

Section 1332 of the Patient Protection and Affordable Care Act (ACA) State Innovation Waivers – Reinsurance Waiver Annual Report

Reporting Instructions: Please capture data for annual 1332 waiver grant reporting in this template, which has been developed based on your specific terms and conditions (STCs), and in accordance with 45 CFR 155.1324(b)-(c). For any items that are marked “if applicable,” please refer to the requirements in your STCs to determine whether you need to fill in those data fields. Draft annual reports are due within 90 days of the end of each calendar year that your waiver is in effect.

STATE: _____

A. GRANTEE INFORMATION		
1. Reporting Period End Date 12/31/2023	2. Report Due Date 3/31/2024	3. Report Submitted On (Date) 3/29/2024
4. Federal Agency and Organization Element to Which Report is Submitted Consumer Information & Insurance Oversight		
5. Federal Grant Number Assigned by Federal Agency SIWCM0020A	6a. UEI Number 781011833	6b. EIN 82-0465434
7. Recipient Organization Name Idaho Individual High Risk Reinsurance Pool		
Address Line 1 301 Meadow Ridge		
Address Line 2		
Address Line 3		
City Eagle	State ID	ZIP Code 83616
ZIP Extension	8. Grant Period Start Date January 1, 2023	9. Grant Period End Date December 31, 2027
10. Other Attachments (attach other documents as needed or as instructed by the awarding federal agency)		
December 31, 2023 Audited Financial Statements, including Federal Report in Accordance with the L		

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B. REPORT CERTIFICATION	
11. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.	
11a. Typed or printed name and title of Authorized Certifying Official	B. Hyatt Erstad, Idaho Individual High Risk Reinsurance Pool Board Chair
11b. Signature of Authorized Certifying Official	<i>Hyatt Erstad</i> <small>Hyatt Erstad (Mar 28, 2024 10:46 MDT)</small>
11c. Telephone (area code, number, and extension)	(208) 343-8899
11d. Email address	hyatt@erstadandcompany.com
11e. Date report submitted (month/day/year)	March 29, 2024
C. PROGRESS OF SECTION 1332 WAIVER – <u>General</u>	
12. Provide an update on progress made in implementing and/or operating the state's approved 1332 waiver program.	
(1) Operations: The Idaho High Risk Reinsurance Pool has used the full \$51,453,577 awarded for 2023.	
13. Describe any implementation and/or operational challenges to meet the 1332 statutory guardrails and plans for and results of associated corrective actions. If challenges were described in a prior annual report, only report on changes and/or updates, as appropriate.	
The Idaho Individual High Risk Pool has not faced implementation or operational challenge.	

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D. PROGRESS OF SECTION 1332 WAIVER – <u>State-Specific</u>		
14. Metrics to assist evaluation of the waiver's compliance with statutory requirements in Section 1332(b)(1). Please report data for the full plan year unless otherwise specified; if information for the full plan year is not available, please provide the most complete responses possible and specify the timeframe covered.		
	Value	Comments (if applicable)
a. Projected and actual individual market enrollment (total annual member months) on the Exchange in the state for the plan year.	Projected: 1,035,	Projections are consistent with l
b. Projected and actual individual market enrollment (total annual member months) off the Exchange in the state for the plan year.	Projected: 104,76	Projections are consistent with l
c. Projected and actual individual market total annual collected premiums on the Exchange for the plan year. Projected and actual individual market average premium rate on the Exchange (i.e., total individual market premiums divided by total member months of all enrollees) for the plan year.	Projected Premium	Projections are consistent with l
d. Projected and actual individual market total annual collected premiums off the Exchange for the plan year. Projected and actual individual market average premium rate off the Exchange (i.e., total individual market premiums divided by total member months of all enrollees) for the plan year.	Projected Premium	Projections are consistent with l
e. Actual Second-Lowest Cost Silver Plan (SLCSP) premium for Exchange plans under the waiver for a representative consumer (e.g., a 21-year-old non-smoker) in each rating area for the plan year.	A1: \$334.11 A2: :	2023 2nd lowest silver with wai
f. Estimate of the SLCSP premium for Exchange plans as it would have been without the waiver for a representative consumer (e.g., a 21-year-old non-smoker) in each rating area for the plan year.	A1: \$379.68 A2: :	2023 2nd lowest silver without v

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<p>g. For states with State-based Exchanges: actual amount of Advanced Premium Tax Credit (APTC) paid to issuers, by rating area for the plan year.</p>	<p>A1: 50,979,589 A</p>	<p>From the Idaho Department</p>
<p>h. For states with State-based Exchanges: actual number of APTC recipients for the plan year. This should be reported as number summed over all 12 months and divided by 12 to provide an annualized measure.</p>	<p>74,051.25</p>	<p>Total from Idaho Departmer</p>

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15. Please confirm whether there was any impact of the waiver on the scope of benefits or Essential Health Benefit (EHB) benchmark.

None

16. Describe any technical changes to the state’s waiver plan during the plan year, including but not limited to: changes to the funding level the program will be operating at for the next plan year; changes to the approved payment parameters for reinsurance program reimbursement (if there were no changes, please still describe the final parameters); changes to eligibility criteria for enrollees' claims to be reimbursed under the reinsurance program.

The 2024 attachment point has been decreased from \$50,000 to \$40,000. The 2024 Co Insurance ha

17. Describe any changes in state law or regulation that might impact the waiver and the date(s) these changes occurred or are expected to occur.

None

18. Report on spending for the plan year. If information for the full plan year is not available, please provide the most complete responses possible and specify the timeframe covered.

	Value	Comments (if applicable)
a. Amount of federal pass-through funding spent on individual claim payments to issuers from the reinsurance program for the plan year.	\$50,924,877.46	
b. Amount of federal pass-through funding spent on operation of the reinsurance program (e.g., administrative costs, EDGE server fees, etc.) for the plan year.	\$528,699.54	
c. Amount of any unspent balance of federal pass-through funding for the plan year.	\$0.00	12/31/2023 Receivable \$3,833,4
d. Amount of state funding contributed to fully fund the program for the plan year.	\$20,266,185.00	

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19. If applicable, provide a claims breakout at an aggregate level for the top five conditions or cost drivers of the five conditions, including settings of care in the individual market.

HCC	HCC Label	#lives ceded	Total YTD Claim
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20. If applicable, report on any strategies or incentives for providers, enrollees, and plan issuers to continue managing health care cost, claims, and utilization for individuals eligible for reinsurance.

Section 9.7.4 of the 2024 Plan of Operation states: Each carrier shall use its cost containment progra

21. If applicable, report any reconciliation of reinsurance payments that the state wishes to make for any duplicative reimbursement through the state reinsurance program for the same high-cost claims reimbursed through the Department of Health and Human Services (HHS)-operated high-cost risk adjustment program.

	Value	Comments (if applicable)
a. Reinsurance payment (before reconciliation) for high-cost claims to issuers who also receive payment through the HHS risk adjustment program under the high-cost risk pool.	N/A	No reconciliations to report. The
b. Risk adjustment amount paid by HHS for those claims.	N/A	N/A
c. Reinsurance reconciliation (or true-up) amount applied.	N/A	N/A

E. POST-AWARD FORUM

22. Was the date, time, and location of the Post-Award Forum advertised 30 days in advance?

Yes
 No

23. State website address where Post-Award Forum was advertised and where the Annual Report is posted. In addition, please ensure prior years' Annual Reports are posted on the state's website.

Posted to Town Hall 4/11/2023 - <https://townhall.idaho.gov/>

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<p>24. Date Post-Award Forum took place:</p> <p>Thursday May 12, 2023 @ 2:00 MT</p>
<p>25. Summary of Post-Award Forum, held in accordance with §155.1320(c), including all public comments received, number of participants in the forum, and actions taken in response to concerns or comments.</p> <p>No questions or comments were received during or after the forum.</p>
<p>26. Other Attachments (attach other documents as needed pertaining to Post-Award Forum)</p> <p>Details were provided in the 6/30 quarterly report</p>
<p style="text-align: center;">F. STATE INTERNAL IMPLEMENTATION REVIEW – ATTESTATION</p>
<p>27. Attestation: The state attests that periodic implementation reviews related to the implementation of the waiver have been conducted in accordance with 31 CFR 33.120(b) and 45 CFR 155.1320(b).</p> <p><input checked="" type="radio"/> Yes</p> <p><input type="radio"/> No</p>
<p>28. Describe the state's implementation review process.</p> <p>In 2023, the Idaho Individual High Risk Pool initiated, produced or completed a number of reports/aud</p>






Reinsurance Annual Reporting Template - 3.28.24 Final

Final Audit Report

2024-03-28

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Signature Date: 2024-03-28 - 4:46:55 PM GMT - Time Source: server- IP address: 67.41.36.193
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IDAHO
INDIVIDUAL HIGH RISK
REINSURANCE POOL
PLAN OF OPERATION
AMENDED AND RESTATED
EFFECTIVE January 1, 2024
FILED January 1, 2024

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PLAN OF OPERATION

ARTICLE 1 – NAME

- 1.1 The Idaho Individual High Risk Reinsurance Pool (hereinafter referred to as the "pool" or IIHRRP) is an independent public body, corporate and politic. The pool performs an essential governmental function in the exercise of powers conferred upon it in Section 41-5502, Idaho Code. Any assessments imposed or collected pursuant to the operation of the pool shall at all times be free from taxation of every kind.

ARTICLE 2 – PURPOSE

- 2.1 The purpose of the pool is to promote the availability and affordability of individual insurance coverage in Idaho, regardless of health or claims experience, by providing a safety net to carriers in the form of a risk pool and reinsurance mechanism to facilitate the guarantee issue of state approved health benefit plans.

