

**FLORIDA HEALTH INSURANCE ADVISORY BOARD  
BOARD MEETING**

**April 22, 2016**

**Antitrust Statement**

We are here to discuss and act on matters relating to the business of the Florida Health Insurance Advisory Board. We are not here to discuss or pursue the business interests of any individual companies. All of us should proceed with caution and awareness of the requirements and prohibitions of federal and state antitrust laws. We should not engage in discussions, either at this meeting or in private conversation, of our individual companies' plans or contemplated activities. We should concern ourselves only with the business of the Florida Health Insurance Advisory Board, as set forth in the agenda for this meeting and each company's business plans cannot be discussed. If you have questions, please contact the General Counsel.

**FLORIDA HEALTH INSURANCE ADVISORY BOARD**  
**Board of Directors Meeting Minutes**  
**Monday, November 16, 2015**  
**1:00 P.M.**  
**Via Conference Call**  
**Tallahassee, Florida**

**Board Members Present:**

Rich Robleto, Chair	W. Adam Clatsoff, Vice Chair	Molly McKinstry
Laura Brennaman	Joan L. Galletta	Brad Bentley
Christopher A. Ciano	Mark S. McGowan	Chris Paterson

**Others Present:**

- Amy Hardee, Administrative Assistant II to Deputy Commissioner Rich Robleto, Office of Insurance Regulation (OIR)
- Andrew Marcus, Deputy Director of Legal Affairs, Life & Health Product Review, OIR
- Chris Struk, Programs & Policy coordinator – Life & Health, OIR
- Tracy Thomas, Insurance Specialist III, Bureau of Consumer Assistance, Division of Consumer Services, Florida Department of Financial Services

**I. Call to Order**

Deputy Commissioner Rich Robleto called the meeting to order at 1:00 p.m. indicating the meeting was properly noticed to the public in accordance with Florida law.

**II. Roll Call**

The Chair conducted a roll call, noting the presence of a quorum.

**III. Antitrust Statement**

Andrew Marcus was recognized to review the antitrust statement.

**IV. Chair's Opening Remarks**

The Chair opened the meeting by noting that the business before the board during this meeting was first, to review those legislative recommendations which were tabled during our last meeting in September to see if we had consensus and second, to review and approve the Annual Report.

**V. Approval of Minutes – September 9, 2015**

The Chair presented the minutes from the September 9, 2015, meeting for adoption, noting that members had been provided with advance copies. Adam Clatsoff moved to approve the minutes as written. The motion was seconded by Laura Brennaman and the minutes were adopted as written without objection.

## **VI. Legislative Recommendations Discussion**

There were four recommendations tabled during the last meeting. They are listed here with their actions as of today:

1. Name & Premium on Contract, by Mark McGowan. Withdrawn by Mr. McGowan.
2. Recommend a clear directive whereby employers are allowed to offer “employee only” coverage in the small group market, by Joan Galletta. Adopted without exception.
3. Require insurers to offer small group plans to businesses that do not include spouse or dependent coverage and to large group plans that do not include spouse, by Ms. Brennaman. No consensus was reached with regard to moving this forward as a legislative recommendation; however, the Board did agree to look into this issue.
4. Direct the Florida Office of Insurance Regulation to develop standards of network adequacy for all group and individual health plans, by Ms. Brennaman. Tabled. Board will monitor the National Association of Insurance Commissioners’ *Managed Care Plan Network Adequacy Model Act* (#74).

See attached for the complete list recommendations submitted along with actions.

## **VII. State of the Market Annual Report Approval**

The Chair presented the 2015 Market Report noting that the data for this report was taken from the Office’s *Accident & Health Markets Gross Annual Premium and Enrollment Report* for CY2014, which was published in August 2015, and that it does not show anything that was not expected.

Beginning in 2014, all new individual health insurance policies were issued on a guaranteed issue as a result of the Affordable Care Act (ACA). As a result, enrollment in guaranteed issue plans increased significantly from 7,625 in 2013 to 947,205 in 2014.

Loss ratios increased significantly in the individual market, from 78.66% to 92.32%, as increased premiums did not offset the rise in medical expenditures.

The small group enrollment for 2014 showed a decrease compared to 2013, but this decrease is not necessarily indicative of changes in the small business community. Some decrease was expected as employers eliminated group coverage and provided their employees access to subsidies and cost sharing reductions available through the ACA. In addition, since the ACA requirement of essential health benefits does not apply to self-insured groups, the trend of employers moving to self-insured coverage was expected to continue and possibly increase.

Ms. Brennaman asked if the loss ratios reported here were the same as the ACA’s Medical Loss Ratio (MLR). The Chair responded that no, the loss ratios in this report simply divided the Direct Losses Incurred by the Direct Premiums Earned while the ACA MLR allows offsets for quality improvement, etc.

Mr. Clatsoff made a motion to adopt the report as drafted which was seconded by Ms. Galletta. The report was adopted without objection.

**VIII. Manager's Report**

There was no management report.

**IX. Adjournment**

Upon completion of the agenda and there being no further business before the Board, the Chair adjourned the meeting around 1:59 p.m.

\_\_\_\_\_  
Rich Robleto, Acting Chair

\_\_\_\_\_  
Date

Mark McGowan (Florida Blue)  
Carrier Representative

Mr. McGowan noted that his recommendations were being made to reduce confusion for consumers and reduce administrative costs.

**1. Certificates of Creditable Coverage (COC)**

Health insurers are no longer allowed to impose pre-existing condition exclusions. This prohibition makes the current rules requiring plans to provide certificates of creditable coverage unnecessary. As of December 31, 2014, federal law no longer requires issuers and group health plans to issue COCs.

