



**ALASKA COMPREHENSIVE HEALTH
INSURANCE ASSOCIATION**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Years Ended December 31, 2023 and 2022

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ALASKA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION
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INDEPENDENT AUDITOR'S REPORT

To Board of Directors
Alaska Comprehensive Health Insurance Association

Opinion

We have audited the accompanying financial statements of Alaska Comprehensive Health Insurance Association (a nonprofit organization) which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alaska Comprehensive Health Insurance Association as of December 31, 2023, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Alaska Comprehensive Health Insurance Association 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.

Prior Period Financial Statements

The financial statements of Alaska Comprehensive Health Insurance Association as of December 31, 2022 were audited by Sikich LLP, whose report dated September 7, 2023 expressed an unmodified opinion of those financial statements. Effective as of April 30, 2024, Sikich LLP reorganized and transferred its attest practice to Sikich CPA LLC, a Virginia limited liability company.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alaska Comprehensive Health Insurance Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 generally accepted 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 Alaska Comprehensive Health Insurance Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alaska Comprehensive Health Insurance Association's ability to continue as a going concern for a reasonable period of time.

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

Sikich CPA LLC

Indianapolis, Indiana
September 4, 2024

FINANCIAL STATEMENTS

ALASKA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 3,366,718	\$ 4,345,563
Premiums receivable	28,663	9,058
Assessments receivable	102,315	57,624
Prepaid expenses	34,000	24,000
TOTAL ASSETS	\$ 3,531,696	\$ 4,436,245
LIABILITIES AND NET ASSETS		
LIABILITIES		
Reserve for unpaid claims and claims adjustment expense	\$ 728,000	\$ 1,222,000
Unearned premiums	77,242	87,717
General expenses due and accrued	48,089	18,240
Total liabilities	853,331	1,327,957
NET ASSETS		
Without donor restrictions	2,678,365	3,108,288
TOTAL LIABILITIES AND NET ASSETS	\$ 3,531,696	\$ 4,436,245

See accompanying notes to financial statements

ALASKA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION**STATEMENTS OF ACTIVITIES**

For the Years Ended December 31, 2023 and 2022

	2023	2022
REVENUES WITHOUT DONOR RESTRICTIONS		
Assessments	\$ 1,000,000	\$ 1,000,000
Net premium income	863,154	697,036
	<u>1,863,154</u>	<u>1,697,036</u>
EXPENSES		
Program expenses:		
Hospital and medical benefits	1,731,927	2,049,669
Claim adjustment expenses	158,933	157,313
Total program expenses	<u>1,890,860</u>	<u>2,206,982</u>
Management and administrative expenses:		
Administrator fees	84,067	85,695
Consulting fees	78,750	78,000
Professional fees	164,250	176,948
Other expenses	75,150	97,965
Total management and administrative expenses	<u>402,217</u>	<u>438,608</u>
Total expenses	<u>2,293,077</u>	<u>2,645,590</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(429,923)	(948,554)
NET ASSETS, WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	<u>3,108,288</u>	<u>4,056,842</u>
NET ASSETS, WITHOUT DONOR RESTRICTIONS, END OF YEAR	<u>\$ 2,678,365</u>	<u>\$ 3,108,288</u>

See accompanying notes to financial statements

ALASKA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums collected	\$ 833,074	\$ 741,624
Claims and claims adjustment expenses paid	(2,384,860)	(1,732,468)
General administrative expenses paid	(382,368)	(593,058)
Cash used by operating activities	(1,934,154)	(1,583,902)
CASH FLOWS FROM FINANCING ACTIVITIES		
Assessments collected	955,309	1,041,540
Cash provided by financing activities	955,309	1,041,540
NET DECREASE IN CASH AND CASH EQUIVALENTS	(978,845)	(542,362)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,345,563	4,887,925
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,366,718	\$ 4,345,563

See accompanying notes to financial statements

ALASKA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Alaska Comprehensive Health Insurance Association (the Association), a nonprofit organization, was established by the State of Alaska to provide an individual plan of health insurance to Alaska residents who are considered high risk and are otherwise unable to obtain traditional health insurance. The Association has the authority, under state law, to assess insurance companies writing health premiums in Alaska for all net losses of the Association. Presently, assessments are made as funds are needed.

Section 21.55.430 of HB 374, enacted by the state of Alaska was amended to expand the oversight authority of the Association to include administering the actions of a common Board of Directors of the Association and the Alaska Reinsurance Program (ARP), a nonprofit corporation established within the Association. As the Association does not have an economic interest in ARP, the accompanying financial statements do not include the operations of ARP.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United State of America (USGAAP).