ARTICLE 3 – DEFINITIONS

The terms used in the Plan of Operations have the same meanings as they are given in Chapter 55, Title 41, Idaho Code ("the Act"), and are hereby adopted by reference except as specifically provided below.

- 3.1. "Hierarchical condition category" or "HCC" means the system of disease groupings developed by the U.S. Department of Health and Human Services (HHS), consisting of disease codes that predict average healthcare spending.
- 3.2. "High risk medical condition" means a medical condition or diagnosis identified in Schedule A.

ARTICLE 4 – POWERS OF THE POOL

- 4.1. The pool shall have the powers and authority granted by the Act.

ARTICLE 5 – PLAN OF OPERATION

- 5.1. The Individual High Risk Reinsurance Pool will perform its functions under this Plan of Operation, and in accordance with the Idaho Insurance Code. The Plan of Operation and any amendments necessary or suitable hereto will assure the fair, reasonable, and equitable administration of the pool and provide for the sharing of pool gains or losses on an equitable proportionate basis in accordance with the provisions of Section 41-5503, Idaho Code. The Plan of Operation, or any amendments to the Plan of Operation, shall become effective upon the written approval by the Director.

ARTICLE 6 – BOARD OF DIRECTORS

- 6.1. The pool will exercise its powers through a Board of Directors. The board shall consist of ten (10) members. Eight (8) members shall be appointed by the Director and serve at the pleasure of the Director. The Director, or the Director's designated representative, shall serve as an ex-officio voting member of the board.
- 6.2. In selecting the members of the board, the Director shall appoint four (4) members representing carriers, two (2) disability agents and two (2) members representing consumer interest. Additionally, one (1) member shall be a member of the Senate appointed by the President Pro

Tempore of the Senate and one (1) member shall be a member of the House of Representatives appointed by the Speaker of the House. The initial non-legislative board members shall be appointed as follows; two (2) of the members to serve a term of two (2) years; three (3) of the members to serve a term of four (4) years; and three (3) of the members to serve a term of six (6) years. Subsequent non-legislative board members shall serve for a term of three (3) years. Legislative members of the board shall serve for a term of two (2) years. A vacancy in the legislative member's position on the board shall be filled in the same manner as the original appointment. All other vacancies on the board shall be filled by the Director. A non-legislative board member may be removed by the Director for cause.

- 6.3. There shall be no more than one (1) board member representing any one carrier.
- 6.4. A board member term will start upon appointment and expire upon the board member's death, resignation, or the appointment of the board member's successor.
- 6.5. Board members shall be eligible for reappointment. A non-legislative vacancy in the board shall be filled by the Director.
- 6.6. Members selected for the board shall elect a chairperson, vice chairperson and a secretary from among its members and such other officers as it deems appropriate. The terms for these offices will be for one year. Upon election, the chairperson shall notify the Director of the board's officers within thirty (30) days of said elections.
- 6.7. The votes of the board will be on a one-person, one-vote basis. Proxy voting is not allowed.
- 6.8. The majority of the board shall constitute a quorum for the transaction of business. The acts of the majority of the board present at a meeting at which a quorum is present shall be the acts of the board. Members of the board are required to disclose any potential conflict of interest prior to voting on a particular issue. The chairperson will decide whether the member with the potential conflict may vote.
- 6.9. An annual meeting of the board shall be held at the offices of the Department of Insurance on the second Tuesday in August of each year, unless the board designates some other date or place.
- 6.10. At least annually, the board shall:
 - 6.10.1. Review this Plan of Operation and submit proposed amendments, if any, to the Director for approval;
 - 6.10.2. Review reports of the administrator, including audited financial reports, reports on outstanding contracts and obligations, and all other material matters;
 - 6.10.3. Review reports of the committees established by the board;
 - 6.10.4. Determine whether any technical corrections or amendments to the Act shall be recommended to the Director;
 - 6.10.5. Review and give consideration to the performance of the pool in support of the goals of the Act;
 - 6.10.6. Review the reinsurance rates and communication programs based on the provisions of the Act;

- 6.10.7. Review the rates, benefit design, reinsurance rates and communications programs for any high risk pool plans issued prior to April 1, 2017 and still in effect;
- 6.10.8. Review the net premiums, the pool administration expenses and the incurred losses for the year, taking into account investment income and other appropriate gains and losses;
- 6.10.9. Determine if an assessment is necessary for the proper administration of the pool; and
- 6.10.10. Review, consider and act on any matters deemed by the board to be necessary and proper for the administration of the pool.
- 6.11. The board may appoint appropriate legal, actuarial, and other committees as necessary to provide technical assistance in the operation of the plan, policy and contract design, and any other functions within the authority of the pool.
- 6.12. The board shall hold other meetings upon the request of the chairperson, or two or more members of the board, at such times and with such frequency as it deems appropriate. These meetings may be held either in person, by telephone, or by a written ballot circulated to the board members by mail, facsimile or internet e-mail, upon which each will indicate in writing his/her rejection or approval of the measure at issue. Notice of such a meeting and its purpose shall be provided to the Board of Directors at least seven (7) working days prior to the meeting, unless such notice shall be waived by unanimous consent of members of the board. At meetings other than the annual meeting, the board may perform any of the functions listed above.
- 6.13. The board may establish operation procedures for the pool consistent with the Act and this Plan of Operation.
- 6.14. A written record of the proceedings of each board meeting shall be made and submitted to the Director within thirty (30) days of said meeting by the administrator. The original of the record shall be retained by the administrator.
- 6.15. Board members may be reimbursed from the moneys of the pool for reasonable expenses incurred by them as members for traveling, lodging and meals upon approval of such expenses by the board, but shall not otherwise be compensated by the pool for their services.
- 6.16. Board members will review and act upon any other matters deemed necessary.

ARTICLE 7 – COMMITTEES

The board may appoint its members and others to the committees set forth in the Plan of Operation or otherwise established by the board. A written record of the proceedings of each committee shall be maintained by a secretary appointed from the membership of the committee.

- 7.1. Actuarial Committee. The mission of the Actuarial Committee is to:
 - 7.1.1. Assist the board in the establishment or revision of reinsurance parameters, including but not limited to premium rates, the initial level of claims for which the reinsuring carrier is responsible, the coinsurance percentage at which claims above the initial level are reinsured by the pool, and the maximum claims limit above which the pool no longer reinsures.
 - 7.1.2. Assist the board in establishing or revising the high risk medical conditions for which carriers are allowed to cede for reinsurance.

- 7.1.3. Assist the board in establishing or revising procedures for ceding individuals with high risk medical conditions.
- 7.1.4. Make recommendations to the board concerning the high risk pool plan premium rates, reinsurance premium rates, benefit design and communications programs for any high risk pool plans issued prior to April 1, 2017 (“Pool Benefit Plan”) and still in effect.
- 7.1.5. Recommend to the board reports to be made by carriers and the administrator.
- 7.1.6. Provide reports and other recommendations as directed by the board.
- 7.1.7. Determine the incurred claim losses of the pool, including amounts for incurred but not reported claims.
- 7.1.8. Recommend assessment methodology and assessments.
- 7.1.9. Assist the board in any other actuarial-related matters deemed necessary.
- 7.2. Operations Committee. The mission of the Operations Committee is to:
 - 7.2.1. Periodically review the Plan of Operation and make recommendations to the board.
 - 7.2.3. Identify items for which operating rules are needed and to propose them for adoption by the board.
 - 7.2.4. Assist the board in any other matters deemed necessary.
- 7.3. Legal Committee. The mission of the Legal Committee is to handle the following legal matters at the request of the board:
 - 7.3.1. Interpret the provisions of the Act.
 - 7.3.2. Review the Plan of Operation and amendments to the Plan of Operation.
 - 7.3.3. Prepare proposed amendments to the Act.
 - 7.3.4. Coordinate with legal counsel, as needed, on routine legal matters relating to the pool operations, including proposed contracts and operational practices.
 - 7.3.5. Prepare contracts and legal documents for the pool as requested by the board.
 - 7.3.6. Be familiar with, and provide assistance to, the board concerning all litigation and other disputes involving the pool and its operations.
 - 7.3.7. Maintain a written record of all questions received and responses provided, and shall provide copies of all such responses to the board.
 - 7.3.8. Assist the board in other legal-related matters deemed necessary.
- 7.4. Audit Committee. The mission of the Audit Committee shall include the following items, as well as any other appropriate tasks assigned to it by the board:
 - 7.4.1. Develop a uniform audit program to be utilized by independent auditors in their review of pool operations related to reinsurance and assessments.
 - 7.4.2. Establish standards of acceptability and assist the board in the selection of an independent auditor for the annual audit of the pool operations.

- 7.4.3. Assist the board in the review of the reports prepared by the independent auditors.
- 7.4.4. Assist the board on any other audit-related matters deemed necessary.