- Recommendation: Revise the state laws to align with the federal and eliminate the requirement.
- References: 627.6561; 641.31071, F.S., F.A.C. 69O-154.110, F.A.C. 69O-191.039
- Action: Adopted without exception.

**2. Guaranteed Renewability**

Federal law requires issuers to provide 90 day discontinuance at the *product* level. The state law requires a 90 day notice whenever a *policy form* or plan is discontinued.

This means that when a member's policy form or plan is discontinued insurers must send a 90 day state notice of discontinuance. Since this does not qualify as a federal discontinuance insurers must also provide a CMS renewal notice. The two notices (renewal and discontinuance) create confusion due to the inconsistent messaging and timing of the notices.

- Recommendation: Align state law with the new federal law. This will reduce member confusion with multiple notices in the marketplace. It will also lower the amount of unnecessary administrative expenses.
- References: 627.6425(3); 627.6571(3); 641.31074(3), F.S.
- Action: Adopted without exception.

**3. Outline of Coverage (OOC)**

State law requires an outline of coverage to be provided to all individual policyholders. The ACA requires a Summary of Benefit of Coverage (SBC) to also be provided to all members. In addition to the SBC and OOC, members receive a benefit booklet, schedule of benefit, benefit summaries and other collateral. The use of multiple documents for individuals creates confusion and is unnecessary.

- Recommendation: Eliminate the OOC requirement under state law. This will reduce consumer confusion by reducing the number of documents they receive. It will also decrease the number of OIR form filings from insurers.
- Reference: 627.642, F.S.
- Action: Adopted without exception.

**4. Name & Premium on Contract**

Florida law requires the name of the parties on the contract and the premium to be included on every policy. The premium amount is no longer specific to an individual due to the elimination of UW. Additionally, some members receive advanced premium tax credits that subsidize the premium making the amount on the contract inaccurate. Therefore there is little value in customizing contracts for standardized plans.

- Recommendation: Recommend removing the requirements to include name and premium on the member’s contract. There is administrative expense of customizing each policy which can be reduced.
- Reference: 627.413 (a),(e); 641.31(6), F.S., F.A.C. 69O-191.033.
- Action: Withdrawn.

Joan Galletta (J.P. Perry Insurance)  
Agent Representative

1. **We recommend that small group rules be revised to “require” an offer of coverage to employees who works 30 hours or more per week, but allow employers to modify their offer of coverage to include employees who work as few as 25 hours, when desired.**
  - Action: Adopted without exception.
2. **We also recommend a clear directive whereby employers are allowed to offer “employee only” coverage in the small group market, whether that remains defined as groups with 2-50 employees, or is redefined as of January 1, 2016 to groups with 2-99 employees.**
  - Action: Adopted without exception.

Laura Brennaman (Florida CHAIN)  
Individual Policyholder Representative

1. **Require insurers to offer small group plans to businesses that do not include spouse or dependent coverage and to large group plans that do not include spouse.**

Small group employers rarely contribute to spouse and/or dependent coverage, making the coverage expensive while simultaneously disallowing the spouse eligibility for premium tax credits on Marketplace plans, due to the family glitch. Insurers should be required to offer an option to employers and be required to provide explanation about the financial effects on employees and their families when employers offer, but do not subsidize coverage for the spouse and/or dependents. Workers for small employers should be able to accept coverage for themselves in an affordable health plan without disqualifying their spouse and dependents from access to premium tax credits applicable for Marketplace plan. Workers for large employers that do not contribute to spouse coverage should be able to accept coverage for themselves and their children, allowing their spouse access to premium tax credits for a marketplace plan.

  - Action: No consensus reached. Board will look into this issue.
2. **Direct the Florida Office of Insurance Regulation to develop standards of network adequacy for all group and individual health plans.**

Standards are required for network adequacy to ensure plans provide access to the services for which subscribers pay. Narrow networks that plans create to control costs must be adequate to enable access to multiplicity of necessary health services including, but not limited to, primary care; pediatric care; hospital care; mental health care; oncology care; obstetric and newborn care, and dental care where applicable. The “reasonable access” standard, identified by CMS, is insufficient at ensuring access to consumers, and more specifically, to consumers who are members of vulnerable populations with health disparities. We recognize that reasonable access must allow innovation and

technology to improve value, quality, and access for ongoing health services and may not always include time and distance requirements. However, for some services, technology does not exist so time and distance must be considered. Network adequacy should encompass the following elements as identified by Families USA: 1) Accurate Information about Providers; 2) Timely Access to Care; 3) Adequate Numbers of Providers; 4) Adequate Types of Providers; 5) Inclusion of Essential Community Providers; 6) Adequate Geographic Distribution of Providers; 7) Access to Out-of-State Providers; 8) Accessible Hours; 9) Language-Accessible and Culturally-Competent Care; 10) Rights to Go Out-of-Network<sup>[1]</sup>; and 11) Continuity of Care. When provider networks are inadequate, consumers may have no choice but to seek care outside their health plan's network. In those cases, insurers often require enrollees to pay a greater share of the cost for out-of-network care, and the insurer is not required to count those costs towards annual out-of-pocket maximums under the ACA. The Florida Network Adequacy rules should identify, in the case of insufficient networks, enrollees' cost-sharing when going out of network will match the in-network requirements.

We understand the NAIC is creating a model for network adequacy. Inadequate networks are a problem today that should be addressed immediately through enforcement of regulations. The requirement to enforce network adequacy for all plans will reduce or eliminate the risk of adverse selection of non-marketplace plans, thereby reducing the risk of increasing the costs of marketplace plans.

