

COMMONWEALTH OF PENNSYLVANIA

COMPREHENSIVE DESCRIPTION:

STATE INNOVATION WAIVER APPLICATION



PENNSYLVANIA INSURANCE DEPARTMENT

JESSICA K. ALTMAN, COMMISSIONER

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SUMMARY

A. WAIVER REQUEST

Jessica Altman, Commissioner of the Pennsylvania Insurance Department (PID), on behalf of the Commonwealth of Pennsylvania, will submit an application to the Centers for Medicare and Medicaid Services (“CMS”), a division of the United States Department of Health and Human Services (“HHS”), and to the United States Department of the Treasury, for a waiver of certain provisions of the Patient Protection and Affordable Care Act, Public Law 111-148, as amended by the Health Care and Education Reconciliation Act of 2010, Public Law 111-152, together referred to as the Affordable Care Act (“ACA”), as authorized by Section 1332 of that Act.

Pennsylvania’s 1332 waiver application will, if approved, be effective for the 2021 plan year, and will seek the maximum approval of five years under Section 1332. Pennsylvania’s 1332 waiver will seek approval to waive section 1312(c)(1) of the ACA for the purpose of establishing a state-based, and state-administered reinsurance program. Pennsylvania’s 1332 waiver will not seek to waive any other sections of the ACA.

Pennsylvania’s 1332 waiver, if approved, would establish a reinsurance program that would lower premiums in the individual ACA market below what would otherwise be charged and reduce the payment of premium tax credits (“PTCs”) by the federal government.

B. BACKGROUND & GOAL OF REINSURANCE PROGRAM

Pennsylvania’s individual market for health insurance is stable and has recently welcomed new insurers to the market and service area expansions of existing insurers. But a stable market does not necessarily mean an affordable market, and Pennsylvania has seen individual market rates rise in recent years. In particular, Pennsylvanians who are not eligible for financial assistance made available by the ACA are finding the full cost of premiums to be high and, for some, unaffordable.

Pennsylvania believes that a sustainable, affordable individual market for health insurance is important. After studying the Commonwealth’s market, population, and morbidity, Pennsylvania believes that an effective mechanism to maintain its stable individual market by reducing rates, increasing enrollment, and improving the morbidity of the single risk pool is through the use of a state-based reinsurance program. The Pennsylvania reinsurance program is modeled largely on the concepts of the Transitional Reinsurance Program that operated in the individual ACA market from 2014 through 2016 under section 1341 of the ACA and will utilize an attachment-point model of reinsurance, financed by user fees from the on-exchange insurers (less costs to operate the exchange) and federal pass-through funding resulting from reductions in federal spending on exchange financial assistance.

Pennsylvania’s 1332 waiver will propose a reinsurance program that is expected to lower gross premium rates (i.e., prior to the application of premium tax credits) in the individual ACA market by, on average, between 4.9% and 7.5% for the 2021 plan year, improve morbidity in the risk pool by between 0.1% and 0.2%, and increase enrollment in the individual ACA market by between 0.5% and 1.0%. These estimates are relative to actuarial projections of a 2021 plan year without a reinsurance program in effect.

C. COMPLIANCE WITH ACA SECTION 1332

1. GUARDRAILS

As detailed more fully in Section II, Pennsylvania's 1332 waiver application, if approved and implemented, would abide by the four guardrails¹ imposed under section 1332 of the ACA. Pennsylvania's 1332 waiver proposal does not seek to alter or affect the comprehensiveness of coverage in Pennsylvania's market for health insurance. Additionally, the 1332 waiver proposal will not result in health insurance being less affordable than it is today; rather, it will reduce rates in the individual market (i.e., relative to if the 1332 waiver proposal were not implemented). Regarding the scope of coverage guardrail, Pennsylvania's 1332 waiver is expected to increase enrollment in the individual market. Finally, Pennsylvania's 1332 waiver will not result in increased spending, administrative or other expenses to the federal government. Pennsylvania's 1332 waiver will request pass-through funding in the amount of reductions in (premium tax credit) PTC payments made by Treasury, which the federal government would have otherwise been statutorily obligated to make.

2. PASS-THROUGH FUNDING

Pennsylvania's 1332 waiver proposal will request that Treasury "pass-through" to Pennsylvania's reinsurance program the cost savings from the reduction of federal outlays of PTCs resulting from the reduction in rates in the individual market due to the reinsurance program. Section 1332(a)(3) of the ACA authorizes pass-through funding in 1332 waiver applications.

3. PUBLIC NOTICE & COMMENT

Pennsylvania is releasing this comprehensive description of its 1332 waiver proposal for public comment. Additionally, Pennsylvania will hold two public hearings in separate places within a 30-day period, commencing on Friday, November 15, and ending on Saturday, December 14, 2019. During that same period, Pennsylvania will accept comments from the public regarding the 1332 waiver proposal.

Pennsylvania's Insurance Department has created a webpage, easily accessible from its homepage at insurance.pa.gov or by visiting insurance.pa.gov/PA1332Waiver. This page contains a comprehensive description for the establishment of a reinsurance program, a draft of the final 1332 waiver proposal (when available), links to Act 42, and 1332 waiver FAQs. The page also includes a mechanism for submitting a comment, the date, time and locations of public hearings, and other information, including a cash flow illustration, intended to give the public the ability to understand Pennsylvania's 1332 waiver application.

¹ <https://www.govinfo.gov/content/pkg/FR-2018-10-24/pdf/2018-23182.pdf>

COMPLIANCE WITH SECTION 1332 GUARDRAILS

The ACA contains provisions that encourage states to innovate regarding health insurance coverage and avoid situations where a one-size-fits-all approach implemented through federal regulation may have negative effects in specific states. The provision at the center of this 1332 waiver proposal is Section 1332 of the ACA, which allows states to modify or waive certain provisions of the ACA. However, there are certain “guardrails” in that authorization which place limitations on how 1332 waivers can be used by states. The guardrails outlined in Section 1332 of the ACA are described in more detail in guidance published on October 24, 2018. In general, the guardrails are intended to ensure that comprehensive, affordable healthcare coverage continues to be made available in a state to at least as many individuals as would have access absent a waiver, while not increasing the federal deficit.