ARTICLE 8 – ADMINISTRATOR

- 8.1. The administrator performs the administrative functions required under this Plan of Operation. The administrator is responsible, along with the board and the carriers, for the fair, equitable and reasonable administration of the pool.
- 8.2. The board shall select the administrator in accordance with the procedures established and administered by the State of Idaho Division of Purchasing, if required.
- 8.3. The administrator shall perform the following functions as directed by the board:
 - 8.3.1. Prepare and submit monthly reports, meeting minutes and an annual report to the Board of Directors.
 - 8.3.2. Establish procedures and install the systems needed to properly administer the operations of the pool in accordance with the Idaho Insurance Code and this Plan of Operation.
 - 8.3.3. Establish on behalf of the pool, one or more bank accounts for the transaction of business. These bank accounts will be approved by the board.
 - 8.3.4. Collect reinsurance premium and collect all other amounts due to the pool on a timely basis.
 - 8.3.5. Deposit all cash collected on behalf of the pool in the established bank account(s) on a timely basis.
 - 8.3.6. Perform reinsurance reimbursement for claims paid.
 - 8.3.7. Issue checks or drafts on or approve charges against bank accounts of the pool.
 - 8.3.8. Keep all accounting, administrative and financial records of the pool in accordance with this Plan of Operation.
 - 8.3.9. Serve as a communications resource for carriers in reviewing their operations under the Act and the Plan of Operation.
 - 8.3.10. Calculate the assessment, in accordance with the methodology specified in the Act and this Plan of Operation, notify carriers of amounts due and collect appropriate amounts due.
 - 8.3.11. Invest available cash in marketable securities as approved by the board.
 - 8.3.12. Prepare an annual estimate of operating costs for the administration of pool operations.
 - 8.3.13. Perform other functions as agreed to by the board and the administrator.
- 8.4. The administrator shall maintain all records as to premium, reimbursement, and administrative expense as to each calendar year for a period of seven (7) years following the end of such calendar year.
- 8.5. The administrator shall be reimbursed for its reasonable costs of administration in accordance with a written agreement approved by the board.

- 8.6. The administrator will subcontract for services which cost in excess of \$10,000 only with the prior approval of the board.
- 8.7. The administrator shall retain the confidentiality of all information pertaining to persons insured and the carriers in accordance with all applicable statutes, regulations and principles of common law pertaining to confidentiality and trade secrets. Such information shall be used only for the purposes necessary for the operation of the pool and shall be strictly segregated from other records, data or operations of the administrator. Unless specifically required, hereunder or by the Act, no information shall be retained or used by the administrator or disclosed to any third party which information identifies a specific insured or carrier.

ARTICLE 9 – CEDING AND REINSURANCE

9.1. General Rules – Ceding Individuals with High Risk Medical Conditions for Reinsurance

- 9.1.1. **Mandatory Ceding.** Carriers shall give notice to the administrator of every individual diagnosed with a high risk medical condition within ninety (90) days of the adjudication of a claim identifying a high risk medical condition.
- 9.1.2. **Ceding on Individual Basis.** Carriers shall cede coverage on an individual rather than on a policy basis. Only the individual diagnosed with a high risk medical condition shall be reinsured; dependents or other family members of the individual shall not be reinsured, unless also diagnosed with a high risk medical condition.
- 9.1.3. **Retroactive Coverage.** Reinsurance coverage shall be retroactive to the first coverage effective day of the calendar year of the diagnosis triggering the individual's eligibility for reinsurance.
- 9.1.4. **Late Notification.** In the event that the carrier fails to notify the administrator of an individual's eligibility for reinsurance within ninety (90) days of the adjudication of a claim indicating a diagnosis of a high risk medical condition, the carrier shall be liable for reinsurance premiums retroactive to the beginning of the first coverage effective day of the calendar year of the diagnosis. Such failure to properly notify will result in denial of all of that individual's reinsurance claims incurred during the applicable calendar year.
- 9.1.5. **Information Indicating Diagnosis of High Risk Medical Condition.** Carriers shall identify individuals with a high risk medical condition based on an adjudicated claim.
- 9.1.6. **Ceding on Calendar Year Basis.** Eligible individuals will be ceded until the end of the calendar year in which the adjudicated claim was incurred. Reinsurance shall cease mid-year only for reasons identified at Section 41-5509(3), Idaho Code.
- 9.1.7. **Claims Incurred Previous Calendar Year.** If a carrier receives, on or before the last day of April of the current year, a claim which was incurred during the previous calendar year indicating an eligible individual was diagnosed with a high risk medical condition, the carrier shall give notice to the administrator within ninety (90) days of adjudication of the claim. Claims adjudicated after the last day of April of the current year but incurred during the previous year shall not be used as a basis for ceding during the current year.
- 9.1.8. **Mid-Year Changes to Medical Conditions Eligible for Ceding.** In the event Schedule A is amended during the year in accordance with Section 41-5503(1), Idaho Code to add a new high risk medical condition eligible for ceding, the date the administrator notifies the

Carrier of the change to the Schedule A shall constitute the adjudication date for purposes of this Plan of Operation with respect to any individual whose claims became newly eligible for ceding as a result of the change to Schedule A. Carriers shall provide the notice required in Section 9.1.1 by the later of the date set forth in Section 9.1.1. or within (90) days of being notified of the modification to the Schedule A with respect to any such individual newly eligible for ceding.

9.2. General Rules – High Risk Pool Plans Issued Prior to April 1, 2017

9.2.1. Notification. For each insured, including dependents, the carrier must give notice to the administrator of the inception of coverage under a basic, standard, catastrophic A or catastrophic B health insurance benefit plan within sixty (60) days from the later of (a) the date coverage became effective or (b) the date coverage was accepted by or on behalf of the insured. Notice must include all information required by the form(s) adopted by the pool and provided by the administrator.

9.2.2. Late Notification Charge. If notification is not sent within fifteen (15) days following the due date, a late notification charge equal to 100% of the monthly premium for each covered life, including dependents ("insured"), shall be imposed for each full month and each partial month that notice is delayed beyond the due date. The late notification charge is in addition to the premium earned on the covered lives. Late payment charges are addressed in Section 9.5. For purposes of this Subsection, "month" shall mean thirty (30) consecutive days.

Example 1: If coverage became effective and was accepted for an individual on Sunday, June 1, the notice must be sent within 60 days following June 1, i.e. by Thursday, July 31. If the carrier sends the pool administrator notice on Friday, August 15, such notice is within the 15 day grace period and there is no late notification charge. If, however, the notice is sent Saturday, August 16, or Monday August 18, the late charge will be equal to 1 full month's premium for the partial month the notice was delinquent.

Example 2: If coverage became effective and was accepted for a family of 2 adults and 3 children on Tuesday, July 1, the notice must be sent within 60 days, i.e. not later than August 30, except such day is a Saturday and the following days are a Sunday and a holiday -Labor Day - so the due date will be Tuesday, September 2. If the carrier does not send notice until October 3, the late notification charge will be equal to 2 months' combined premium for all 5 insureds, i.e. 1 full month's premium for the month (30 consecutive days) which elapsed from September 2 through October 2 plus an additional month's premium for the partial month (1 day) in October.

Example 3: Same facts as Example 2, except the coverage is not accepted by the insureds until July 8 (although effective July 1) and the carrier sends notice to the pool administrator on September 22. In this case, the last day for timely notification, i.e. "within 60 days", is the Monday following Saturday, September 6; and there is no late notification charge because the notice is sent within 15 days after Monday, September 8.

9.2.3. The carrier must pay all reinsurance premiums due in accordance with Section 9.5, Billing and Payment.

9.2.4. Reinsurance shall be effective on the same date as the Pool Benefit Plan coverage.

- 9.2.5. Any carrier issuing a Pool Benefit Plan shall receive reinsurance to the level of coverage provided in the plan, subject to retention and coinsurance requirements and subject to rescission of coverage under the general laws of insurance.
- 9.2.6. Each carrier reinsuring an individual or eligible dependent is responsible for ascertaining and certifying:
 - 9.2.6.1. that the individual or dependent, is eligible; and
 - 9.2.6.2. that the reinsurance premium rate level payable to the pool has been correctly determined.

Each carrier must also document these determinations in its reporting of reinsurance census data and reinsurance premiums to the administrator.

- 9.2.7. Reinsurance of an individual's coverage under the Pool Benefit Plan ceases at the termination of the individual's status as a reinsured individual or dependent except to the extent that coverage continues as required by law. If the carrier provides coverage for such persons beyond any of the dates indicated above, for contractual or other reasons, reinsurance will be available for a maximum of thirty (30) days beyond said date.
- 9.3. Determination of Individual High Risk Reinsurance Pool Premium. Reinsurance premium rates shall be set as determined by the board and approved by the Department.
- 9.4. Pool Benefit Plan Premium Rates. Premium rates for coverage under the Pool Benefit Plans (basic, standard, catastrophic A and catastrophic B health benefit plans), shall be established according to Section 41-5507, Idaho Code.
- 9.5. Billing and Payment
 - 9.5.1. The payment of reinsurance premiums will be handled on a "self-billed" basis. Monthly, the carrier will provide the administrator with a listing of all reinsured individuals, the reinsurance premium for each individual and such other information as may be required by the pool. The administrator will make any necessary corrections and send the corrected statement to the carrier.
 - 9.5.2. The reinsurance premiums charged by the pool for each individual will be determined by the board, pursuant to Section 9.3. Changes in rates will take effect not less than sixty (60) days after the board gives notice of a change in the tables of rates.
 - 9.5.3. The reinsurance premium rates for coverage under the high risk pool plans issued prior to April 1, 2017 will be determined by the table of rates in effect on the effective date of the Pool Benefit Plan covering that individual. Changes in rates will take effect not less than sixty (60) days after the board gives notice of a change in the tables of rates. However, no such changes will apply to an in-force reinsured Pool Benefit Plan until such plan's anniversary date, unless specified in writing by the board as part of its notice. Any change in the reinsurance rates applicable to any one reinsured individual, occasioned by a change in that person's age, shall take effect on the anniversary of the Pool Benefit Plan which falls on or follows the effective date of the change.
 - 9.5.4. Premiums are determined as of the first (1st) day of each month and are due and payable by the twentieth (20th) day of the month. A late payment charge of \$100.00 for each insured individual and each insured dependent shall be imposed for failure to pay

premium by the fifth (5th) day of the following month. In addition, premium not received by the fifth (5th) day of the following month shall accrue interest at the rate of 1.5% per month from the first (1st) day of the same month until paid.