A case study in Collier County illustrates the need for the state to monitor network adequacy compliance. Some subscribers in Immokalee must travel 75 miles to the east coast of Florida for the nearest participating hospital to deliver a baby – and prenatal care is unavailable locally from a provider with delivery privileges at a participating hospital. Adults in the area must travel at least 20 miles to access a primary care provider. The plan does not include the Immokalee branch of the Collier County FQHC in its network, requiring travel by members of vulnerable populations of more than 20 miles to obtain preventive and primary care.

- Action: Tabled. Board will monitor the National Association of Insurance Commissioners' *Managed Care Plan Network Adequacy Model Act* (#74).

### **3. Authorize the Florida Office of Insurance Regulation to protect consumers from discrimination on the basis of health conditions by plans.**

Access to standard of care therapies for consumers with chronic health conditions should be required by all plans in consistence with HHS regulations for Marketplace qualified health plans. Pharmacy tiers or cost-sharing for standard-of-care therapies should be available to all subscribers to each plan that are consistent with the plan's cost-sharing requirements across the spectrum of covered health care services. For any chronic condition or class of medication, there should be an option for pharmacy or other therapy that meets the health plan's actuarial value, i.e. not more than 30% cost sharing for a silver level plan. This should include single tablet, extended release therapies when they are the accepted standard-of-care. See attached document for examples of potential discriminatory practices from which the FL OIR should have authority to protect consumers in Florida.

- Action: No action taken.

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<sup>1</sup>Standards for Health Insurance Provider Networks: Examples from the States. (2014). Issue brief: Affordable Care Act. FamiliesUSA. Available online: <http://familiesusa.org/product/standards-health-insurance-provider-networks-examples-states>

#### 4. Prohibit balance billing for hospital contracted providers when delivering care to a PPO or EPO enrollee in a contracted hospital.

HMO members in Florida are currently protected from balance billing for emergency care provided at an in-network hospital. Subscribers to PPOs and EPOs should also have this protection. Additionally, for non-emergent care in an in-network hospital, all managed care plan subscribers should not be subject to balance billing for services provided by contracted hospital-based providers for which the consumer has no choice for alternative in-network providers.

- Action: Adopted without exception.

Christopher Ciano (Aetna/Coventry of Florida) Carrier Representative
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Commissioner McCarty noted that although Mr. Ciano is not available to address his recommendations, items #1, #2 and #4 have already been covered.

#### 1. Certificates of Creditable Coverage (COC)

Health insurers are no longer allowed to impose pre-existing condition exclusions.<sup>[1]</sup> This prohibition makes the current rules requiring plans to provide certificates of creditable coverage unnecessary as the purpose of these certificates is to show no gaps in a person's coverage that could lead to pre-existing condition exclusions. As of December 31, 2014, federal law no longer requires issuers and group health plans to issue COCs.

- Statutory citations: Sections 627.6561; 641.31071, Florida Statutes.
- Action required: delete Sections 627.6561 and 641.31071, Florida Statutes.
- Action: Adopted without exception. (Same as Mark McGowan's recommendation #1 above.)

#### 2. Outline of Coverage (OOC)

State law requires an outline of coverage to be provided to all individual policyholders. Under federal regulation, insurers must also provide a Summary of Benefit of Coverage<sup>[2]</sup> (SBC) to also be provided to all members. In addition to the SBC and OOC, members receive a benefit booklet, schedule of benefit, benefit summaries and other collateral. The use of multiple documents for individuals creates confusion and is unnecessary as they have they cover the same information and are redundant to each other.

- Statutory citations: Section 627.642, Florida Statutes.
- Action Required: delete Section 627.642 Florida Statutes.
- Action: Adopted without exception. (Same as Mark McGowan's recommendation #3 above.)

#### 3. Conversion/continuation coverage

Statutory conversion rights are redundant, obsolete and an administrative burden. Federal law now requires all individual health insurance products to be issued on a guarantee issue basis and no preexisting conditions can be excluded. Prior federal conversion/continuation coverage rights were developed and adopted into state statute to protect individuals from losing *similar like* health insurance coverage when leaving a group insurance product. The rationale for this was to prevent an individual from being subject to a *preexisting conditions exclusion*. Pursuant to federal law,

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<sup>[1]</sup> Pursuant to 45 CFR 147.108

<sup>[2]</sup> Pursuant to 45 CFR 147.200

individuals who lose group coverage would now be eligible for a special enrollment period.<sup>[3]</sup> The coverage would be guarantee issue and all preexisting conditions would be covered.

- Statutory citations: Sections 627.646, 627.6675, 641.3921, 641.3922 Florida Statutes.
- Action required: delete Sections 627.646, 627.6675, 641.3921, 641.3922 Florida Statutes.
- Action: No consensus reached.

#### **4. PPO Balance Billing Prohibition**

While there is currently is a prohibition against balance billing for the Florida HMO commercial market place, there is no such prohibition that exist for Florida PPO commercial business.

- Statutory citations: N/A
- Action required: this would require new statutory authority.
- Action: Adopted without exception. (Same as Laura Brennaman's recommendation #4 above.)

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<sup>[3]</sup> 45 CFR 155.420

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

In planning and performing our audit of the financial statements of Florida Small Employer Health Reinsurance Program, as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Florida Small Employer Health Reinsurance Program's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We noted a matter involving internal control and its operation that we have reported to management which is described in the attached Summary of Audit Findings—Item 13-01.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

February 26, 2016  
Tallahassee, Florida

**Certified Public Accountants**

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## SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

**13-01**—In an effort to promote continuity of operations during transition of Program management, written policies and procedures should be developed in the following areas:

- Records Retention and Storage
- Accounting, Purchasing, and Assessment Procedures
- Accounting Software Backups and Secure Storage of Accounting System Files
- Investment Policies

We further recommend that these procedures be reviewed and approved by the Board upon completion.