Although some flexibility is provided to states when pursuing waivers under section 1332 of the ACA, there are specific market reforms from Title I of the ACA that cannot be waived by a state. Those market reforms include:

- Guarantee issue (the requirement that insurers offering ACA-compliant policies in a state must offer coverage to all eligible applicants, with few exceptions)
- Prohibition on pre-existing conditions exclusions
- Prohibition on lifetime and annual dollar limits for policies
- Prohibition on health underwriting or adjusting premium due to health status
- The maximum age rating ratio of 3:1
- Requirement that coverage be provided to adult dependents up to age 26

Additionally, the section 1332 waiver cannot alter provisions of law or operations of the state’s Medicaid program.

SECTION 1332 GUARDRAILS

A. COMPREHENSIVENESS OF COVERAGE

The first guardrail requires that any 1332 waiver must ensure access to coverage provided in the market after the implementation of the waiver that is “at least as comprehensive” in covered benefits as would be available without the implementation of a 1332 waiver.

Pennsylvania’s 1332 waiver does not in any way seek to alter the requirements of coverage under state benefit mandates or under the ACA’s required coverages, including the essential health benefits requirement under section 2707 of the Public Health Service Act.

B. AFFORDABILITY OF COVERAGE

A 1332 waiver must provide access to “coverage and cost-sharing protections against excessive out-of-pocket spending that are at least as affordable” for the state’s residents as would be available absent the implementation of the 1332 waiver. Affordability is measured by comparing an individual’s net out-of-pocket spending, including premium contributions, cost-sharing, and spending on non-covered services.

Pennsylvania’s 1332 waiver would not require or encourage insurers to alter cost-sharing designs or network coverage. In addition, by establishing a reinsurance program to lower rates,

Pennsylvania's 1332 waiver would reduce premium contributions made by a number of individuals, in particular those individuals who do not receive PTCs, and reduce the overall cost of health insurance in the individual market. Overall, if approved, this 1332 waiver is expected to make coverage more affordable in the individual market.

C. SCOPE OF COVERAGE

Section 1332 requires that states must provide coverage to "at least a comparable number of the state's residents" as would have been covered without the waiver.

Pennsylvania's 1332 waiver is expected to increase the number of enrollees in the individual market due to the reduction in rates resulting from the reinsurance program. Actuarial analyses and projections estimate that the number of individual market enrollees would increase by between 0.5% and 1.0% over baseline assumptions for the 2021 plan year.

D. DEFICIT NEUTRALITY

Finally, section 1332 requires that a waiver must not increase the federal deficit in each year of the waiver, and over a 10-year budget period. All changes in federal revenues and outlays resulting from an approved 1332 waiver must be considered.

Pennsylvania's 1332 waiver, if implemented, would not increase either the federal deficit or federal revenues or outlays on a year-over-year basis, nor over the 10-year budget period. The reinsurance program proposed in Pennsylvania's 1332 waiver would seek pass-through funding that is equal to, but not greater than, the amount of money in PTCs that Treasury would otherwise pay without a reinsurance program under a 1332 waiver. In other words, federal expenditures would not be expected to change as a result of the waiver.

RECENT HISTORY AND CURRENT STATUS OF PENNSYLVANIA'S HEALTH INSURANCE MARKET

As was the case across the country, Pennsylvania's individual health insurance market experienced significant changes since the ACA was implemented. As shown in Table 1, in the first three years following the implementation of the major market reforms of the ACA, insurers doing business in the individual market realized large underwriting losses, with the most significant of those losses occurring in 2015 and 2016. Following those results, some insurers exited Pennsylvania's individual ACA market in 2017. While the individual market experienced fluctuations since the implementation of the major market reforms of the ACA, as noted in Table 1, Pennsylvania has recently experienced positive trends and noteworthy stabilization. In addition to some insurers reporting rate decreases over the last two plan years, Pennsylvania's individual market has recently added two new insurers, as well as seen existing insurers expanding their service areas.

Table 1 – Individual Market Underwriting Gain/Loss (in thousands)

	2014	2015	2016	2017	2018
Premium	\$2,099,691	\$2,576,875	\$2,637,044	\$3,077,400	\$3,605,637
Gain/(Loss)	(\$180,850)	(\$441,406)	(\$288,114)	\$314,168	594,948
G/L% of Prem	-8.6%	-17.1%	-10.9%	10.2%	16.5%

Sources: CMS MLR Reported Data (2014 through 2018)

Still of concern is the lack of affordability for all Pennsylvanians, particularly those who do not receive subsidies. The high points of enrollment preceded the Commonwealth implementing a Medicaid expansion program, first through a Section 1115 demonstration waiver and later that same year with a traditional ACA approach. A large average rate increase in the 2017 plan year and a second increase in 2018 caused further enrollment deterioration. As shown in Table 2, we estimate that the average premium per member per month (PMPM) in Pennsylvania's individual market has more than doubled over the time period from 2014 to 2018, from \$289 to \$641. Meanwhile, total membership in Pennsylvania's individual market has decreased almost to the level which existed prior to the ACA.

Table 2 –Individual Market Member Months and Average Premium PMPM

	2013	2014	2015	2016	2017	2018
Member Months	456,000	606,000	642,000	598,000	511,000	469,000
Premium PMPM	\$243	\$289	\$334	\$368	\$502	\$641

Sources: CMS MLR Reported Data (2013 through 2018)

Through the reinsurance program and associated market stabilization efforts, we expect to see reduced rates, increased enrollment, and continued downward pressure on rates in the coming years. Pennsylvania believes that a reinsurance program is the most cost-effective mechanism to immediately push rates downward, encourage enrollees to maintain coverage, and to attract more enrollees into the market for the 2021 plan year.

DESCRIPTION OF 1332 WAIVER PROPOSAL

Pennsylvania will submit a 1332 waiver application that seeks to implement a state-based reinsurance program to strengthen the individual market. Pennsylvania's 1332 waiver application will seek approval to waive ACA section 1312(c)(1); Pennsylvania will not seek approval to waive any other provisions of law. The waiver application submitted by Pennsylvania, if approved and implemented, would take effect for the 2021 plan year, and approval would remain in effect for five years.

A. PENNSYLVANIA'S PROPOSED REINSURANCE PROGRAM

Act 42 was signed into law by Governor Wolf on July 2, 2019. Act 42 authorizes the establishment of a state-based reinsurance program and the securement of funding for that reinsurance program, as well as authorizes the PID to submit a 1332 waiver application specific to a reinsurance program.