- 9.5.5. Reinsurance premium amounts are to be paid based on whole month increments only. If a carrier's reinsured coverage is effective between the first (1st) and the fifteenth (15th) of the month, the entire month is paid in full. When coverage becomes effective between the sixteenth (16th) and the last day of the month, no premiums will be payable until the first month following the effective date.
- 9.5.6. Conversely, terminations effective between the first (1st) and the fifteenth (15th) of the month will be allowed refunds for the entire month, and terminations effective between the sixteenth (16th) and the last day of the month will not be allowed a premium refund.
- 9.5.7. Reinsurance premium is due monthly to the pool regardless of the carrier's ability to charge back or collect the premiums. The pool has no responsibility for the collection of premiums from insured individuals.

9.6. Reinsurance Claims

- 9.6.1. The pool shall indemnify carriers for covered claims subject to the following:
 - 9.6.1.1. Claims incurred by individuals ceded for reinsurance in accordance with Section 9.1 shall be reimbursed in accordance with the parameters determined by the board and described at Schedule B.
 - 9.6.1.2. With the Director's approval, the deductible amount, threshold amount, or retention percentage may be changed by the board.
 - 9.6.1.3. For the purposes of this Section, "covered claims" shall mean only such amounts as are actually paid by the carrier for benefits provided for individuals reinsured by the pool. Covered claims shall not include:
 - (a) Claim expenses or salaries paid to employees of the carrier, who are not providers of healthcare services;
 - (b) Court costs, attorney's fees or other legal expenses;
 - (c) Any amount paid by the carrier for:
 - (i) Punitive or exemplary damages; or
 - (ii) Compensatory or other damages awarded to any insured, arising out of the conduct of the carrier in the investigation, trial, or settlement of any claim or failure to pay or delay in payment of any benefits under any policy; or the operation of any managed care, cost containment, or related programs;
 - (d) Any statutory penalty imposed upon a carrier on account of any unfair trade practice or any unfair insurance practice.

9.7. General Claims Requirements

- 9.7.1. Claims Reporting. Within thirty (30) days after the close of each month, the carrier shall furnish to the pool, in a form approved by the board, the following information with respect to reinsured losses submitted to the pool by the carrier during said month:
 - 9.7.1.1. the reinsured individual's identification number;
 - 9.7.1.2. the individual's name and social security number;
 - 9.7.1.3. the claimant's name and date of birth;
 - 9.7.1.4. the claim incurred date and paid date;
 - 9.7.1.5. the reinsurance claim amount;
 - 9.7.1.6. the claim coding (e.g., CPT and ICD9) as required by the board or;
 - 9.7.1.7. such other information as required by the board and provided for on the administrator's reinsuring claims documentation forms.
- 9.7.2. Carriers shall promptly investigate, settle or defend all claims arising under the risks reinsured in a manner consistent with the carrier's non-reinsured business. Carriers shall forward promptly to the pool copies of such reports of investigation as may be requested by the pool.
- 9.7.3. Carriers shall adjudicate all claims on reinsured risks in a manner consistent with the carrier's non-reinsured business.
- 9.7.4. Each carrier shall use its cost containment programs to control costs on reinsured business to the same extent it would use such programs on its non-reinsured business, including but not limited to utilization review, individual case management, and preferred provider provisions. The failure to follow such procedures may result in the denial or reduction of reinsurance claim payments, as determined by the board.
- 9.7.5. The pool shall have the right, at its own expense, to participate jointly with a carrier in the investigation, adjustment or defense of any claim. Carriers will be required to assure that their claim management practices are consistent for reinsured and non-reinsured risks. The failure to follow such procedures may result in the denial or reduction of reinsurance claim payments as determined by the board.
- 9.7.6. The pool shall have the right to inspect the records of the carrier in connection with the risks reinsured with the pool and the carrier shall submit to the pool any additional information it may require in connection with claims submitted to the pool for reimbursement. Carriers shall secure necessary authorization from an insured for this purpose.
- 9.7.7. All information disclosed to the pool by the carrier or to the carrier by the pool, in connection with this plan, shall be considered by both the carrier and the pool to be privileged information.
- 9.7.8. If any payment is made by the pool and the carrier is reimbursed by another insurance policy for the same expenses, the pool shall be reimbursed to the extent that the carrier is reimbursed. The carrier shall execute and deliver instruments and do whatever is necessary to preserve and secure such reimbursement rights.

- 9.7.9. MCO's and other carriers which pay for certain provider services on a basis other than fee for service will be allowed reimbursement for those costs on reinsured persons from the pool based on the negotiated reimbursement amount.
- 9.7.10. Except as approved by the board, reinsurance will be provided only for covered claims submitted within ninety (90) days from the date the expenses on which the claim is based were paid, and no more than twelve (12) months from the date the expenses were incurred, unless the carrier demonstrates that the claimant was not legally capable of submitting the claims. Notwithstanding the foregoing, reinsurance will be provided for covered claims paid during the retroactive coverage period prior to the date of the adjudication of the claim first identifying the high risk medical condition, provided the carrier submits all such covered claims to the plan administrator within (90) days of the date the carrier timely provides notice of ceding in accordance with Section 9.1.1. or 9.1.8. .
- 9.7.11. Carriers shall not delay payment of otherwise valid claims due to the transfer of risk to the pool.
- 9.8. Computation of Time Period. In computing a period of time allowed by this Article, the date of the event after which the period of time begins to run is not to be included. The last day of the period so computed is to be included, unless it is a Saturday, a Sunday or a legal holiday, in which event the period runs until the end of the next day which is neither a Saturday, a Sunday nor a holiday. A half-holiday shall be considered as other days and not as a holiday.
- 9.9. Notices. All notices and other communications required or permitted by this Article shall be deemed given when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile or internet e-mail with confirmation of transmission by the transmitting equipment; or (c) deposited in the U.S. mail properly addressed and with sufficient postage.
- 9.10. Appeals. Carriers shall have the right to appeal an action taken by the Administrator in regard to ceding and reinsurance. Carrier appeals shall adhere to the following process:
- 9.10.1. The carrier notifies the Administrator of the action which the carrier desires to appeal;
- 9.10.2. The Administrator schedules discussion and resolution of the carrier appeal for the next meeting of the board;
- 9.10.1. The board votes on whether to grant or to deny the appeal.

ARTICLE 10 – AUDITING FUNCTIONS

- 10.1. Annual Audit. Annually, the program will cause an audit to be conducted of the pool financial statements. The certified audit report shall be included in the annual fiscal report to the Director.
- 10.2. Audit Scope. The audit shall include the relevant operations of (i) the administrator and (ii) participating carriers. The audit report shall include the auditor's opinion as to whether the financial statements of the pool fairly present in all material respects, the financial position of the pool. Auditors of the pool shall also provide the Audit Committee and the board a report of any reportable conditions or material weaknesses in the internal controls and processes of the pool. At its discretion, the board or Audit Committee may request copies of audit programs and details of audit testing from the auditor.

- 10.3. Audit Program. The audit program shall include detailed testing of representative samples of the following items:
- 10.3.1. Timely notification to the administrator of inception of coverage for any individuals added to a high risk pool plan issued prior to April 1, 2017
 - 10.3.2. Eligibility of insureds for coverage as defined in the Act.
 - 10.3.3. Accurate and timely submission of reinsurance claims to the administrator including underlying payments by the carrier(s) to providers;
 - 10.3.4. Accurate determination of amounts paid on reinsurance claims;
 - 10.3.5. Accurate and timely payment of reinsurance premiums;
 - 10.3.6. Accuracy in the carrier's filings and reports to the Director containing (i) the carrier's earned health insurance premium from health benefit plans issued in Idaho and (ii) the number of Idaho residents insured under the carrier's health benefit plans.
 - 10.3.7. Accuracy in the calculation of any assessments to carriers based on premium revenue as reported by the carriers.
 - 10.3.8. Accuracy in the carrier's identification of individuals diagnosed with a high risk medical condition.
 - 10.3.9. Timely notification to the administrator of individuals for whom reinsurance is mandated under the Act.
- 10.4. Additional Audits. The board shall have the right to conduct such additional audit procedures of carriers and the administrator as it deems appropriate.
- 10.5. Privileged Information. All information disclosed in the course of the audit shall be considered privileged information by the administrator, the carriers, the auditing firm and the pool.
- 10.6. Auditor. All audits shall be conducted by a firm of Certified Public Accountants selected by the board. The audit firm must be independent and with no conflicting interests with any carrier, the pool or the Administrator; and the audit examinations must be made in accordance with the Generally Accepted Auditing Standards of the American Institute of Certified Public Accountants.