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

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

**DECEMBER 31, 2013**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

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

**DECEMBER 31, 2013**

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Florida Small Employer Health Reinsurance Program (the Program), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Small Employer Health Reinsurance Program as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Purvis, Gray and Company, LLP*

February 26, 2016  
Tallahassee, Florida

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**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012  
FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM  
TALLAHASSEE, FLORIDA**

**ASSETS**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 85,836	\$ 66,324
Due from Florida Individual Health Reinsurance Plan	1,591	0
<b>Total Assets</b>	<b>87,427</b>	<b>66,324</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	9,044	11,012
<b>Total Liabilities</b>	9,044	11,012
<b>Net Assets</b>		
Unrestricted	78,383	55,312
<b>Total Net Assets</b>	87,427	66,324
<b>Total Liabilities and Net Assets</b>	<b>\$ 87,427</b>	<b>\$ 66,324</b>

See accompanying notes.

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
**FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM**  
**TALLAHASSEE, FLORIDA**

	<u>2013</u>	<u>2012</u>
<b>Unrestricted Revenues</b>		
Administrative Assessment	\$ 85,524	\$ 0
Interest Income	57	82
	<u>85,581</u>	<u>82</u>
<b>Total Unrestricted Revenues</b>		
<b>Expenses</b>		
Contract Services	53,535	36,105
Professional Fees	6,000	18,000
Board Travel	0	1,004
Meetings	384	680
Office Administration	2,513	763
Bank Fees	71	64
Income Tax Expense	7	978
	<u>(62,510)</u>	<u>(57,594)</u>
<b>(Total Expenses)</b>		
<b>Change in Unrestricted Net Assets</b>	23,071	(57,512)
<b>Net Assets, Beginning of Year</b>	<u>55,312</u>	<u>112,824</u>
<b>Net Assets, End of Year</b>	<u>\$ 78,383</u>	<u>\$ 55,312</u>

See accompanying notes.

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
**FLORIDA SMALL EMPLOYER HEALTH INSURANCE PROGRAM**  
**TALLAHASSEE, FLORIDA**

	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 23,071	\$ (57,512)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):		
Decrease/(Increase) in Assessments Receivable	0	975
Decrease/(Increase) in Due from Florida Individual Health Reinsurance Plan	(1,591)	0
(Decrease)/Increase in Accounts Payable and Accrued Expenses	(1,968)	8,262
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>19,512</b>	<b>(48,275)</b>
 <b>Cash Flows from Investing Activities</b>		
Investment Maturities	0	61,494
<b>Net Cash Provided by Investing Activities</b>	<b>0</b>	<b>61,494</b>
 <b>Net Increase (Decrease) in Cash</b>	19,512	13,219
 <b>Cash and Cash Equivalents, Beginning of Year</b>	<b>66,324</b>	<b>53,105</b>
 <b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 85,836</b>	<b>\$ 66,324</b>

See accompanying notes.

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

**Note 1 - Organization**

The Florida Small Employer Health Reinsurance Program (the Program) is a not-for-profit entity created under the *Employee Health Care Access Act* (the Act), Section 627.6699 of the Florida Statutes, for the purposes of assuring the availability of appropriate health care coverage to Florida residents on an affordable basis and to provide a reinsurance mechanism to facilitate the provision of small employer coverage.

During the 2005 legislative session, the Act was amended to require the Program to advise the Office of Insurance Regulation, other executive departments, and the Legislature on health insurance issues. As part of these changes, the composition of the Board of Directors of the Program was changed to include employer representatives, an individual purchaser, and a representative of the Agency for Health Care Administration.

All insurers, as defined in Section (5)(a) of the Act, issuing health insurance or providing health plan benefits in Florida on or after January 1, 1993, are members of the Program. Members have limited rights in that they have no control or voting rights in the Program. Any funds held by the Program upon its termination, after payment of all claims and expenses of the Program, shall be distributed to the Program's members existing at that time in accordance with the then-existing assessment formula.

The Program has the ability to reinsure health benefit coverage, as specified in the law after consideration of applicable deductibles, of small employers' eligible employees and their dependents. The Plan of Operation establishes all policies and procedures of the Program including the methods of assessing members, collecting premiums, and paying claims. Currently, there are no small employers' participating in the reinsurance program. The Program's current activities are advisory in nature.

**Note 2 - Significant Accounting Policies**

**Basis of Presentation**

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB), as provided in FASB and *Accounting Standards Codification* (ASC) Subtopic 958-210, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the Program is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Program does not have any temporarily restricted or permanently restricted net assets.

**Cash Equivalents**

Cash and cash equivalents of the Program consist of various accounts which are held at one financial institution. The Federal Deposit Insurance Corporation (FDIC) deposit insurance covers \$250,000 per depositor for interest bearing accounts and unlimited for noninterest bearing accounts until December 2013. The Program's accounts are fully insured.

**NOTES TO FINANCIAL STATEMENTS**  
**FLORIDA SMALL EMPLOYER HEALTH REINSURANCE PROGRAM**  
**TALLAHASSEE, FLORIDA**  
*(Concluded)*

**Note 2 - Significant Accounting Policies (Concluded)**

**Assessments**

Assessments are administered by the Program based on budgeted operating needs. Members are assessed in accordance with Florida Statutes and the Plan of Operation. The Program annually reviews assessment collections and operating expenditures to reconcile final assessment actions. Assessment revenues totaled \$85,524 during 2013 and \$0 during 2012.