B. REINSURANCE PROGRAM STRUCTURE

The PID will be charged with the following responsibilities associated with the operation of the proposed reinsurance program:

- 1) Make reinsurance payments to eligible insurers that offer individual health care plans² in the Commonwealth.
- 2) Establish procedures for the administrative and accounting operations of the program.
- 3) Prepare an annual financial report, transmit it to the General Assembly and post it on the Department's website.
- 4) Annually consult with on-exchange insurers and determine and adopt parameters for reinsuring risks, including all of the following: an attachment point, reinsurance cap, and coinsurance rate.
- 5) Assure collection of data submissions and reinsurance payment requests from eligible insurers.
- 6) Contract with outside entities as necessary or appropriate to administer program.
- 7) Assure that an annual independent audit is performed each year.
- 8) Establish procedures for quarterly reporting or annual reporting, or both, as may be required, of data under the § 1332 waiver to demonstrate that the waiver remains in compliance with the scope of coverage, affordability, comprehensiveness and deficit requirements.
- 9) Provide an annual report summarizing the quantifiable impact of the reinsurance program on individual market health insurance rates for the following year.
- 10) Establish procedures for providing each year the actual Second Lowest Cost Silver Plan premium under the Affordable Health Care Act's [42 U.S.C. § 18001 et seq.] § 1332 waiver and an estimate of the premium as it would have been without the waiver.
- 11) Provide for any additional matters necessary for the implementation and administration of the reinsurance program.

² Any policy offered in the Pennsylvania's individual market that is subject to the single risk pool requirements of § 1312(c)(1) of the Affordable Care Act

C. REINSURANCE PROGRAM FINANCING & TARGET REDUCTION IN RATES

Pennsylvania's 1332 waiver application will target a reduction to gross premium rates equal to between 4.9% and 7.5%, on average, for the 2021 plan year (i.e., relative to the premium rates that would otherwise be charged under the baseline). Actuarial modeling predicts it is expected that Pennsylvania will need to secure between \$41.8 million and \$65.9 million in financing to secure the corresponding \$103.4 million to \$157.9 million in estimated federal pass-through funding to achieve the specified average rate impact for the 2021 plan year.

Pennsylvania's reinsurance program will be funded by user fees from the on-exchange insurers and federal "pass through" dollars. This "pass through" funding is calculated on the assumption that the federal government will pay out less in federal tax credits due to lower premium rates.

The user fee is a 3% fee calculated as a percent of monthly premiums for health and dental products offered through the Pennsylvania Health Insurance Exchange Authority (PHIEA). The exchange authority will assess and collect the fees and disburse receipted fees (less costs to operate the exchange) to the PID to benefit the reinsurance program.

If the 1332 waiver is approved, Pennsylvania expects to receive additional "pass through" dollars from the federal government to supplement the program.

Each year, the PID will determine the reinsurance program attachment point, reinsurance cap, and coinsurance rate, by conducting an analysis of the individual health insurance market. This analysis will consider factors such as: projected monthly enrollment, average PMPM premium, projected medical trend growth, and projected reinsurance impact of the upcoming year.

Eligible insurers may be reimbursed a percentage of an individual's annual claim costs between a bottom attachment point and an upper limit cap. The insurer will be responsible to pay the full cost of those claims up to the attachment point and above the cap. Payments to insurers will be made under the reinsurance program after the plan year ends and all costs have been recorded and reconciled.

Payment is not an entitlement; payments of amounts payable from federal sources is contingent on the receipt of federal money; and payments may not exceed amounts of expected federal and other budgeted money.

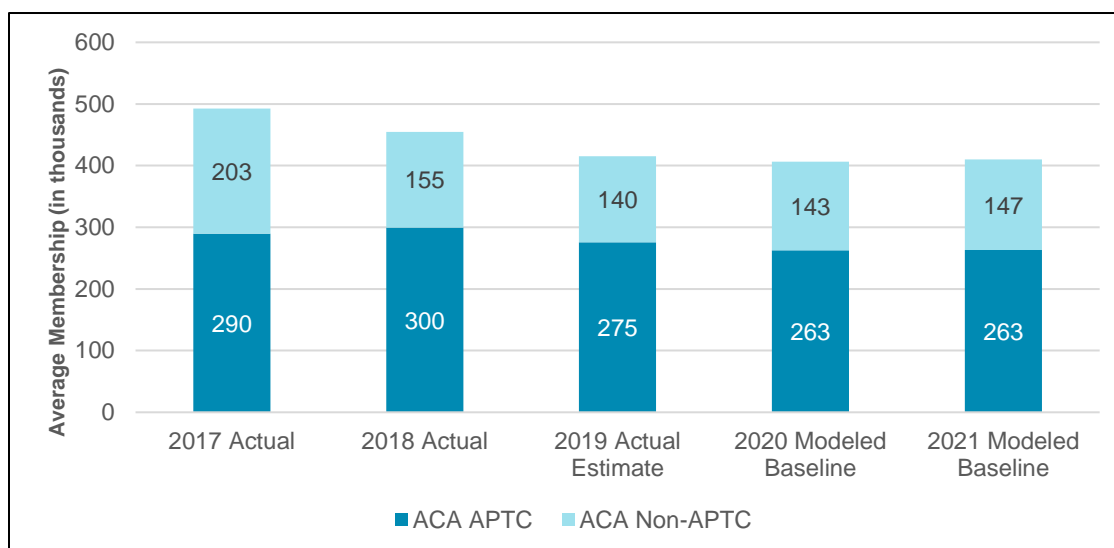
In summary, by helping to cover high-cost claims, the reinsurance program will reduce the insurers' exposure to high cost claims and therefore reduce the need to raise premium rates to cover those claims.

ACTUARIAL ANALYSES TO SUPPORT WAIVER PROPOSAL

A. PRELIMINARY ACTUARIAL MODELING RESULTS

The 2021 Modeled Baseline shown in Table 3 reflects projected enrollment levels in 2021, split between those individuals receiving advance premium tax credits (APTCs) and those individuals who do not receive APTCs. As shown, absent a 1332 waiver and corresponding reinsurance program, total enrollment volumes in Pennsylvania's individual market are expected to increase slightly from 2020 and 2021. Some of the key assumptions being incorporated into the 2021 projection are that the individual mandate penalty will remain equal to \$0, that non-ACA transitional policies will be required to terminate at the end of 2020, and that insurer pricing in 2021 will incorporate the following items: 7.0% premium/claims trend, an exchange user fee for 2021 of 3.0%, and the inclusion of the Health Insurance Providers Fee.

