Plan for the years ended December 31, 2019 and 2018, were \$13,156 and \$5,209, 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>2019</u>	<u>2018</u>
Program's Financial Assets, at December 31:		
Cash	\$ 16,085	\$ 49,763
Assessment Receivable	82,994	-
Due from Florida Individual Health Reinsurance Plan	<u>13,156</u>	<u>5,209</u>
Total Financial Assets	<u>112,235</u>	<u>54,972</u>
Less Those Unavailable for General Expenditures		
Within One Year, Due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donors or with Time or		
Purpose Restrictions	<u>-</u>	<u>-</u>
Program's Financial Assets Available to Meet		
 Cash Needs for Expenditures Within One Year	<u>\$ 112,235</u>	<u>\$ 54,972</u>

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April 5, 2021

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, the Organizations) for the year ended December 31, 2020.

We will audit the financial statements of each Organization, which comprise the statements of financial position as of December 31, 2020, the related statements of activities, functional expenses, and cash flows for the year then ended, and the disclosures (collectively, the financial statements).

Audit Objective

The objective of our audits is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audits will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. 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. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. 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.

Audit Procedures

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 the Organizations' attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well

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as evaluating the overall presentation of the financial statements. We will 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 Organizations or to acts by management or employees acting on behalf of the Organizations.

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 a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. 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, any 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.

Our audits will include obtaining an understanding of each Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. 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.

Other Services

We will 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 also prepare the Organizations' federal and state tax returns based on information provided by you.

We will perform the services in accordance with applicable professional standards issued by the American Institute of Certified Public Accountants. 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 tax return, but management must make all decisions with regard to those matters.

Management Responsibilities

You are responsible 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 U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. 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, including

identification of all related parties and all related-party relationships and transactions, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the Organizations from whom we determine it necessary to obtain audit evidence.

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 Organizations 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 Organizations received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring the Organizations comply with applicable laws and regulations.

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.

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.

Mr. 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 May of 2021 and issue our report by July of 2021.

We estimate that our fees for the audits will be as follows:

Florida Small Employer Health Reinsurance Program	\$	6,000
Florida Individual Health Reinsurance Program		<u>3,000</u>
Total		<u><u>\$ 9,000</u></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 tax preparation fees will be billed based on the amount of time spent at our standard hourly rates. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

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

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April 5, 2021

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 the enclosed copy and return it to us.

Respectfully Submitted,

PURVIS, GRAY AND COMPANY, LLP



Ryan M. Tucker, CPA

RMT/bab

RESPONSE:

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

Signature: _____

Title: _____

Date: _____