ARTICLE 11 – ASSESSMENTS

- 11.1. Initial Capitalization and Interim Assessment. The board shall determine the initial capital needs and may assess each carrier accordingly. The board may, from time to time, make interim assessments on carriers. Interim assessments shall be allowed as offsets to future assessments.
- 11.2. Net Earnings. Each year, the pool's net earnings shall be determined. Net earnings are earned reinsurance premiums, investment income, premium tax revenue and prior assessments in excess of need, less administrative and investment expenses, incurred claims, expense allowances paid, taxes incurred, and agent/broker commissions earned. If the net earnings are negative (i.e., the pool has operated at a loss); the loss shall be recovered by assessments from the carriers as set forth below.
- 11.3. Assessment of Carriers

- 11.3.1. Any net loss for the year shall be recouped by assessments of carriers based on premium earned from all health benefit plans, policies or certificates of coverage for specific disease and hospital confinement indemnity, including reinsurance by way of excess loss and stop loss coverage, and determined in accordance with Section 41-5508, Idaho Code.
- 11.3.2. If the proceeds of an assessment exceed the actual net loss for any year, the excess shall be used by the board to offset future losses or to reduce pool premiums. As used in this paragraph, "future losses" includes reserves for incurred but not reported claims.
- 11.3.3. If the proceeds of an assessment (based upon a good faith estimate of incurred but not reported claims) prove insufficient to offset the actual net loss for any year, such remaining net loss shall be carried forward to the succeeding year and considered in determining pool premium and/or estimated assessments
- 11.4. Late Payments. Assessments shall be paid when billed. If the assessment is not received by the administrator within thirty (30) days of the billing date, interest will be charged from the billing date at the rate of 1.5% per month. The board may suspend reinsurance rights or recommend the Director suspend or revoke the carrier's certificate of authority if payments are not made in accordance with this Article.
- 11.5. De Minimis Assessments. Any assessment of less than \$500 shall not be billed to a carrier, but will be accumulated as a deferred assessment until the cumulative amount deferred exceeds \$500. Any assessment of less than \$50 shall be forgiven.
- 11.6. Assessment Deferral. A carrier may seek from the Director, a deferment from all or part of an assessment imposed by the board. The Director may defer all or part of the assessment of a carrier if the Director determines that the payment of the assessment would place the carrier in a financially impaired condition. If all or part of an assessment against a carrier is deferred, the amount deferred shall be assessed against the other carriers in a manner consistent with the basis for assessment set forth in this Section. The carrier receiving the deferment shall remain liable to the pool for the amount deferred and shall be prohibited from issuing a health benefit plan until such time as it pays the assessments.

ARTICLE 12 – REPORTING REQUIREMENTS

- 12.1. Information Required by Pool. Unless otherwise specified by the board, the following information shall be required by the pool for reinsured risks:
 - 12.1.1. Copy of the Idaho Individual Application;
 - 12.1.2. Identification of the reinsured individual, and any required authorizations for release of medical information, subrogation, third-party liability, etc.;
 - 12.1.3. Name, date of birth, sex, and the identification number of the individual being reinsured;
 - 12.1.4. Plan anniversary date;
 - 12.1.5. Plan version
 - 12.1.6. Effective date of the individual coverage;
 - 12.1.7. Status code as required by the board; and

12.1.8. Hierarchical condition category (HCC) and the high risk medical code(s) with which the reinsured individual has been diagnosed.

12.1.9. The above information may be changed or additional information may be required by the board.

ARTICLE 13 – FINANCIAL ADMINISTRATION

13.1. Books and Records. The administrator shall maintain the books and records of the pool so that financial statements can be prepared to satisfy the Idaho Insurance Code, as amended. Further, the books shall satisfy any additional requirements as may be deemed necessary to meet the needs of the board, the Department and outside auditors.

13.1.1. The receipt and disbursement of cash by the pool and financial statements shall be prepared on the accrual basis of accounting.

13.1.2. Non-cash transactions shall be recorded when the asset or the liability should be realized by the pool in accordance with generally accepted accounting principles.

13.1.3. Assets and liabilities of the pool, other than cash, shall be accounted for and described in itemized records.

13.1.4. The net balance due to/from the pool shall be calculated for each carrier and confirmed with carriers as deemed appropriate by the board or when requested by the respective carrier. These balances should be supported by a record of each carrier's financial transaction with the pool. These records include:

13.1.4.1. Assessments, if applicable to the particular carriers.

13.1.4.2. Allocated net earnings/losses of the pool based upon the assessments methodology contained in this Plan of Operation.

13.1.4.3. Any adjustments to assessments as explained in this Plan of Operation.

13.1.4.4. The amount of reinsurance premium due to the pool.

13.1.4.5. The amount of reimbursement due from the pool to carriers.

13.1.4.6. Adjustments to the amount due to/from the pool based upon corrections to the carrier submissions.

13.1.4.7. Interest charges due from the carriers for late payment of amounts due to the pool.

13.1.4.8. Such other records as may be required by the board.

13.1.5. The pool shall maintain a general ledger whose balances are used to produce the pool's financial statements in accordance with generally accepted accounting principles. The balances in the general ledger shall agree with the corresponding balances in subsidiary ledgers or journals.

13.2. Handling and Accounting of Assets and Money. Money and marketable securities shall be kept in bank accounts and investment accounts as approved by the board. The administrator shall deposit receipts and make disbursements from these accounts.

- 13.3. Bank Accounts. All bank accounts/checking accounts shall be established in the name of the Idaho Individual High Risk Reinsurance Pool, and shall be approved by the board. Authorized check signers shall be approved by the board.
- 13.4. Lines of Credit. All lines of credit shall be established in the name of the Idaho Individual High Risk Reinsurance Pool, and shall be approved by the board. Lines of credit shall be used to meet cash shortfalls.
- 13.5. Investment Policy. All cash shall be invested in available investment vehicles deemed appropriate by the board.
- 13.6. Department Reimbursement. Ongoing administrative expenses incurred by the Department solely to support the Idaho Individual High Risk Reinsurance Pool will be presented to the board for reimbursement.

ARTICLE 14 – PENALTIES AND DISPUTE RESOLUTION

- 14.1. Good Faith and Due Diligence of the Carriers. Given numerous factual determinations and tasks to be performed by carriers relative to their participation in the pool, it is expected that all carriers will exercise the highest degree of good faith and due diligence in all aspects of their relationship with the pool. Errors will occur, however, and it is appropriate that the sanctions applicable to such errors be detailed.
- 14.2. Errors Related to Reinsurance.
 - 14.2.1. Reinsuring an individual ineligible for reinsurance (initial placement or failure to remove an individual becoming ineligible): Coverage for the individual shall be terminated as of the first date of ineligibility. Claims paid by the pool in excess of premiums received are to be returned to the pool with interest. Premium paid in excess of claims will be refunded without interest. An administrative charge established by the board may be assessed in such situations.
 - 14.2.2. Reinsuring an individual eligible for reinsurance at the incorrect premium rate (failure to use correct rates or to apply correct rates to persons reinsured): Reinsurance premiums for the persons involved shall be recalculated and immediate payment of additional premiums must be made, plus interest and an administrative charge. Excess payments will be refunded without interest subject to the limitation on premium refunds.
 - 14.2.3. Reinsuring incorrect Plan: Premiums will be recalculated on the basis of the correct plan and all additional premiums due will be paid immediately, with interest and the administrative charge. Excess premiums will be refunded without interest subject to the limitation on premium refunds.
 - 14.2.4. Incorrect claim payments or submissions: The claim will be recalculated and any amount due to the pool will be repaid immediately, with interest. Adjustments of claim payments for amounts recovered by the carrier under coordination of benefit, subrogation or similar provision shall not be considered errors for which interest or any administrative charge shall be due.
- 14.3. Errors Related to Assessments. All carrier errors related to the assessment shall require the immediate payment of additional amounts due plus interest calculated from the date such sum should have been paid, plus an administrative charge as established by the board.

- 14.4. Errors not Listed. All additional sums due to the pool as a result of errors made by carriers other than those listed above shall be paid immediately, with interest and with the applicable administrative charge.
- 14.5. Gross Negligence and Intentional Misconduct. If the board determines that the nature or extent of the errors related to reinsurance or otherwise by a particular carrier evidences gross negligence or intentional misconduct, the board may, after notice and a hearing, terminate some or all current reinsurance for the carrier or suspend the right of the carrier to sue the reinsurance mechanism for an appropriate period of time. All such actions shall require the concurrence of the Director before they become effective. The board will ensure, to the extent possible, that the suspension or termination of reinsurance for the carrier shall not adversely affect individuals already insured by the carrier.
- 14.6. Interest and Administrative Charges. All interest payments required under this Article shall be calculated from the date the incorrect payment occurred or correct payment should have been made through the date of payment. The rate of interest and the administrative charge shall be established by the board and may be waived by the board. Errors reported by carriers within ninety (90) days of their occurrence shall not be subject to interest or any administrative charges.
- 14.7. Limitation on Premium Refunds. All premium refunds due under this Article shall be limited to a period of twelve (12) months from the date the error was corrected unless otherwise agreed to by the board.
- 14.8. Carrier Appeal of Disputes to Board. The administrator will act on behalf of the board in attempting to resolve disputes between a carrier and the pool; however, a carrier may request permission to appear before the board at any time, in connection with any dispute with the pool.

ARTICLE 15 – INDEMNIFICATION

- 15.1. Neither the participation in the pool as reinsuring carriers, the establishment of rates, forms or procedures, nor any other joint or collective action required by the Idaho Insurance Code, as amended, shall be the basis of any legal action, criminal or civil liability, or penalty against the pool or any of its reinsuring carriers either jointly or separately.
- 15.2. To the fullest extent permitted by law, the Idaho Individual Health Reinsurance Pool ("pool") shall 1) indemnify any person against all liability and costs, including the amounts of judgments, settlements, fines or penalties, and expenses and reasonable attorney fees incurred in connection with the action, suit, or proceeding as they become due and 2) advance expenses incurred or to be incurred by such person in defending a civil, criminal, administrative or investigative action, suit or proceeding, threatened or commenced by reason of or arising out of the fact said person is or was a director, officer, employee, agent or volunteer of the pool, or is or was serving at the request of the pool or the Idaho Department of Insurance as a director, officer, employee, agent or volunteer of another program, committee, subcommittee or commission. Any such indemnification or advancement of expenses shall not be deemed exclusive of any other rights to which such person may be entitled under any law or agreement, or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. Any indemnification or advancement of expenses so granted or paid by the pool shall continue as to a person who has ceased to be a director, officer, employee, agent or volunteer and shall inure to the benefit of the heirs and personal representative of such a person.