Table 3 – Individual ACA Market Membership (2017 to 2021)



Additional key assumptions which underlie the 2021 Modeled Baseline projection shown above include the following: Cost sharing reduction (CSR) subsidies will continue to be unfunded by the federal government and insurers will continue to load premiums for their on-Exchange silver plans by an amount equal to the lost CSR payments from the federal government, insurer plan and network offerings will be similar to those available to consumers in 2020, insurer pricing assumptions will be similar to those used in 2020, there will be no significant insurer entries or exits in 2021 relative to 2020, and there will be no additional significant legislative changes at either the state or federal level.

Table 4 – 2021 Individual ACA Market Membership

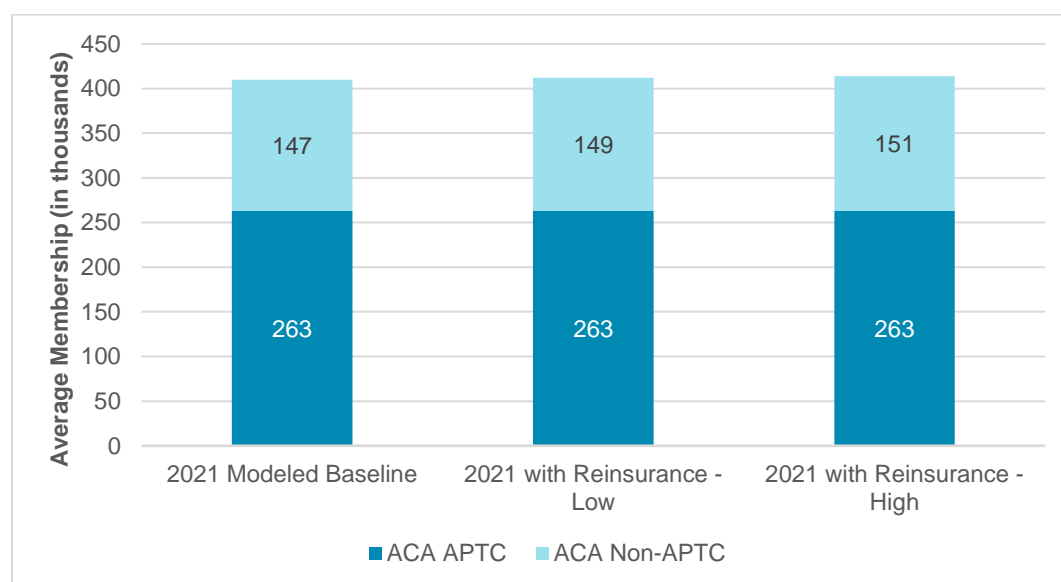


Table 4 above demonstrates how enrollment in Pennsylvania’s individual market would be expected to change assuming a reinsurance program resulting in a total average reduction to premium rates equal to between 4.9% and 7.5% (i.e., relative to the premium rates that would otherwise be charged under the baseline) were to be implemented starting in 2021. As shown, the impact of the reinsurance program on the volume of enrollees receiving APTCs in 2021 is expected to be minimal as the net premium rates paid by those enrollees (i.e., net of APTCs) are, on average, mostly insulated from changes in gross premium rates. On the other hand, the volume of enrollees who do not receive APTCs is expected to increase, driven primarily by uninsured individuals expected to enter the individual market as a result of lower rates.

We note that, in the reinsurance scenarios shown, it is being assumed that insurers will reduce their 2021 premium rates from the levels assumed under the 2021 Modeled Baseline, based on the percentage of each insurer’s costs expected to be funded by the reinsurance program plus an additional amount equal to between 0.1% and 0.2% to reflect an expected improvement in the average morbidity³ of the individual ACA market, for a total expected average change in gross premium rates equal to between 4.9% and 7.5%.⁴

³ On average, the additional individuals who enroll under the reinsurance scenario would be expected to have lower health risks than those individuals included in the 2021 Modeled Baseline.

⁴ Relative to the 2021 Modeled Baseline premium rates

Table 5 – Net Cost of Reinsurance Program to the Commonwealth of Pennsylvania

(in millions)	2021 Modeled Baseline	2021 with Reinsurance	
Reinsurance Pool Cost	-	\$ 145.1 to \$223.8	A
Federal PTC Spending	\$ 1,632.1	\$1,474.2 to \$1,528.8	
Pass-Through Savings	-	\$ 103.4 to \$157.9	B
Net Cost to the Commonwealth of Pennsylvania	-	\$41.8 to \$65.9	= A – B

As shown in Table 5 above, the total projected cost (i.e., “Reinsurance Pool Cost”) of a reinsurance program that will produce an average reduction in gross premium rates equal to between 4.9% and 7.5% in Pennsylvania’s individual ACA market in 2021 (i.e., relative to the premium rates that would otherwise be charged under the 2021 baseline) is expected to be approximately \$145.1 million to \$223.8 million⁵. However, through the submission and approval of a 1332 waiver, much of the funding needed for the reinsurance program would be expected to be received in the form of federal pass-through payments, resulting in a net cost to Pennsylvania which is significantly lower than those estimates.

Since the proposed reinsurance program is expected to result in a decrease in gross premium rates (i.e., premium rates prior to the application of APTCs) for all individuals enrolled in individual plans, federal spending on PTCs would be expected to decrease as well. Overall, federal PTC spending is projected to decrease by approximately \$ 103.4 million to \$157.9million between the 2021 Modeled Baseline and Reinsurance scenarios.

Based on the above, the expected net liability to Pennsylvania in order to fund a reinsurance program that will produce an average reduction in gross premium rates equal to between 4.9% and 7.5% in Pennsylvania’s individual ACA market in 2021 (i.e., relative to the premium rates that would otherwise be charged under the 2021 baseline) is expected to be approximately \$41.8 million to \$65.9 million (i.e., \$145.1M - \$103.4M and \$223.8M - \$157.9M).