Use of Estimates

The preparation of financial statements in conformity with USGAAP 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Net Assets

Net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Without Donor Restrictions:

Net assets without donor restrictions represent funds which are fully available, at the discretion of management and the Board of Directors, for the Association to utilize in any of its programs or supporting services. The funds can be either undesignated or Board designated for specific activities or programs and events. There were no net assets with board designations at December 31, 2023 and 2022, respectively.

With Donor Restrictions:

Net assets with donor restrictions are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied either by the passage of time or by actions of the Association. Donor restrictions could also include resources with permanent donor-imposed restrictions, which require the assets to be maintained in perpetuity but permit the Association to expend all or part of the income derived from the assets. There were no net assets with donor restrictions at December 31, 2023 and 2022, respectively.

Unpaid Claims and Related Expenses

The liabilities for unpaid claims and related expenses are estimated based on historical claim development, including the effects of six-month pre-existing condition exclusion. Considerable variability is inherent in such estimates. However, management believes that liabilities recognized for unpaid claims and related expenses are adequate. The estimates are continually reviewed and updated as experience develops or new information becomes known; such adjustments are reflected in current operations.

The unpaid claims and related expenses calculation methodology is consistent with that used in prior periods for all components. The Association used the development method for medical and pharmacy claims as well as pharmacy invoices and pended claim information. The Association also used actuarial judgment and projected per member per month incurred claims for the most recent incurred months. Additionally, the Association considered large, pended claims of which they were aware.

Premium deficiencies are not recognized since the Association has the authority to assess member carriers for operating losses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Premium Income

Premiums are earned pro rata over the periods to which the premiums relate. Premiums received in advance represents amounts received in advance of the policy effective date. Premiums receivable represent monthly premiums due from policy holders. Premiums must be received by the Association within 30 days of the due date or the policy holder is terminated from the Association. Delinquent premium payments are recognized as revenue upon collection and are not accrued. Based on information available, the Association believes that no allowance for credit losses is required. However, actual write-offs may exceed the recorded allowance.

Assessments

Assessments of the insurer members are approved by the Board of Directors and are recognized as contribution revenue as there is no direct commensurate value received by the members for their contributions. Assessments are made periodically and are based on projected cash flow needs. Assessments receivable represents outstanding balances assessed to insurance companies but not yet collected, and assessments payable represents amounts overpaid by insurance companies and are to be refunded. As the insurer members are required to pay the assessment by state statute, management has determined that no allowance for doubtful accounts is required. Assessments are not considered to have any donor restrictions as the money is used to fund operations of the Association and are expected to be collected within the next year.

Concentration of Credit Risk

Deposits at the Association's financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Each day, excess cash is swept into multiple deposit accounts, all within the FDIC insured limit. At December 31, 2023 and 2022, the Association's cash balances were then fully insured, and the Association has not experienced a loss due to uninsured balances.

Functional Expense Allocations

The costs of the supporting activities of the Association have been summarized on a functional basis. All expenses are recorded directly to the corresponding function by account and therefore no allocations are necessary.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Internal Revenue Service has determined that the Association qualifies as a tax-exempt organization under Section 501(c)(26) of the Internal Revenue Code (“IRC”) and is, therefore, not subject to tax under present income tax law. The Association is required to operate in conformity with the IRC to maintain its qualification. The Association is also exempt from Alaska state income taxes.

The Association’s 2022, 2021, and 2020 tax returns are subject to examination by the Internal Revenue Service.

Recent Accounting Guidance

In June 2016, the Financial Accounting Standards Board (“FASB”) issued new guidance, Accounting Standards Update (“ASU”) 2016-13 that created Topic 326, *Financial Instruments – Credit Losses*, in the Accounting Standards Codification (“ASC”). Topic 326 significantly changes how entities measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through changes in net assets without donor restrictions. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Financial assets held by the Association that are subject to the guidance in Topic 326 include premiums receivable.

The Association adopted the standard as of January 1, 2023, utilizing the modified retrospective transition method. The adoption of this new accounting pronouncement did not have a material impact on the financial statements.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date (that is, non-recognized subsequent events).

As of August 7, 2024, the Association’s third-party administrator, Benefit Management LLC, filed for bankruptcy and ceased to exist. See Note 3.