- 15.3. No director, officer, employee, agent or volunteer of the pool shall be liable, and no claim for relief or cause of action of any nature may arise against such person, for any act or omission related to the exercise or performance of such person's powers and duties, unless such act or omission constitutes willful or wanton misconduct or a knowing violation of law.
- 15.4. The obligations and undertakings set forth herein are for the express benefit of the indemnity and are in consideration of the services rendered and to be rendered by the indemnity. The indemnity is expected and shall be entitled to rely upon the benefit of this provision.
- 15.5. This indemnification shall not be provided on any matter in which the person is finally adjudged in the action, suit, or proceeding to have committed a breach of duty involving willful or wanton misconduct or a knowing violation of law.

ARTICLE 16 – AMENDMENT

- 16.1. Amendments to this Plan of Operation may be suggested by any carrier and be adopted by the board at any time. Amendments to this Plan of Operation shall be subject to the approval of the Director.

ARTICLE 17 – TERMINATION

- 17.1. The pool shall continue in existence subject to termination in accordance with the requirements of a law or laws of the State of Idaho or the United States of America. In case of enactment of a law or laws which, in the determination of the board and the Director shall result in the termination of the pool, the pool shall terminate and conclude its affairs in a manner to be determined by the board with the approval of the Director. Any funds or assets of any nature held by the pool following termination and payment of all claims and expenses of the pool shall be distributed to the carriers existing at that time in accordance with the then existing assessment formula.

SCHEDULE A – ELIGIBLE HIGH RISK MEDICAL CONDITIONS

A high risk medical condition is defined for purposes of reinsurance ceding as the diagnostic codes (ICD-10 codes) that are included within the HHS Hierarchical Condition Categories (HHS-HCCs) approved by the Board. HHS maintains the HHS-HCCs and the corresponding ICD-10 codes for purposes of the individual marketplace risk adjustment model. The HHS-HCCs and their underlying ICD-10 codes are published at <https://www.cms.gov/cciio/resources/regulations-and-guidance>. The Department of Insurance will publish on its website at <https://doi.idaho.gov> the full list of ICD-10 codes and any updates, when available, to assist carriers and the administrator in the ceding process.

Hierarchical Condition Categories
HCC 2: Septicemia, Sepsis, Systemic Inflammatory Response Syndrome/Shock
HCC 3: Central Nervous System Infections, Except Viral Meningitis
HCC 4: Viral or Unspecified Meningitis
HCC 6: Opportunistic Infections
HCC 8: Metastatic Cancer
HCC 9: Lung, Brain, and Other Severe Cancers, Including Pediatric Acute Lymphoid Leukemia
HCC 10: Non-Hodgkin Lymphomas and Other Cancers and Tumors
HCC 11: Colorectal, Breast (Age < 50), Kidney, and Other Cancers
HCC 19: Diabetes with Acute Complications
HCC 23: Protein-Calorie Malnutrition
HCC 27: Lipidoses and Glycogenesis
HCC 34: Liver Transplant Status/Complications
HCC 35.1: Acute Liver Failure/Disease, Including Neonatal Hepatitis
HCC 35.2: Chronic Liver Failure/End-Stage Liver Disorders
HCC 42: Peritonitis/Gastrointestinal Perforation/Necrotizing Enterocolitis
HCC 45: Intestinal Obstruction
HCC 54: Necrotizing Fasciitis
HCC 55: Bone/Joint/Muscle Infections/Necrosis
HCC 66: Hemophilia
HCC 68: Aplastic Anemia
HCC 69: Acquired Hemolytic Anemia, Including Hemolytic Disease of Newborn
HCC 71: Beta Thalassemia Major
HCC 73: Combined and Other Severe Immunodeficiencies
HCC 74: Disorders of the Immune Mechanism
HCC 75: Coagulation Defects and Other Specified Hematological Disorders
HCC 83: Alcohol Use with Psychotic Complications
HCC 87.2: Delusional and Other Specified Psychotic Disorders, Unspecified Psychosis
HCC 96: Prader-Willi, Patau, Edwards, and Autosomal Deletion Syndromes
HCC 97: Down Syndrome, Fragile X, Other Chromosomal Anomalies, and Congenital Malformation Syndromes
HCC 107: Quadriplegia
HCC 115: Myasthenia Gravis/Myoneural Disorders and Guillain-Barre Syndrome/Inflammatory and Toxic Neuropathy
HCC 118: Multiple Sclerosis
HCC 121: Hydrocephalus

HCC 122: Coma, Brain Compression/Anoxic Damage
HCC 125: Respirator Dependence/Tracheostomy Status
HCC 126: Respiratory Arrest
HCC 127: Cardio-Respiratory Failure and Shock, Including Respiratory Distress Syndromes
HCC 128: Heart Assistive Device/Artificial Heart
HCC 130: Heart Failure
HCC 131: Acute Myocardial Infarction
HCC 132: Unstable Angina and Other Acute Ischemic Heart Disease
HCC 135: Heart Infection/Inflammation, Except Rheumatic
HCC 137: Hypoplastic Left Heart Syndrome and Other Severe Congenital Heart Disorders
HCC 138: Major Congenital Heart/Circulatory Disorders
HCC 139: Atrial and Ventricular Septal Defects, Patent Ductus Arteriosus, and Other Congenital Heart/Circulatory Disorders
HCC 145: Intracranial Hemorrhage
HCC 146: Ischemic or Unspecified Stroke
HCC 149: Cerebral Aneurysm and Arteriovenous Malformation
HCC 150: Hemiplegia/Hemiparesis
HCC 151: Monoplegia, Other Paralytic Syndromes
HCC 153: Atherosclerosis of the Extremities with Ulceration or Gangrene
HCC 154: Vascular Disease with Complications
HCC 156: Pulmonary Embolism and Deep Vein Thrombosis
HCC 158: Lung Transplant Status/Complications
HCC 159: Cystic Fibrosis
HCC 162: Fibrosis of Lung and Other Lung Disorders
HCC 163: Aspiration and Specified Bacterial Pneumonias and Other Severe Lung Infections
HCC 183: Kidney Transplant Status/Complications
HCC 184: End Stage Renal Disease
HCC 187: Chronic Kidney Disease, Stage 5
HCC 188: Chronic Kidney Disease, Severe (Stage 4)
HCC 218: Extensive Third Degree Burns
HCC 219: Major Skin Burn or Condition
HCC 226: Hip and Pelvic Fractures
HCC 234: Traumatic Amputations and Amputation Complications
HCC 242: Extremely Immature Newborns, Birthweight < 500 Grams
HCC 243: Extremely Immature Newborns, Including Birthweight 500-749 Grams
HCC 244: Extremely Immature Newborns, Including Birthweight 750-999 Grams
HCC 245: Premature Newborns, Including Birthweight 1000-1499 Grams
HCC 246: Premature Newborns, Including Birthweight 1500-1999 Grams
HCC 247: Premature Newborns, Including Birthweight 2000-2499 Grams
HCC 251: Stem Cell, Including Bone Marrow, Transplant Status/Complications
HCC 253: Artificial Openings for Feeding or Elimination

SCHEDULE B – REINSURANCE PARAMETERS

Covered claims shall be reimbursed as follows.

Beginning January 1, 2018, and continuing through December 31, 2019:

- Attachment point: \$50,000
- Coinsurance rate: fifty percent (50%)
- Maximum annual reinsurance of \$250,000

Beginning January 1, 2020, and continuing through December 31, 2020:

- Attachment point: \$50,000
- Coinsurance rate: sixty percent (60%)
- Maximum annual reinsurance of \$250,000

Beginning January 1, 2021, and continuing through December 31, 2021:

- Attachment point: \$50,000
- Coinsurance rate: seventy percent (70%)
- Maximum annual reinsurance of \$500,000

Beginning January 1, 2022, and continuing through December 31, 2022:

- Attachment point: \$50,000
- Coinsurance rate: sixty-three percent (63%)
- Maximum annual reinsurance of \$500,000

Beginning January 1, 2023, and continuing through December 31, 2023:

- Attachment point: \$50,000
- Coinsurance rate: seventy percent (70%)
- Maximum annual reinsurance of \$665,000

Beginning January 1, 2024, and continuing until such time as specified by the board in accordance with 41-5505(2), Idaho Code:

- Attachment point: \$40,000
- Coinsurance rate: seventy percent (75%)
- Maximum annual reinsurance of \$720,000



February 28, 2024

To the Board of Directors
Idaho Individual High Risk Reinsurance Pool
Boise, Idaho

We have audited the financial statements of Idaho Individual High Risk Reinsurance Pool (the Pool), a component unit of the State of Idaho, as of and for the year ended December 31, 2023, and have issued our report thereon dated February 28, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance

As communicated in our letter dated November 9, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the Pool complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Pool's major federal program. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Pool solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the Pool's major federal program compliance, is to express an opinion on the compliance for the Pool's major federal program based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the Pool's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated February 28, 2024. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated February 28, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Pool is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are as follows:

Management's estimate of the incurred but not reported (IBNR) liability is based on calculations provided by the major carriers, less amounts already accrued as claims payable at December 31, 2023. We evaluated the key factors and assumptions used to develop the IBNR liability in determining that it is reasonable in relation to the basic financial statements taken as a whole. Along with this estimate of claims IBNR liability, management estimated a premium receivable for potential premiums to be received when the projected claims are submitted for reimbursement on new ceded lives. This estimated premium was recognized as revenue and a receivable at year end.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Pool's financial statements relate to the provisions for unpaid claims and claim administration, which discussed the Pool's liability for claims which were incurred before year-end, but for which payment will not be made until after year end.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We have made the following modification to our auditor's report:

Emphasis of Matter

As discussed in Note 1, the financial statements of the Pool are intended to present the financial position, the changes in financial position, and cash flows attributable to the Pool. They do not purport to, and do not present fairly the financial position of the State of Idaho as of December 31, 2023 and 2022, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified in respect to this matter.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated February 28, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Pool, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Pool's auditors.