⁵ Excludes costs associated with the implementation and ongoing administration of the reinsurance program

IMPLEMENTATION PLAN WITH TIMELINE

Pennsylvania will seek to achieve the following time line in order to effectuate a reinsurance program for the 2021 plan year:

- 11/15/19: Public Comment Period begins (30 days total)
- 12/03/19: First Public Hearing held.
- 12/05/19: Second Public Hearing held.
- 12/14/19: Public Comment Period ends.
- 01/13/20: Pennsylvania's 1332 waiver application is submitted to the federal government.
- 01/23/20: Federal government determines waiver application is complete
- 02/28/20: CMS approves Pennsylvania's 1332 waiver.
- 09/15/20: PID submits required information for 2021 pass-through reporting to CMS
- 11/15/20: CMS notifies Pennsylvania of preliminary 2021 pass-through payments
- 01/01/21: Pennsylvania's reinsurance program under a 1332 waiver commences operation, compliant with both state and federal law and regulations
- 04/01/21: Federal government remits pass-through payment to PID

OTHER REQUIREMENTS

A. ADMINISTRATIVE BURDEN

Pennsylvania's 1332 waiver is expected to cause minimal administrative burden and expense to the state and federal governments. The waiver will cause no additional administrative burden to employers and individual consumers because the reinsurance program proposed by Pennsylvania in its 1332 waiver does not relate to the administrative functions or requirements typically undertaken by employers or individuals. The administrative burden to health insurance insurers associated with submitting limited data to Pennsylvania will be minimal.

The Commonwealth of Pennsylvania will have the resources to conduct the administrative tasks required for a reinsurance program under a 1332 waiver:

- Administration of the reinsurance program;
- Collection and application for pass-through funding;
- Monitoring of compliance with state and federal law;
- Collection and analyses of data related to the 1332 waiver;
- Performance of reviews and implementation of the waiver;
- Distribution of reinsurance payments; and
- Submittal of any annual, quarterly, or other required reports to the General Assembly, CMS, and Treasury

The 1332 waiver request anticipates that the federal government may perform the following administrative tasks, which are insignificant in comparison to duties currently performed by the federal government:

- Review documented complaints, if any, related to the 1332 waiver;
- Review state reporting;
- Evaluate the state's 1332 waiver and reinsurance program; and
- Calculate reinsurance payments and calculate and facilitate the transfer of pass-through funds

COMMENT PERIOD

Pennsylvania's public comment period for its 1332 waiver application begins on Friday, November 15, 2019, and ends Saturday, December 14, 2019. Comments can be sent to the Pennsylvania Insurance Department through an e-mail address at RA-IN-PA1332Waiver@pa.gov or by mail to:

Pennsylvania Insurance Department 1332 Innovation Waiver
Attn: David Buono
1326 Strawberry Square
Harrisburg, PA 17120

The two public hearings will be held:

December 3rd, 2019
11:00am- 2:00pm
The Nittany Lion Inn
200 W Park Ave.
State College, PA 16803

December 5th, 2019
11:00am- 2:00pm
Keystone Building – hearing room 3
400 North St.
Harrisburg, PA 17120

Pennsylvania Insurance Department – Section 1332 Innovation Waiver

Plan Year 2023 Comparative Report

Pennsylvania's Reinsurance Program (PA-Re) created under the Federal Section 1332 State Relief and Empowerment Waiver and enabled by Act 42 of 2019, continues to provide measurable savings. PA Re plays a significant role in driving individual market premiums down. For the third year of the reinsurance program, beginning January 1, 2023, the adopted parameters are an attachment point of \$60,000, a cap of \$100,000, and a coinsurance rate of 53 percent.

PA Re projects that under the 1332 waiver, premiums will be about 4.3 percent lower in 2023 than they would have been without the waiver. These are exciting measures for the over 425,000 lives who enroll in the individual health insurance market in Pennsylvania.

The average final second lowest cost silver plan (SLCSP) rates for a representative individual (e.g., a 21-year-old nonsmoker) would have been \$396.50 per month without reinsurance. With PA Re, the average rate is \$379.28 per month.

PENNSYLVANIA REINSURANCE PROGRAM

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

PENNSYLVANIA REINSURANCE PROGRAM

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Management
Pennsylvania Reinsurance Program
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the PENNSYLVANIA REINSURANCE PROGRAM (the "Reinsurance"), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Reinsurance's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 respective financial position of Reinsurance as of June 30, 2020, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.



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Pennsylvania Reinsurance Program
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Other Matters

Omission of Management's Discussion and Analysis

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2021 on our consideration of Reinsurance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Reinsurance's internal control over financial reporting and compliance

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Harrisburg, Pennsylvania
November 17, 2021

Basic Financial Statements

PENNSYLVANIA REINSURANCE PROGRAM
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
Due From Related Party	\$ 84,997
Total Assets	<u>84,997</u>
LIABILITIES	
Accounts Payable	<u>84,997</u>
Total Liabilities	<u>84,997</u>
NET POSITION	
Restricted for Reinsurance Program	<u>-</u>
Total Net Postion	<u><u>\$ -</u></u>

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

PENNSYLVANIA REINSURANCE PROGRAM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
Governmental Activities:			
General Operations	\$ 84,997	\$ 84,997	\$ -
Total Governmental Activities	<u>\$ 84,997</u>	<u>\$ 84,997</u>	<u>-</u>
Change in Net Position			-
Net Position - Beginning of the Year			<u>-</u>
Net Position - End of the Year			<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements

PENNSYLVANIA REINSURANCE PROGRAM
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2020

ASSETS

Due From Related Party

\$ 84,997

Total Assets

84,997

LIABILITIES

Accounts Payable

84,997

Total Liabilities

84,997

FUND BALANCE

Restricted for Reinsurance Program

-

Total Fund Balance

\$ -

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

PENNSYLVANIA REINSURANCE PROGRAM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

Revenues	
Intergovernmental Revenue	\$ 84,997
Total Revenues	<u>84,997</u>
Expenditures	
General Operations	<u>84,997</u>
Total Expenditures	<u>84,997</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>
Change in Fund Balance	-
Fund Balance, Beginning of the Year	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>

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

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Pennsylvania Reinsurance Program ("Reinsurance") was established by Act 42 of 2019, which created the Reinsurance Fund as a special fund within the State Treasury to be administered by the Pennsylvania Insurance Department. The purpose of Reinsurance is to stabilize the rates and premiums for health insurance policies in the individual market to provide greater financial certainty to consumers of health insurance in the Commonwealth.

The financial statements of Reinsurance are intended to present the financial position and results of operations of only the Reinsurance Fund of the Pennsylvania Insurance Department which is attributable to the transactions of the program. The Pennsylvania Insurance Department, through its Insurance Commissioner, exercises oversight responsibility over the management, operations, and fiscal and programmatic accountability of the Pennsylvania Reinsurance Program. Reinsurance is a program of the Pennsylvania Insurance Department and, therefore, is considered a fund of the Commonwealth.