**Federal Income Taxes**

The Program currently files its federal tax returns as a membership organization under Section 277 of the Internal Revenue Code. This section requires the Program to pay tax on net member income and investment income. The Program may take deductions attributable to providing goods and services to members to the extent of member income. Any excess deductions can be carried forward to future years. No Deferred tax asset is currently recorded because the asset is not expected to be realized. For the tax years 2013 and 2012, the Program will only be taxed on investment income. Income tax expense for the years ended December 31, 2013 and 2012, was \$7 and \$978, respectively.

Under ASC Subtopic, 740-10, *Income Tax Uncertainties*, it is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management believes there are no uncertain tax positions taken or expected to be taken that would require recognition of an asset or liability, or disclosure in the financial statements.

The Program is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before the 2012 tax year. The Program recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses. The Program recognized \$2,065 and \$0 for the payment of interest and penalties for the years ended December 31, 2013 and 2012, respectively.

**Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the reporting period.

**Subsequent Events**

The Program has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through February 26, 2016, the date the financial statements were available to be issued.

**Note 3 - Related Party**

The Program pays certain expenses on behalf of the Florida Individual Health Reinsurance Program, an organization affiliated through common board membership and cost-sharing arrangements. These expenses are primarily related to office and program administration expenses and are subsequently reimbursed for such payments.

Board of Directors  
Florida Individual Health Reinsurance Program  
Tallahassee, Florida

In planning and performing our audit of the financial statements of Florida Individual Health Reinsurance Program as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Florida Individual Health Reinsurance Program's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We noted another matter involving internal control and its operation that we have reported to management which is described in the attached Summary of Audit Findings—Item 13-01.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

  
February 26, 2016  
Tallahassee, Florida

**Certified Public Accountants**

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## SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

**13-01**—In an effort to promote continuity of operations during transition of Program management, written policies and procedures should be developed in the following areas:

- Records Retention and Storage
- Accounting, Purchasing, and Assessment Procedures
- Accounting Software Backups and Secure Storage of Accounting System Files
- Investment Policies

We further recommend that these procedures be reviewed and approved by the Board of Directors upon completion.

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

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

**DECEMBER 31, 2013**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

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

**DECEMBER 31, 2013**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Florida Individual Health Reinsurance Program  
Tallahassee, Florida

We have audited the accompanying financial statements of Florida Individual Health Reinsurance Program (the Program), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Individual Health Reinsurance Program as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



February 26, 2016  
Tallahassee, Florida

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**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012  
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM  
TALLAHASSEE, FLORIDA**

**ASSETS**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 11,179	\$ 8,489
Prepaid Income Tax	2	1
<b>Total Assets</b>	<b>11,181</b>	<b>8,490</b>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts Payable and Accrued Expenses	4,000	5,000
Due to Florida Small Employer Health Reinsurance Program	1,591	0
<b>Total Liabilities</b>	<b>5,591</b>	<b>5,000</b>
<b>Net Assets</b>		
Unrestricted	5,590	3,490
<b>Total Net Assets</b>	<b>5,590</b>	<b>3,490</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,181</b>	<b>\$ 8,490</b>

See accompanying notes.

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM  
TALLAHASSEE, FLORIDA**

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Administrative Assessment	\$ 16,771	\$ 0
Investment Income	3	9
	<u>16,774</u>	<u>9</u>
<b>Total Revenues</b>		
	<u>16,774</u>	<u>9</u>
<b>Expenses</b>		
Contract Services	10,965	7,395
Professional Services	3,000	9,000
Office Administration	693	145
Bank Fees	16	16
	<u>14,674</u>	<u>16,556</u>
<b>(Total Expenses)</b>	<u>(14,674)</u>	<u>(16,556)</u>
<b>Increase (Decrease) in Net Assets</b>	2,100	(16,547)
<b>Net Assets, Beginning of Year</b>	<u>3,490</u>	<u>20,037</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,590</u>	<u>\$ 3,490</u>

See accompanying notes.

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM  
TALLAHASSEE, FLORIDA**

	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 2,100	\$ (16,547)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
(Increase) Decrease in Prepaid Income Tax	(1)	(1)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(1,000)	3,250
(Decrease) Increase in due to Florida Small Employer Health Reinsurance Program	1,591	(975)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>2,690</b>	<b>(14,273)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>2,690</b>	<b>(14,273)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>8,489</b>	<b>22,762</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 11,179</b>	<b>\$ 8,489</b>

See accompanying notes.

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

**Note 1 - Organization**

The Florida Individual Health Reinsurance Program (the Program) is established by Section 627.6475, Florida Statutes, for the purpose of ensuring coverage for individuals who are eligible for individual health insurance pursuant to Section 627.7487(3), Florida Statutes (eligible individuals).

The Program operates subject to the control and supervision of the Board of the Small Employer Health Reinsurance Program (the Board) established pursuant to Section 627.6699(11), Florida Statutes. During the 2005 legislative session, this Statute was amended to require the Board to advise the Office of Insurance Regulation, other executive departments, and the Legislature on health insurance issues. As part of these changes, the composition of the Board was changed to include the employer representatives, an individual purchaser, and a representative of the Agency for Health Care Administration.

All insurers issuing individual health insurance, as defined in Section 627.6487(2), Florida Statutes, are members of the Program. Members have limited rights in that they have no control or voting rights in the Program. Any funds held by the Program upon its termination, after payment of all claims and expenses of the Program, shall be distributed to the Program's members existing at that time in accordance with the then-existing assessment formula.

The Program has the ability to reinsure health benefit coverage, as specified in the law, for eligible individuals. The Plan of Operation establishes all policies and procedures of the Program including the methods of assessing members, collecting premiums, and paying claims. Currently, there are no individuals participating in the reinsurance program. The Program's current activities are advisory in nature.