This report is intended solely for the information and use of the Board of Directors, and management of the Idaho Individual High Risk Reinsurance Pool and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Boise, Idaho



Financial Statements
December 31, 2023 and 2022

Idaho Individual High Risk Reinsurance Pool

Idaho Individual High Risk Reinsurance Pool

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December 31, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors
Idaho Individual High Risk Reinsurance Pool
Boise, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Idaho Individual High Risk Reinsurance Pool (the Pool), a component unit of the State of Idaho, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Pool, as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Pool, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the pool are intended to present the financial position, the changes in financial position, and cash flows attributable to the Pool. They do not purport to, and do not present fairly the financial position of the State of Idaho as of December 31, 2023 and 2022, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified in respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 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 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 Pool'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.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pool's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024, on our consideration of the Pool'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 Pool'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 Pool's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
February 28, 2024

Idaho Individual High Risk Reinsurance Pool

Statements of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 33,138,845	\$ 8,008,188
Premiums receivable	4,134,566	929,647
Grant receivable	3,833,439	-
Accrued interest receivable	539,977	267,219
Investments	<u>54,000,418</u>	<u>48,303,770</u>
	<u>\$ 95,647,245</u>	<u>\$ 57,508,824</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 115,156	\$ 84,986
Claims payable	24,402,230	4,257,640
Estimated liability for claims incurred but not reported	<u>12,550,000</u>	<u>3,270,000</u>
Total current liabilities	37,067,386	7,612,626
Restricted Net Position	<u>58,579,859</u>	<u>49,896,198</u>
	<u>\$ 95,647,245</u>	<u>\$ 57,508,824</u>

Idaho Individual High Risk Reinsurance Pool
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Premiums earned	\$ 24,972,814	\$ 7,181,312
Less claims incurred	(89,848,292)	(21,385,323)
Excess claims over premiums	(64,875,478)	(14,204,011)
Operating Expenses		
Contracted management services	802,441	155,381
Professional fees	121,929	241,708
Other administrative costs	1,954	2,341
Total operating expenses	926,324	399,430
Loss from Operations	(65,801,802)	(14,603,441)
Nonoperating Income (Expense)		
Grant revenue	51,453,577	-
Interest income	1,866,360	623,491
Gain (loss) on investments	899,341	(2,154,590)
State contribution	20,266,185	42,239,005
Total nonoperating income	74,485,463	40,707,906
Change in Net Position	8,683,661	26,104,465
Restricted Net Position, Beginning of Year	49,896,198	23,791,733
Restricted Net Position, End of Year	\$ 58,579,859	\$ 49,896,198

Idaho Individual High Risk Reinsurance Pool

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Receipts from premiums paid by insurance carriers	\$ 21,767,895	\$ 6,907,039
Payments to reimburse insurance carriers	(60,423,702)	(21,187,377)
Payments to suppliers	(896,154)	(346,262)
Net Cash used for Operating Activities	(39,551,961)	(14,626,600)
Noncapital Financing Activities		
Receipt of federal funds	47,620,138	-
Receipt of state funds	20,266,185	42,239,005
Net Cash from Noncapital Financing Activities	67,886,323	42,239,005
Investing Activities		
Purchase of investments	(34,099,431)	(33,984,872)
Sale of investments	29,302,124	7,737,423
Interest received	1,593,602	379,185
Net Cash used for Investing Activities	(3,203,705)	(25,868,264)
Change in Cash and Cash Equivalents	25,130,657	1,744,141
Cash and Cash Equivalents, Beginning of Year	8,008,188	6,264,047
Cash and Cash Equivalents, End of Year	\$ 33,138,845	\$ 8,008,188
Reconciliation of net operating loss to net cash used for operating activities		
Operating loss	\$ (65,801,802)	\$ (14,603,441)
Adjustments to reconcile operating loss to net cash used for operating activities		
Change in premiums receivable	(3,204,919)	(274,273)
Change in accounts payable	30,170	53,168
Change in claims payable	20,144,590	(172,054)
Change in estimated liability for claims incurred but not reported	9,280,000	370,000
Net Cash used for Operating Activities	\$ (39,551,961)	\$ (14,626,600)

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Idaho Individual High Risk Reinsurance Pool (the Pool) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Pool's accounting policies are described below.

Reporting Entity

The Pool was organized effective July 1, 2000. The Pool is an independent public body, corporate and politic created by Section 41-5502 of the Idaho State Code, which is governed by a ten-member Board of Directors, eight of which are appointed by the Director of the Department of Insurance. The purpose of the Pool is to promote the availability of individual health insurance coverage in Idaho, regardless of health or claims experience, by providing a safety net to carriers in the form of a risk pool and reinsurance mechanism to facilitate the guarantee issue of standardized State approved health benefit plans.

For financial reporting purposes, in accordance with GAAP, the Pool is included as a discretely presented component unit in the State of Idaho's financial statements. These statements present only the funds of the Pool and are not intended to present the financial position and results of operations of the State of Idaho in conformity with generally accepted accounting principles.

Basis of Presentation

The Pool is an enterprise fund, which is a proprietary fund type. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Pool considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist of government obligations and money market funds. Investments are measured at fair market value.

Grant Revenue & Revenue Recognition

Premiums due from the carriers are recognized as they are earned by the Pool for lives that are ceded by the carriers. Contributions from the State of Idaho are recognized when received. The Pool's federal grant is received on a reimbursement basis. Amounts received are recognized as revenue when the Pool has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of net position.

Assessments and Premiums

Under Idaho Code Section 41-5508, the Board of Directors shall determine the net loss for the previous calendar year, including administrative expenses and incurred losses for the year, taking into account investment income and other appropriate gains and losses, and any premium tax funds appropriated to the Pool pursuant to section 41-406. If revenues exceed net losses, the excess funds must be held to be used to offset future losses or to reduce premiums.

The premiums in the financial statements only reflect the premiums paid by the carriers to the Pool for the reinsurance. Total premiums paid by the insureds to the carriers for this Pool would be higher because they include broker commissions and the carrier portion of the risk and their administrative fees.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in determining the accrued liability for claims incurred but not reported. It is at least reasonably possible that the significant estimates used will change within the next year.

Note 2 - Cash Deposits

As of December 31, 2023 and 2022, the book balance of deposits was \$17,924,908 and \$2,799,573, respectively. The bank balance of deposits at year end was as follows:

	<u>2023</u>	<u>2022</u>
Commercial checking account	<u>\$ 17,924,908</u>	<u>\$ 2,799,573</u>

Of the 2023 bank balance, \$250,000 was covered by FDIC insurance and \$17,674,908 was uninsured and uncollateralized. Of the 2022 bank balance, \$250,000 was covered by FDIC insurance and \$2,549,573 was uninsured and uncollateralized.

The Pool also had cash equivalents with a book balance of \$15,213,937 and \$5,208,615, as of December 31, 2023 and 2022, respectively. These cash equivalents are invested in securities guaranteed by the United States Government and held in the Pool's name.

Note 3 - Investments

At December 31, 2023, the Pool's investment balances were as follows:

	<u>Fair Value</u>	<u>Cost</u>
Investments		
Government Bonds	<u>\$ 54,000,418</u>	<u>\$ 55,199,923</u>

At December 31, 2022, the Pool's investment balances were as follows:

	<u>Fair Value</u>	<u>Cost</u>
Investments		
Government Bonds	<u>\$ 48,303,770</u>	<u>\$ 50,699,377</u>

Investment types that are authorized by the Pool's investment policy are as follows:

1. Certificate of Deposit at insured financial institutions;
2. Money market funds that invest in government backed securities;
3. Interest bearing deposit accounts of insured financial institutions; and
4. Direct obligations of the U.S. Government, its agencies and instrumentalities.

Any investment manager retained by the Pool or mutual fund purchased by the Pool shall be authorized to invest, in addition to the allowable investments above, as follows:

1. Commercial Paper rated A-1/P-1 by the Standard & Poor's and Moody's;
2. Commercial Paper backed by bank letters of credit where the long-term letter of credit rating is rated at least double A (AA, Aa) by one rating service;
3. Variable rate notes where minimum rating is A-1/P-1; and
4. Corporate notes with minimum rating of investment grade by one rating service.

Equity investments are not allowed in the Pool.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the market will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Pool manages its exposure to interest rate risk by purchasing short-term investments with weighted average maturity of 3 years or less. The Pool considers the maturity of money market funds in its weighted average maturity calculation. The weighted average maturity calculation for 2023 was 1.32 years. The maximum maturity of any individual security cannot be greater than 5 years.

	<u>Fair Value</u>	<u>Duration (years)</u>
Deposits and investments subject to duration measurement		
Governmental bonds	<u>\$ 54,000,418</u>	1.32
Total deposits and investments subject to duration measurement	<u><u>\$ 54,000,418</u></u>	

The weighted average maturity calculation for 2022 was 1.89 years. The maximum maturity of any individual security cannot be greater than 5 years.

	<u>Fair Value</u>	<u>Duration (years)</u>
Deposits and investments subject to duration measurement		
Governmental bonds	<u>\$ 48,303,770</u>	1.89
Total deposits and investments subject to duration measurement	<u><u>\$ 48,303,770</u></u>	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All investments are in compliance with the rating policy. As of December 31, 2023 and 2022, all of the government bonds were rated at AA+ by Standards & Poor and Aaa by Moody.

Concentration of Credit Risk

The Pool's investment policy limits the amount that can be invested in any one issuer. No more than 10% of the short-term fund balance can be in the securities of any one issuer with the exception of obligations of the U.S. Government, its agencies and instrumentalities, repurchase agreements collateralized by obligations of the U.S. Government, its agencies and instrumentalities, federally insured certificates of deposit, mutual funds and money market mutual funds. The Pool has three issuers that consist of more than 10% of the investment fund balance. As these issuers are obligations of the U.S. Government, the Pool is in compliance with its investment policy.