B. Measurement Focus and Basis of Accounting

Reinsurance follows Generally Accepted Accounting Principles (GAAP). GAAP allows specialized accounting for government entities, which is governed by pronouncements set by the Government Accounting Standards Board (GASB).

During the year, the Pennsylvania Insurance Department segregates transactions related to its functions or activities to aid financial management and to demonstrate legal compliance. The accounts of Reinsurance are organized on the basis of one fund, which is considered a separate accounting entity.

The basic financial statements of Reinsurance are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of Reinsurance. Governmental activities which are supported by intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (Continued)

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of Reinsurance are reported as a reduction of the related liability, rather than an expenditure.

2. Fund Financial Statements

Reinsurance has one fund presented as a major governmental fund that is considered a special revenue fund. A special revenue fund is used to account for specific financial resources which are restricted to expenditures for special purposes. Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balance on a modified accrual basis of accounting.

Governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred outflows and inflows of resources are generally included on the balance sheet.

The statement of governmental fund revenues, expenditures, and changes in fund balance represents the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. Governmental funds are prepared using the modified accrual basis of accounting. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available for both exchange and non-exchange transactions. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For general revenues, available means expected to be received within sixty days after year-end. For grant programs, revenue is recognized when the related eligible expenditure is incurred. Expenditures generally are recorded when a liability is incurred.

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Balance

Governmental funds report fund balance in categories based on the level of constraint placed upon the funds. These levels are as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Insurance Commissioner. These amounts cannot be used for any other purpose unless the Insurance Commissioner removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

Assigned fund balance – This classification includes amounts that are constrained by the Program's intent to be used for a specific purpose but are neither restricted nor committed.

Unassigned fund balance – This classification represents amounts that are available for any purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

D. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of Reinsurance, not restricted for any project or other purpose.

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Net Position (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, Reinsurance's policy is to apply restricted net position first.

E. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Pending Changes in Accounting Principles

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". Reinsurance is required to adopt the provisions of Statement No. 84 for its fiscal year 2021 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases*". Reinsurance is required to adopt the provisions of Statement No. 87 for its fiscal year 2022 financial statements.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". Reinsurance is required to adopt the provisions of Statement No. 89 of its fiscal year 2022 financial statements.

In August 2018, the GASB issued Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*". Reinsurance is required to adopt the provisions of Statement No. 90 for its fiscal year 2021 financial statements.

In May 2019, the GASB issued Statement No. 91, "*Conduit Debt Obligations*". Reinsurance is required to adopt the provisions of Statement No. 91 for its fiscal year 2023 financial statements.

In January 2020, the GASB issued Statement 92, "*Omnibus 2020*." Reinsurance is required to adopt the provisions of Statement No. 92 for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 93, "*Replacement of Interbank Offered Rates*". Reinsurance is required to adopt the provisions of Statement No. 93 for its fiscal year 2021 financial statements, except for the paragraphs of 11b, 13, and 14 which are effective for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". Reinsurance is required to adopt the provisions of statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". Reinsurance is required to adopt the provisions of Statement No. 96 for its fiscal year 2023 financial statements.

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Pending Changes in Accounting Principles (Continued)

In June 2020, the GASB issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*". Reinsurance is required to adopt the remaining provisions of Statement No. 97 for its fiscal year 2021 financial statements.

In October 2021, the GASB issued Statement No. 98, "*The Annual Comprehensive Financial Report*". Reinsurance is required to adopt the provisions of Statement No. 98 for its fiscal year 2022 financial statements.

Reinsurance has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: DEPOSIT AND INVESTMENT RISK

The Commonwealth's fiscal code, as amended, authorizes Reinsurance to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; certificates of deposits, fully insured or collateralized; certain commercial paper and repurchase agreements; highly rated bank promissory notes or investments funds or trusts; and "prudent man" investments as determined by Reinsurance's depository (i.e. Commonwealth Treasury Department).

The deposit and investment policies of the Treasury Department are governed by Sections: 301, 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929 P.L. 343), and Section 321.1 of the Pennsylvania Administrative Code (Act of 1929 P.L. 177. No. 175).

Treasury deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. The Fiscal Code grants the Treasury Department the authority to invest in any deposits and investments subject. This authority is subject, however, to the exercise of that degree of judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence who are familiar with such matters exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income to be derived therefrom as well as the probable safety of their capital. Treasury Department deposits and investments may include equity securities and mutual funds.

As of June 30, 2020, Treasury Department manages the Commonwealth Investment Program (CIP). Treasury is required to exercise careful judgment in determining those investments that are appropriate for each Commonwealth fund based upon distinct investment criteria such as income needs, cash flow requirements, investment time horizons, and risk tolerance. All investments are made in accordance with the statutory authority described in the preceding paragraph. The CIP investment pool structure invests in both equity securities and fixed income securities to achieve the investment objectives of the funds of the Commonwealth Investment Program. Asset allocation targets among cash, equity securities, fixed income securities and alternative are established in order to meet these overall objectives.

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Treasury has created two separate Pools within the Commonwealth Investment Program, each with its own distinct investment strategies, goals, and holdings that reflect the differing needs of Commonwealth funds for income, cash flows, and investment risk tolerance. A highly liquid vehicle, Pool 999 (Liquid Asset Pool), consists of short-term fixed income and cash and provides a high degree of liquidity and security but only modest returns. A less liquid vehicle, Pool 998 (Common Investment Pool), allows for investment in assets that offer potentially higher returns with commensurate risk.

As of June 30, 2020, the balance of Reinsurance's investments held in the Commonwealth Investment Pool was \$0.

Interest Rate Risk

Reinsurance's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Program has elected to use the segmented time distribution method of disclosure for its interest rate risk.

Credit Risk

The investment policies of Reinsurance are governed by statutes and contractual provisions contained in the bond trust indentures. Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed.

Custodial Credit Risk

The custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty to a transaction, Reinsurance will not be able to recover the value of investment or collateral securities that are in possession of an outside party.

As of June 30, 2020, none of Reinsurance's investments were exposed to custodial credit risk.

Fair Value

Reinsurance categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Reinsurance's investments in the Commonwealth Investment Pool are measured at the Net Asset Value (NAV). The Program has no unfunded commitments related to its Commonwealth Investment Pool investments. Additionally, these investments do not have a limit on the redemption frequency or require a redemption notice period.