**Note 2 - Significant Accounting Policies**

**Basis of Presentation**

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB), as provided in FASB and *Accounting Standards Codification* (ASC) Subtopic 958-210, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the Program is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Program does not have any temporarily restricted or permanently restricted net assets.

**Cash Equivalents**

Cash equivalents are short-term, highly liquid instruments with original maturities of 90 days or less at the time of acquisition. Such instruments are stated at cost plus accrued interest thereon, which approximates market value. All cash and cash equivalents of the Program are held at one financial institution. As of December 31, 2013 and 2012, accounts did not exceed FDIC deposit insurance limits.

**NOTES TO FINANCIAL STATEMENTS**  
**FLORIDA INDIVIDUAL HEALTH REINSURANCE PROGRAM**  
**TALLAHASSEE, FLORIDA**  
*(Concluded)*

**Note 2 - Significant Accounting Policies (Concluded)**

**Assessments**

Assessments are administered by the Program based on budgeted operating needs. Members are assessed in accordance with Florida Statutes and the Plan of Operation. The Program annually reviews assessment collections and operating expenditures to reconcile final assessment action. Assessment revenues totaled \$16,771 during 2013 and \$0 during 2012.

**Federal Income Taxes**

The Program currently files its federal tax returns as a membership organization under Section 277 of the Internal Revenue Code. This section requires the Program to pay tax on either net member income or investment income. The Program may take deductions attributable to providing goods and services to members to the extent of member income. Any excess deductions can be carried forward to future years. No deferred tax asset is currently recorded because the asset is not expected to be realized. For the tax years 2013 and 2012, the Program will only be taxed on investment income. Income tax expense for the years ended December 31, 2013 and 2012 was not material.

Under ASC Subtopic 740-10, *Income Tax Uncertainties*, it is the policy of management to evaluate its tax positions on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management believes there are no uncertain tax positions taken or expected to be taken that would require recognition of an asset or liability, or disclosure in the financial statements.

The Program is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2012. The Program recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses. The Program recognized \$600 and \$0 for the payment of interest and penalties for the years ended December 31, 2013 and 2012, respectively.

**Subsequent Events**

The Program has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through February 26, 2016, the date the financial statements were available to be issued.

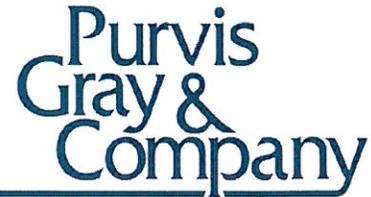
**Note 3 - Related Party**

The Florida Small Employer Health Reinsurance Program, an organization affiliated through common board membership and shared cost arrangements, pays certain expenses on behalf of the Program primarily related to office and program administration expenses, and is subsequently reimbursed for its payments.

RECEIVED

APR 15 2016

Office of Insurance Regulation



April 6, 2016

**AUDIT ENGAGEMENT LETTER**

Florida Small Employer Health Reinsurance Program and  
Florida Individual Health Reinsurance Program  
200 East Gaines Street  
Tallahassee, Florida 32399-0326

We are pleased to confirm our understanding of the services we are to provide for the Florida Small Employer Health Reinsurance Program and the Florida Individual Health Reinsurance Program (the Organizations) for the years ended December 31, 2014 and 2015.

We will audit the financial statements of each Organization, which comprise the statements of financial position as of December 31, 2014 and 2015, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements (the financial statements).

**Audit Objective**

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America, and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of the Organization's financial statements. Our report will be addressed to the Board of Directors of the Organization. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

**Audit Procedures**

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

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

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**Audit Procedures (Concluded)**

evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from: (1) errors; (2) fraudulent financial reporting; (3) misappropriation of assets; or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control-related matters that are required to be communicated under professional standards.

**Other Services**

We will prepare each Organization's federal and state information returns for the years ended December 31, 2014 and 2015, based on information provided by you. We will also prepare the financial statements of each Organization in conformity with U.S. generally accepted accounting principles based on information provided by you.

We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants. The other services are limited to the financial statement and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will advise management with regard to tax positions taken in the preparation of the tax return, but management must make all decisions with regard to those matters.

**Management Responsibilities**

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with: (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the Organization from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

**Management Responsibilities (Concluded)**

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving: (1) management; (2) employees who have significant roles in internal control; and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring the Organization complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

You agree to assume all management responsibilities for the tax services, financial statement preparation services, and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

**Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

I am the engagement partner and I am responsible for supervising the engagement and signing the report or authorizing another individual to sign it. We expect to begin our audit as soon as possible.

We estimate our fees for the audit and other services for each year as follows:

	<u>2014</u>	<u>2015</u>
Florida Small Employer Health Reinsurance Program	\$ 6,000	\$ 6,000
Florida Individual Health Reinsurance Program	3,000	3,000

The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

PURVIS, GRAY AND COMPANY, LLP



Ryan M. Tucker, C.P.A.  
Audit Partner

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

-4-

April 6, 2016

**RESPONSE:**

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

**Signature:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

12:13 PM  
04/19/16  
Accrual Basis

FL Small Employer Reinsurance Program  
**Balance Sheet**  
As of December 31, 2015