Idaho Individual High Risk Reinsurance Pool

Notes to Financial Statements

December 31, 2023 and 2022

Below is a listing of all investments with concentrations higher than 5% as of December 31, 2023.

Issuer	Investment Type	Market Value	Percentage
Federal Home Loan Bank (FHLB)	Government Bond	\$ 30,402,121	56.30%
Federal Home Loan Mtg Corp	Government Bond	10,470,724	19.39%
Federal Home LN	Government Bond	6,163,060	11.41%

Below is a listing of all investments with concentrations higher than 5% as of December 31, 2022.

Issuer	Investment Type	Market Value	Percentage
First Federal Community Bank	Government Bond	\$ 2,989,281	6.19%
Federal Home Loan Bank (FHLB)	Government Bond	25,636,551	53.07%
Federal Home LN	Government Bond	9,546,666	19.76%
Federal Home LN B	Government Bond	4,759,140	9.85%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Pool does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

The Pool minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be identified as to the Pool's ownership and be held in the Pool's name. All agency bonds and money market funds are held in custody by Charles Schwab & Co. in the Pool's name.

Fair Value

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Idaho Individual High Risk Reinsurance Pool

Notes to Financial Statements

December 31, 2023 and 2022

The Pool's investment fair value measurements are as follows at December 31, 2023:

Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities				
Government Bonds	\$ 54,000,418	\$ -	\$ 54,000,418	\$ -
Total investments	<u>\$ 54,000,418</u>	<u>\$ -</u>	<u>\$ 54,000,418</u>	<u>\$ -</u>

The Pool's investment fair value measurements are as follows at December 31, 2022:

Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities				
Government Bonds	\$ 48,303,770	\$ -	\$ 48,303,770	\$ -
Total investments	<u>\$ 48,303,770</u>	<u>\$ -</u>	<u>\$ 48,303,770</u>	<u>\$ -</u>

Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

Note 4 - State Contributions

The Pool received funding of \$20,266,185 and \$17,239,005, from the State of premium tax funds appropriated to the Pool pursuant to Section 41-406 during the years ended December 31, 2023 and 2022, respectively.

The Pool also received appropriated funding of \$25,000,000 from the Office of the State Controller from the General Fund pursuant to Senate Bill No. 1428 during the year ended December 31, 2022.

Note 5 - Provisions for Unpaid Claims and Claims Administration

In accordance with accounting principles generally accepted in the United States of America, the Pool estimates its liability for claims which were incurred before year end, but for which payment will not be made until after year end. The estimate is based on information concerning incurred but not reported claims provided by the insurance companies which are currently participating in the Pool. The Pool's Actuarial Committee monitors the estimates with assistance from actuarial consultants, and the necessary adjustments are reflected in current operations. As of December 31, 2023 and 2022, the provision for unreported and unpaid claims for the original high risk pool was \$50,000 and \$20,000, respectively. As of December 31, 2023 and 2022, the provision for unreported and unpaid claims for the condition based high risk pool was \$12,500,000 and \$3,250,000, respectively. Differences between actual and estimated claims are charged to operations in the year that the differences, if any, become known.

Idaho Individual High Risk Reinsurance Pool

Notes to Financial Statements
December 31, 2023 and 2022

The following represents the changes in the provision for unreported and unpaid claims for the years ended December 31, 2023 and 2022:

	2023	2022
Unpaid losses and loss adjustment expenses, beginning of year	\$ 3,270,000	\$ 2,900,000
Incurred losses and loss adjustment expenses		
Provision for insured events of the current year	91,141,216	20,985,109
Increase (decrease) in provision for insured events of prior year	(1,292,924)	400,214
Total incurred losses and loss adjustment expenses	89,848,292	21,385,323
Payments		
Losses and loss adjustment expense attributable to insured events of the current year	78,591,216	17,715,109
Losses and loss adjustment expense attributable to insured events of the prior year	1,977,076	3,300,214
Total payments	80,568,292	21,015,323
Unpaid losses and loss adjustment expenses, end of year	\$ 12,550,000	\$ 3,270,000

The provision for insured events and loss adjustment expenses incurred in prior years decreased during the year ended December 31, 2023, and increased during the year ended December 31, 2022. The change is primarily due to anticipated development during the year on losses incurred from previous years, and the corresponding change in the actuarial estimates of ultimate liabilities for incurred claims from those years.

Note 6 - Management Contract

Effective January 1, 2023, the Pool entered into an Administrative Services Agreement (the Agreement) with River 9 Consulting, Inc. (River 9). River 9 provides general management and accounting services to the Pool. The Agreement stipulates a base rate of \$4,500/month in addition to an \$11 monthly fee for the first 2,000 ceded lives and then \$10.75 for each ceded life above 2,000. The rates will increase 3.0% each year starting January 1, 2024, for the duration of the contract.

The management service expense for the years ended December 31, 2023 and 2022, was \$802,441 and \$155,381, respectively, of which \$98,001 and \$10,490 was payable at December 31, 2023 and 2022, respectively.

Note 7 - Insurance/Risk Management

The Pool is exposed to various risks of loss related to tort claims as well as errors and omissions by employees. The Pool is covered through commercial insurance purchased by River 9 to the extent of River 9's employees' involvement with the Pool. Current insurance coverage is summarized as follows:

Individual Claim	\$	1,000,000
Aggregate Claims	\$	3,000,000

Note 8 - Idaho Condition-Based Reinsurance Pool

The Affordable Care Act provides guaranteed availability of coverage in the individual market. During the 2017 legislative session, changes were made to create a new condition-based reinsurance Pool and allow existing members from the original Pool to remain in the Pool until they voluntarily leave. The purpose of the new Pool is to assist in stabilizing the Idaho individual insurance market place, which resulted in a large increase in enrollment during 2018. Each year the condition-based ceded individuals end reinsurance coverage on December 31. They requalify for reinsurance coverage based on the qualifying conditions in the new year.

Note 9 - Affordable Care Act and Section 1332 Waiver

On August 16, 2022, the State of Idaho received approval from the United States Department of Health & Human Services, Centers for Medicare & Medicaid Services ("CMS") of its Application for State Innovation Waiver under Section 1332 of the Patient Protection and Affordable Care Act ("Section 1332 Waiver Application"). The State of Idaho accepted the Section 1332 Waiver by executing and delivering to CMS the Specific Terms and Conditions of the Section 1332 Waiver ("STCs"). The Section 1332 waiver Application and the STCs are collectively referred to as the "Section 1332 Waiver."

The waiver is effective for the period from January 1, 2023 through December 31, 2027. On April 28, 2023, CMS confirmed in a letter to the Idaho Department of Insurance the estimated amount of Section 1332 pass-through funding in 2023 to the State of Idaho for use in operating the Pool's reinsurance program at \$51,453,577. The Pool recognized \$51,453,577 of grant revenue during the year ended December 31, 2023.



Federal Awards Reports in Accordance with the Uniform
Guidance
December 31, 2023

Idaho Individual High Risk Reinsurance Pool



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*

To the Board of Directors
Idaho Individual High Risk Reinsurance Pool
Boise, Idaho

We have audited, 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 (*Government Auditing Standards*), the financial statements of the business-type activities of Idaho Individual High Risk Reinsurance Pool (the Pool), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Pool’s basic financial statements and have issued our report thereon dated February 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pool'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 Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool'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 Pool's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Pool's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Pool'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, professional style.

Boise, Idaho
February 28, 2024



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Idaho Individual High Risk Reinsurance Pool
Boise, Idaho

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Idaho Individual High Risk Reinsurance Pool's (the Pool) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Pool's major federal program for the year ended December 31, 2023. The Pool's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Pool complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Pool and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Pool's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Pool's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Pool's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Pool's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Pool's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Pool's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance

requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eric Sully LLP". The signature is written in black ink and is positioned above the printed name and date.

Boise, Idaho
February 28, 2024

Idaho Individual High Risk Reinsurance Pool
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2023

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Financial Assistance Listing</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services Centers for Medicare & Medicaid Services State Innovation Waivers	93.423	n/a	<u>\$ 51,453,577</u>
Total Federal Expenditures			<u><u>\$ 51,453,577</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Idaho Individual High Risk Reinsurance Pool (the Pool) under programs of the federal government for the year ended December 31, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Pool, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Pool.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Pool does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENT

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516 (a):	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing Number
1332 State Innovation Waiver	93.423
Dollar threshold used to distinguish between type A and type B programs:	\$1,543,607
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2023-001 Financial Statement Preparation
Significant Deficiency in Internal Control**

Criteria:

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited, including the schedule of expenditures of federal awards (SEFA). This also includes the ability to prepare the footnote disclosure required by the Governmental Accounting Standards Board (GASB).

Condition:

The Pool does not have an internal control system designed to provide for the preparation of the financial statements, SEFA, and related financial statement disclosures being audited. In conjunction with the completion of our audit, we were requested to draft the financial statements, SEFA, and accompanying notes to those financial statements. Although this circumstance is not unusual for an organization of your size, the preparation of financial statements as a part of the audit engagement may result in financial statements, including the SEFA, and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by Pool personnel. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

Cause:

The size of the Pool and the limited number of accounting personnel makes it difficult to implement this level of internal control.

Effect:

Management must rely on the auditing firm to report financial data reliably in accordance with generally accepted accounting principles.

Recommendation:

Management and those charged with governance should make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials:

The Board of Directors and management accept the degree of risk associated with this condition because of cost and/or other considerations.

Section III – Federal Award Findings and Questioned Costs

None reported.