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 3: RELATED PARTY TRANSACTIONS

Under Act 42, Reinsurance may be funded through user fees from the Pennsylvania Health Insurance Exchange Authority (PHIEA), a component unit of the Commonwealth of Pennsylvania, as well as Federal funding and other available sources. The Act provides that the Pennsylvania Insurance Department (PID) shall coordinate with PHIEA to fund and operate the reinsurance program. Under the Memorandum of Understanding, by the end of July 2021, PHIEA shall effectuate a transfer to the Reinsurance Fund for the amount of funds expended by PID for the administration of the reinsurance program through June 30, 2021. Furthermore, by July 10th of each subsequent year PHIEA shall transfer an amount equal to the costs budgeted by PID as administrative costs and any additional amount necessary to fund the reinsurance payments to insurers pursuant to the Act. As of June 30, 2020, the balance owed under the agreement is \$84,997.

NOTE 4: CONTINGENCIES

In the normal course of business, there may be various claims and suits pending against the Program and its appointed officials. Management is of the opinion that these matters, if any, will not have a material adverse effect on Reinsurance's financial position of as June 30, 2020.

In March 2020, the World Health Organization declared the outbreak of the Coronavirus disease 2019 (COVID-19) a pandemic. As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on Reinsurance's operations and financial results are uncertain at this time.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Management
Pennsylvania Reinsurance Program
Harrisburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Pennsylvania Reinsurance Program ("Reinsurance"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Reinsurance's basic financial statements and have issued our report thereon dated November 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Reinsurance'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Reinsurance's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Reinsurance's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Reinsurance's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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Pennsylvania Reinsurance Program
Page 16

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Harrisburg, PA
November 17, 2021

PENNSYLVANIA REINSURANCE PROGRAM

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

PENNSYLVANIA REINSURANCE PROGRAM

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Management
Pennsylvania Reinsurance Program
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the PENNSYLVANIA REINSURANCE PROGRAM (the "Reinsurance"), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Reinsurance's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 respective financial position of Reinsurance as of June 30, 2021, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.



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Management
Pennsylvania Reinsurance Program
Page 2

Adoptions of New Governmental Accounting Standards Board's

As described in Note 1 to the financial statements, in 2021 Reinsurance adopted the provisions of Governmental Accounting Standards Board's Statements No. 84, "*Fiduciary Activities*", Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*", Statement No. 93, "*Replacement of Interbank Offered Rates*", Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*" and Statement No. 98, "*The Annual Comprehensive Financial Report*". Our opinion is not modified with respect to these matters.

Other Matters

Omission of Management's Discussion and Analysis

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2021 on our consideration of Reinsurance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Reinsurance's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania
November 17, 2021

Basic Financial Statements

PENNSYLVANIA REINSURANCE PROGRAM
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Cash and Cash Equivalents

\$ 35,974

Total Assets

35,974

NET POSITION

Restricted for Reinsurance Program

35,974

Total Net Postion

\$ 35,974

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

PENNSYLVANIA REINSURANCE PROGRAM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
Governmental Activities:			
General Operations	\$ 45,960	\$ 81,934	\$ 35,974
Total Governmental Activities	<u>\$ 45,960</u>	<u>\$ 81,934</u>	<u>35,974</u>
			Change in Net Position 35,974
			Net Position - Beginning of the Year -
			Net Position - End of the Year \$ <u>35,974</u>

The accompanying notes are an integral part of the financial statements

PENNSYLVANIA REINSURANCE PROGRAM
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2021

ASSETS

Cash and Cash Equivalents

\$ 35,974

Total Assets

35,974

FUND BALANCE

Restricted for Reinsurance Program

35,974

Total Fund Balance

\$ 35,974

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

PENNSYLVANIA REINSURANCE PROGRAM
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - GOVERNMENTAL FUND
 FOR THE YEAR ENDED JUNE 30, 2021

Revenues	
Intergovernmental Revenue	\$ 81,934
Total Revenues	<u>81,934</u>
Expenditures	
General Operations	<u>45,960</u>
Total Expenditures	<u>45,960</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>35,974</u>
Change in Fund Balance	35,974
Fund Balance, Beginning of the Year	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 35,974</u></u>

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

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Pennsylvania Reinsurance Program ("Reinsurance") was established by Act 42 of 2019, which created the Reinsurance Fund as a special fund within the State Treasury to be administered by the Pennsylvania Insurance Department. The purpose of Reinsurance is to stabilize the rates and premiums for health insurance policies in the individual market to provide greater financial certainty to consumers of health insurance in the Commonwealth.

The financial statements of Reinsurance are intended to present the financial position and results of operations of only the Reinsurance Fund of the Pennsylvania Insurance Department which is attributable to the transactions of the program. The Pennsylvania Insurance Department, through its Insurance Commissioner, exercises oversight responsibility over the management, operations, and fiscal and programmatic accountability of the Pennsylvania Reinsurance Program. Reinsurance is a program of the Pennsylvania Insurance Department and, therefore, is considered a fund of the Commonwealth.

B. Measurement Focus and Basis of Accounting

Reinsurance follows Generally Accepted Accounting Principles (GAAP). GAAP allows specialized accounting for government entities, which is governed by pronouncements set by the Government Accounting Standards Board (GASB).

During the year, the Pennsylvania Insurance Department segregates transactions related to its functions or activities to aid financial management and to demonstrate legal compliance. The accounts of Reinsurance are organized on the basis of one fund, which is considered a separate accounting entity.

The basic financial statements of Reinsurance are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of Reinsurance. Governmental activities which are supported by intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (Continued)

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of Reinsurance are reported as a reduction of the related liability, rather than an expenditure.

2. Fund Financial Statements

Reinsurance has one fund presented as a major governmental fund that is considered a special revenue fund. A special revenue fund is used to account for specific financial resources which are restricted to expenditures for special purposes. Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balance on a modified accrual basis of accounting.

Governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred outflows and inflows of resources are generally included on the balance sheet.

The statement of governmental fund revenues, expenditures, and changes in fund balance represents the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. Governmental funds are prepared using the modified accrual basis of accounting. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available for both exchange and non-exchange transactions. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For general revenues, available means expected to be received within sixty days after year-end. For grant programs, revenue is recognized when the related eligible expenditure is incurred. Expenditures generally are recorded when a liability is incurred.

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Balance

Governmental funds report fund balance in categories based on the level of constraint placed upon the funds. These levels are as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Insurance Commissioner. These amounts cannot be used for any other purpose unless the Insurance Commissioner removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

Assigned fund balance – This classification includes amounts that are constrained by the Program's intent to be used for a specific purpose but are neither restricted nor committed.