	<u>Dec 31, 15</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1000 - Wells Fargo Operating	3,757.54
1005 - Wells Fargo Depository	101,667.25
1015 - Wells Fargo Spec Purp	3,062.05
<b>Total Checking/Savings</b>	<u>108,486.84</u>
<b>Accounts Receivable</b>	
1100 - Accounts Receivable	1,368.25
1250 - Due From Ind Pool	882.30
<b>Total Accounts Receivable</b>	<u>2,250.55</u>
<b>Total Current Assets</b>	<u>110,737.39</u>
<b>TOTAL ASSETS</b>	<u><u>110,737.39</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Other Current Liabilities</b>	
3080 - Audit Fees Payable	6,000.00
<b>Total Other Current Liabilities</b>	<u>6,000.00</u>
<b>Total Current Liabilities</b>	<u>6,000.00</u>
<b>Total Liabilities</b>	6,000.00
<b>Equity</b>	
5000 - Members Equity	318,125.78
5100 - Retained Earnings	-233,095.65
Net Income	19,707.26
<b>Total Equity</b>	<u>104,737.39</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>110,737.39</u></u>

12:00 PM  
04/19/16  
Accrual Basis

**FL Individual Health Reinsurance Program**  
**Balance Sheet**  
As of December 31, 2015

	<u>Dec 31, 15</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
1005 - Wells Fargo Depository	19,662.46
Total Checking/Savings	19,662.46
Accounts Receivable	
1500 - Assessment Rec	632.53
Total Accounts Receivable	632.53
Other Current Assets	
1600 - Income Tax Withheld	9.71
Total Other Current Assets	9.71
Total Current Assets	20,304.70
<b>TOTAL ASSETS</b>	<u><u>20,304.70</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
3080 - Audit Fee Payable	3,000.00
3300 - Due To Small Emp Pool	872.95
Total Other Current Liabilities	3,872.95
Total Current Liabilities	3,872.95
Total Liabilities	3,872.95
Equity	
5000 -Members Equity	21,104.47
5100 - Retained Earnings	-9,318.93
Net Income	4,646.21
Total Equity	16,431.75
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>20,304.70</u></u>

**FL Small Employer Reinsurance Program**  
**Profit & Loss**  
January through December 2015

	<u>Jan - Dec 15</u>
Ordinary Income/Expense	
Income	
6200 - Administrative Assess	60,577.88
Total Income	<u>60,577.88</u>
Gross Profit	60,577.88
Expense	
7000 - Contract Services-Manage	37,350.00
7300 - Board Travel	586.26
7400 - Meeting Expense	2,489.13
7530 - Supplies/Printing	36.00
7900 - Miscellaneous Expense	456.50
Total Expense	<u>40,917.89</u>
Net Ordinary Income	19,659.99
Other Income/Expense	
Other Income	
8000 - Interest Income	55.27
Total Other Income	55.27
Other Expense	
Income Tax Expense	8.00
Total Other Expense	<u>8.00</u>
Net Other Income	<u>47.27</u>
Net Income	<u><u>19,707.26</u></u>

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04/19/16  
Accrual Basis

**FL Individual Health Reinsurance Program**  
**Profit & Loss**  
**January through December 2015**

	<u>Jan - Dec 15</u>
Ordinary Income/Expense	
Income	
6200 - Administrative Assessmen	12,376.50
Total Income	<u>12,376.50</u>
Gross Profit	12,376.50
Expense	
7000 - Contract Services-Manage	7,650.00
7530 - Supplies/Printing	7.37
7900 - Miscellaneous Expense	84.15
Total Expense	<u>7,741.52</u>
Net Ordinary Income	4,634.98
Other Income/Expense	
Other Income	
8000 - Interest Income	11.23
Total Other Income	<u>11.23</u>
Net Other Income	11.23
Net Income	<u><u>4,646.21</u></u>

FL Small Employer Reinsurance Program  
**Balance Sheet**  
As of March 31, 2016

	<u>Mar 31, 16</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
1000 - Wells Fargo Operating	3,667.54
1005 - Wells Fargo Depository	101,692.60
1015 - Wells Fargo Spec Purp	<u>3,062.44</u>
Total Checking/Savings	108,422.58
Accounts Receivable	
1100 - Accounts Receivable	1,368.25
1250 - Due From Ind Pool	<u>897.60</u>
Total Accounts Receivable	<u>2,265.85</u>
Total Current Assets	<u>110,688.43</u>
<b>TOTAL ASSETS</b>	<b><u>110,688.43</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
3080 - Audit Fees Payable	<u>6,000.00</u>
Total Other Current Liabilities	<u>6,000.00</u>
Total Current Liabilities	<u>6,000.00</u>
Total Liabilities	6,000.00
Equity	
5000 - Members Equity	318,125.78
5100 - Retained Earnings	-213,388.39
Net Income	<u>-48.96</u>
Total Equity	<u>104,688.43</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>110,688.43</u></b>

**FL Individual Health Reinsurance Program**  
**Balance Sheet**  
As of March 31, 2016

	<u>Mar 31, 16</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
1005 - Wells Fargo Depository	19,664.24
Total Checking/Savings	<u>19,664.24</u>
Accounts Receivable	
1600 - Assessment Rec	632.53
Total Accounts Receivable	<u>632.53</u>
Other Current Assets	
1600 - Income Tax Withheld	10.38
Total Other Current Assets	<u>10.38</u>
Total Current Assets	<u>20,307.15</u>
<b>TOTAL ASSETS</b>	<u><u>20,307.15</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
3080 - Audit Fee Payable	3,000.00
3300 - Due To Small Emp Pool	888.25
Total Other Current Liabilities	<u>3,888.25</u>
Total Current Liabilities	<u>3,888.25</u>
Total Liabilities	3,888.25
Equity	
5000 -Members Equity	21,104.47
5100 - Retained Earnings	-4,672.72
Net Income	-12.85
Total Equity	<u>16,418.90</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>20,307.15</u></u>