The Association has evaluated subsequent events through September 4, 2024, which was the date that these financial statements were available for issuance and noted nothing additional to disclose.

ALASKA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)

2. LIABILITY FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The following table provides a reconciliation of the beginning and ending balances of the liability for unpaid claims and unpaid claims adjustment expenses:

	2023	2022
Balances at January 1	\$ 1,222,000	\$ 884,000
Policy benefits incurred related to:		
Current year	2,011,421	2,330,974
Prior years (redundancy)	(120,561)	(123,992)
Total policy benefits incurred	1,890,860	2,206,982
Paid related to:		
Current year	1,359,101	1,271,554
Prior years	1,025,759	597,428
Total paid	2,384,860	1,868,982
BALANCE AT DECEMBER 31	\$ 728,000	\$ 1,222,000

For the year ended December 31, 2023, prior year's liability for unpaid claims included no factors that were significant. Policy benefits incurred related to prior years varies from previously estimated liabilities as the claims are ultimately settled. The changes in amounts incurred related to prior years are the result of changes in morbidity experience, health care utilization and claim payment patterns.

The total liability for unpaid claims included incurred but not reported health claims (not including claim adjustment expenses of \$28,000 and \$47,000, respectively) of approximately \$700,000 and \$1,175,000 at December 31, 2023 and 2022, respectively. Substantially all of the IBNR balance at December 31, 2023 relates to the current year.

ALASKA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)

2. LIABILITY FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES (Continued)

Year	Net Incurred Medical Costs For the Years Ended December 31	
	2022	2023
2022	\$ 2,330,974	\$ 2,104,439
2023		2,011,421
Total		4,115,860

Year	Net Cumulative Medical Payments For the Years Ended December 31	
	2022	2023
2022	\$ (1,271,554)	(2,029,203)
2023		(1,359,101)
Total		(3,388,304)
Net remaining liabilities prior to 2022		444
TOTAL LIABILITY FOR UNPAID CLAIMS		\$ 728,000

3. PLAN ADMINISTRATION AGREEMENT

The Association has outsourced its administrative services to Benefit Management LLC (BML), a Kansas based third party administrator, under a service agreement effective through December 2024. In accordance with the agreement, the Association is charged a monthly per-member-per-month fee based on the number of active members, and variable fees for certain services. Total fees charged by BML were \$253,000 and \$243,008 for the years ended December 31, 2023 and 2022, respectively. Included in fees charged by BML, \$158,933 and \$157,313 were considered to be claim adjustment expenses. Accordingly, at December 31, 2023 and 2022, \$40,500 and \$868 were due to BML and are recorded as accrued expenses on the accompanying statements of financial position, respectively.

Prepaid amounts due to the Association from BML in the amounts of \$34,000 and \$24,000 at December 31, 2023 and 2024, respectively are included in the accompanying statements of financial position.

As of August 7, 2024, Benefit Management LLC filed for bankruptcy and ceased to exist. The Association is currently evaluating their options for a new third party administrator.

ALASKA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Association's financial assets for operating expenses within one year of the statements of financial position date at December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,366,718	\$ 4,345,563
Premiums receivable	28,663	9,058
Assessments receivable	<u>102,315</u>	<u>57,624</u>
 TOTAL FINANCIAL ASSETS	 <u>\$ 3,497,696</u>	 <u>\$ 4,412,245</u>

All of the Association's financial assets are to be used to pay claims and operating expenses. When at any time claims and operating expenses are projected to exceed premium revenue, the Association has the statutory authority to assess the insurance carriers writing business in the State of Alaska for cash flow to cover the losses.

5. LINE OF CREDIT

The Association has a \$1,000,000 revolving line of credit with the bank. The line of credit calls for a single payment of all unpaid principal and accrued interest at maturity date of September 29, 2024. Interest is variable based on the prime rate which is 8.5% at December 31, 2023. The balance outstanding is \$0 at December 31, 2023. The line of credit is secured by general business assets.

6. CONTINGENCY

The Association is subject to an array of laws and regulations relating to the operations of the Association. Under current laws and regulations, the Association may be subject to litigation in the normal course of business. The Association believes that any liability that may result from any type of litigation is unlikely to have a material adverse effect on its financial condition as it has the authority to assess the insurer carriers for any such losses.

7. RELATED PARTIES

As discussed in Note 1, the Association shares the same board of directors as the Alaska Reinsurance Program (ARP). There was no business activity between the two entities for the years ended December 31, 2023 and 2022, respectively.