Unassigned fund balance – This classification represents amounts that are available for any purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

D. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of Reinsurance, not restricted for any project or other purpose.

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Net Position (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, Reinsurance's policy is to apply restricted net position first.

E. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Adoption of Governmental Accounting Standards Board Statements

Reinsurance adopted the provisions of GASB Statement No. 84, "*Fiduciary Activities*". The adoption of this statement did not result in modification of previously reported amounts.

Reinsurance adopted the provisions of GASB Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*". The adoption of this statement did not result in modification of previously reported amounts.

Reinsurance adopted the provisions of GASB Statement No. 93, "*Replacement of Interbank Offered Rates*". The adoption of this statement did not result in modification of previously reported amounts.

Reinsurance adopted the provisions of GASB issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*". The adoption of this statement did not result in modification of previously reported amounts.

Reinsurance adopted the provisions of GASB issued Statement No. 98, "*The Annual Comprehensive Financial Report*". The adoption of this statement did not result in modification of previously reported amounts.

G. Pending Changes in Accounting Principles

In June 2017, the GASB issued Statement No. 87, "*Leases*". Reinsurance is required to adopt the provisions of Statement No. 87 for its fiscal year 2022 financial statements.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". Reinsurance is required to adopt the provisions of Statement No. 89 of its fiscal year 2022 financial statements.

In May 2019, the GASB issued Statement No. 91, "*Conduit Debt Obligations*". Reinsurance is required to adopt the provisions of Statement No. 91 for its fiscal year 2023 financial statements.

In January 2020, the GASB issued Statement 92, "*Omnibus 2020*." Reinsurance is required to adopt the provisions of Statement No. 92 for its fiscal year 2022 financial statements.

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Pending Changes in Accounting Principles (Continued)

In March 2020, the GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". Reinsurance is required to adopt the provisions of statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". Reinsurance is required to adopt the provisions of Statement No. 96 for its fiscal year 2023 financial statements.

Reinsurance has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: DEPOSIT AND INVESTMENT RISK

The Commonwealth's fiscal code, as amended, authorizes Reinsurance to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; certificates of deposits, fully insured or collateralized; certain commercial paper and repurchase agreements; highly rated bank promissory notes or investments funds or trusts; and "prudent man" investments as determined by Reinsurance's depository (i.e. Commonwealth Treasury Department).

The deposit and investment policies of the Treasury Department are governed by Sections: 301, 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929 P.L. 343), and Section 321.1 of the Pennsylvania Administrative Code (Act of 1929 P.L. 177. No. 175).

Treasury deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. The Fiscal Code grants the Treasury Department the authority to invest in any deposits and investments subject. This authority is subject, however, to the exercise of that degree of judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence who are familiar with such matters exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income to be derived therefrom as well as the probable safety of their capital. Treasury Department deposits and investments may include equity securities and mutual funds.

As of June 30, 2021, Treasury Department manages the Commonwealth Investment Program (CIP). Treasury is required to exercise careful judgment in determining those investments that are appropriate for each Commonwealth fund based upon distinct investment criteria such as income needs, cash flow requirements, investment time horizons, and risk tolerance. All investments are made in accordance with the statutory authority described in the preceding paragraph. The CIP investment pool structure invests in both equity securities and fixed income securities to achieve the investment objectives of the funds of the Commonwealth Investment Program. Asset allocation targets among cash, equity securities, fixed income securities and alternative are established in order to meet these overall objectives.

Treasury has created two separate Pools within the Commonwealth Investment Program, each with its own distinct investment strategies, goals, and holdings that reflect the differing needs of Commonwealth funds for income, cash flows, and investment risk tolerance. A highly liquid vehicle, Pool 999 (Liquid Asset Pool), consists of short-term fixed income and cash and provides a high degree of liquidity and security but only modest returns. A less liquid vehicle, Pool 998 (Common Investment Pool), allows for investment in assets that offer potentially higher returns with commensurate risk.

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

As of June 30, 2021, the balance of Reinsurance's investments held in the Commonwealth Investment Pool was \$35,974.

Interest Rate Risk

Reinsurance's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Program has elected to use the segmented time distribution method of disclosure for its interest rate risk.

Credit Risk

The investment policies of Reinsurance are governed by statutes and contractual provisions contained in the bond trust indentures. Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed.

Custodial Credit Risk

The custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty to a transaction, Reinsurance will not be able to recover the value of investment or collateral securities that are in possession of an outside party.

As of June 30, 2021, none of Reinsurance's investments were exposed to custodial credit risk.

Fair Value

Reinsurance categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Reinsurance's investments in the Commonwealth Investment Pool are measured at the Net Asset Value (NAV). The Program has no unfunded commitments related to its Commonwealth Investment Pool investments. Additionally, these investments do not have a limit on the redemption frequency or require a redemption notice period.

NOTE 3: RELATED PARTY TRANSACTIONS

Under Act 42, Reinsurance may be funded through user fees from the Pennsylvania Health Insurance Exchange Authority (PHIEA), a component unit of the Commonwealth of Pennsylvania, as well as Federal funding and other available sources. The Act provides that the Pennsylvania Insurance Department (PID) shall coordinate with PHIEA to fund and operate the reinsurance program. Under the Memorandum of Understanding, by the end of July 2021, PHIEA transferred to the Reinsurance Fund for the amount of funds expended by PID for the administration of the reinsurance program through June 30, 2021. Furthermore, by July 10th of each subsequent year PHIEA shall transfer an amount equal to the costs budgeted by PID as administrative costs and any additional amount necessary to fund the reinsurance payments to insurers pursuant to the Act. As of June 30, 2021, there is no outstanding balance on the agreement.

PENNSYLVANIA REINSURANCE PROGRAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 4: CONTINGENCIES

In the normal course of business, there may be various claims and suits pending against the Program and its appointed officials. Management is of the opinion that these matters, if any, will not have a material adverse effect on Reinsurance's financial position of as June 30, 2021.

In March 2020, the World Health Organization declared the outbreak of the Coronavirus disease 2019 (COVID-19) a pandemic. As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on Reinsurance's operations and financial results are uncertain at this time



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Management
Pennsylvania Reinsurance Program
Harrisburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Pennsylvania Reinsurance Program ("Reinsurance"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Reinsurance's basic financial statements and have issued our report thereon dated November 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Reinsurance'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Reinsurance's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Reinsurance's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Reinsurance's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Harrisburg, PA
November 17, 2021