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Accrual Basis

**FL Small Employer Reinsurance Program**  
**Profit & Loss**  
January through March 2016

	<u>Jan - Mar 16</u>
Ordinary Income/Expense	
Expense	
7900 - Miscellaneous Expense	74.70
Total Expense	<u>74.70</u>
Net Ordinary Income	-74.70
Other Income/Expense	
Other Income	
8000 - Interest Income	25.74
Total Other Income	<u>25.74</u>
Net Other Income	<u>25.74</u>
Net income	<u><u>-48.96</u></u>

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Accrual Basis

**FL Individual Health Reinsurance Program**  
**Profit & Loss**  
January through March 2016

	<u>Jan - Mar 16</u>
Ordinary Income/Expense	
Expense	
7900 - Miscellaneous Expense	15.30
Total Expense	<u>15.30</u>
Net Ordinary Income	-15.30
Other Income/Expense	
Other Income	
8000 - Interest Income	2.45
Total Other Income	<u>2.45</u>
Net Other Income	<u>2.45</u>
Net Income	<u><u>-12.85</u></u>

## FL Small Employer Reinsurance Program Profit & Loss Budget vs. Actual January through December 2015

	TOTAL			
	Jan - Dec 15	Budget	\$ Over Budget	% of Budget
<b>Expense</b>				
7000 - Contract Services-Manage	\$37,350.00	\$53,784.00	-\$16,434.00	69.44%
7020 - Contract Services-Legal	\$0.00	\$830.00	-\$830.00	0.00%
7030 - Contract Services-Audit	\$0.00	\$6,666.67	-\$6,666.67	0.00%
7250 - Advertising	\$0.00	\$249.00	-\$249.00	0.00%
7300 - Board Travel	\$586.26	\$2,500.00	-\$1,913.74	23.45%
7310 - Staff Travel	\$0.00	\$1,000.00	-\$1,000.00	0.00%
7400 - Meeting Expense	\$2,489.13	\$2,000.00	\$489.13	124.46%
7500 - Telephone/FAX	\$0.00	\$0.00	\$0.00	0.00%
7520 - Postage/Delivery	\$0.00	\$83.00	-\$83.00	0.00%
7530 - Supplies/Printing	\$36.00	\$166.00	-\$130.00	21.69%
7700 - Bank Service Charges	\$0.00	\$83.00	-\$83.00	0.00%
7900 - Miscellaneous Expense	\$456.50	\$830.00	-\$373.50	55.00%
<b>Total Expense</b>	<b>\$40,917.89</b>	<b>\$68,191.67</b>	<b>-\$27,273.78</b>	<b>60.00%</b>

**FL Individual Health Reinsurance Program**  
**Profit & Loss Budget vs. Actual**  
January through December 2015

	TOTAL			
	Jan - Dec 15	Budget	\$ Over Budget	% of Budget
<b>Expense</b>				
7000 - Contract Services-Manage	\$7,650.00	\$11,016.00	-\$3,366.00	69.44%
7020 - Contract Services-Legal	\$0.00	\$170.00	-\$170.00	0.00%
7030 - Contract Services-Audit	\$0.00	\$333.33	-\$333.33	0.00%
7250 - Advertising	\$0.00	\$51.00	-\$51.00	0.00%
7300 - Board Travel	\$0.00	\$0.00	\$0.00	0.00%
7310 - Staff Travel	\$0.00	\$0.00	\$0.00	0.00%
7400 - Meeting Expense	\$0.00	\$0.00	\$0.00	0.00%
7500 - Telephone/FAX	\$0.00	\$0.00	\$0.00	0.00%
7520 - Postage/Delivery	\$0.00	\$17.00	-\$17.00	0.00%
7530 - Supplies/Printing	\$7.37	\$34.00	-\$26.63	21.68%
7700 - Bank Service Charges	\$0.00	\$17.00	-\$17.00	0.00%
7900 - Miscellaneous Expense	\$84.15	\$170.00	-\$85.85	49.50%
<b>Total Expense</b>	\$7,741.52	\$11,808.33	-\$4,066.81	65.56%

# Florida Health Insurance Advisory Board

## Proposed Operating Budget 2016

<b>Expense Category</b>	<b><u>Actual 12/31/15</u></b>	<b><u>Approved 2015 Budget</u></b>	<b><u>Proposed 2016</u></b>
Contract Management	\$45,000	\$64,800	\$60,000
Contract Legal	0	1,000	1,000
Contract Audit	0	10,000	27,000
Advertising	0	300	300
Board Travel	586	2,500	2,500
Staff Travel	0	1,000	1,000
Meeting Expense	2,489	2,000	3,200
Telephone/Fax	0	0	0
Postage/Delivery	0	100	100
Supplies/Printing	43	200	200
Bank Service Charges	0	100	100
Miscellaneous	550	1,000	1,000
<b>Total</b>	<b>\$48,669</b>	<b>\$83,000</b>	<b>\$96,400</b>

**Florida Health Insurance Advisory Board  
2015 Assessment (to be billed in 2016)**

	<u>Individual</u>	<u>Small Employer</u>	<u>Total</u>
Year-end 2015 Fund Balances	\$20,304	\$110,737	\$131,041
Proposed 2016 Budget	\$15,249	\$81,151	\$96,400
Projected Year-end 2016 Fund Balances	\$5,055	\$29,586	\$34,641
<b>Required 2015 Assessment</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Estimated 2017 Budget	\$12,461	\$67,539	\$80,000
Projected Year-end 2017 Fund Balances	-\$7,406	-\$37,953	-\$45,359
<b>Proposed 2015 Assessment</b>	<b>\$7,406</b>	<b>\$37,953</b>	<b>\$45,359</b>