



Financial Statements  
December 31, 2020 and 2019



# Comprehensive Health Association of North Dakota

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December 31, 2020 and 2019

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## Independent Auditor's Report

To the Board of Directors  
Comprehensive Health Association of North Dakota  
Fargo, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of Comprehensive Health Association of North Dakota (Association), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 financial position of Comprehensive Health Association of North Dakota as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedule of Claims Development Information on page 10 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the Schedule of Claims Development Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated April 14, 2021, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



Fargo, North Dakota  
April 14, 2021

Comprehensive Health Association of North Dakota  
 Statements of Financial Position  
 December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 1,443,850	\$ 1,267,526
Due from Blue Cross Blue Shield of North Dakota	36,873	166,142
Assessment receivable	48,339	-
	\$ 1,529,062	\$ 1,433,668
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Aggregate reserves for policy contracts		
Claims expense	\$ 390,000	\$ 568,095
Unpaid claims adjustment expenses	18,000	23,000
Total aggregate reserves for policy contracts	408,000	591,095
Deferred revenue	32,926	42,066
Total liabilities	440,926	633,161
Net assets without donor restrictions	1,088,136	800,507
	\$ 1,529,062	\$ 1,433,668

Comprehensive Health Association of North Dakota  
 Statements of Activities and Functional Expenses  
 Years Ended December 31, 2020 and 2019

	2020	2019
Support and Revenue		
Subscriber fees earned	\$ 1,896,172	\$ 2,193,640
Member assessments	1,000,000	-
Interest	9,037	36,137
Total support and revenue	2,905,209	2,229,777
Expenses		
Program Expenses		
Claims incurred	2,393,983	3,084,989
Management and General		
Personnel costs	85,596	97,719
Facility costs	36,169	29,638
Administrative and general expenses	101,832	145,482
Total expenses	2,617,580	3,357,828
Change in net assets without donor restrictions	287,629	(1,128,051)
Net Assets, Beginning of Year	800,507	1,928,558
Net Assets, End of Year	\$ 1,088,136	\$ 800,507

# Comprehensive Health Association of North Dakota

## Statements of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets without donor restrictions	\$ 287,629	\$ (1,128,051)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Due from Blue Cross Blue Shield of North Dakota	129,269	(166,142)
Assessment receivable	(48,339)	1,771
Aggregate reserves for policy contracts	(183,095)	19,028
Deferred revenue	(9,140)	39,734
Due to Blue Cross Blue Shield of North Dakota	-	(3,775)
Net Change in Cash and Cash Equivalents	176,324	(1,237,435)
Cash and Cash Equivalents, Beginning of Year	1,267,526	2,504,961
Cash and Cash Equivalents, End of Year	\$ 1,443,850	\$ 1,267,526

**Note 1 - Summary of Significant Accounting Policies****Nature of Operations**

Comprehensive Health Association of North Dakota (Association) is regulated by the North Dakota State Insurance Department.

The Association is incorporated as a nonprofit corporation in the State of North Dakota. The general purpose of the Association is to make available, through the Association's lead carrier, Blue Cross Blue Shield of North Dakota, health care coverage to residents of North Dakota who have been denied health insurance or had been given restricted coverage because they had health problems or were considered to be in a high-risk category.

**Member Assessments**

All insurers licensed or authorized to do business in North Dakota with an annual premium volume of accident and health insurance contracts, derived from or on behalf of residents, in the previous calendar year of at least \$100,000 are required by state law to be members of the Association.

Any revenue in excess of the costs incurred by the Association will be held in interest-bearing deposits and used to pay future costs or reduce Association subscriber fees. Participating members will be assessed a share of anticipated excess costs of the Association in an amount equal to the ratio of a member's total annual fee volume for accident and health insurance to the total accident and health insurance subscriber fees received from or on behalf of North Dakota residents by all Association members.

Member assessments not yet received as of year-end are recorded as a receivable by the Association. No interest is charged on outstanding balances as receipt of funds is historically received shortly following notification of assessment.

During 2020, Members were notified of a \$1,000,000 assessment for the year ending December 31, 2020. Assessment revenue is recognized when the assessment notice is sent to Members. As of December 31, 2020, assessments receivable from Members was \$48,339. As Members are required by law to pay any assessed amounts, the remainder of the assessments receivable is expected to be collected by the Association. Therefore, no allowance for uncollectible accounts is necessary.

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

The Association does not have any *Net Assets With Donor Restrictions* for years ended December 31, 2020 and 2019.



### **Basis of Financial Reporting**

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Accounting Standards Codification (ASC) 958, Not-for Profit Entities. Under ASC 958, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction. There are no net assets with donor restriction for the years ended December 31, 2020 and 2019.

### **Concentration of Credit Risk**

The Association maintains cash balances at various institutions. Periodically, balances in these accounts are temporarily in excess of federally insured limits.

### **Income Taxes**

The Association qualifies as a tax-exempt organization under Section 501(c)(26) of the Internal Revenue Code and therefore, is not subject to income taxes.

The Association undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by FASB Accounting Standards Codification Topic ASC 740-10. As of December 31, 2020 and 2019, the unrecognized tax benefit accrual as defined by ASC 740-10 was zero.

### **Use of Estimates in the Preparation of the Financial Statements**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates susceptible to significant change include the aggregate reserves for policy contracts.

### **Cash Equivalents**

The Association considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

### **Aggregate Reserves for Policy Contracts**

Aggregate reserves for policy contracts have been adjusted to reflect claims incurred but unpaid at year-end, which includes claims in process, unreported claims, and claims of currently hospitalized patients. The amount of this liability has been estimated by the use of actuarial methods utilizing statistics developed from prior claims payment experience. Differences between actual and estimated claims are charged to operations in the year that the differences, if any, become known.

### **Subscriber Fees Earned and Deferred Revenue**

Subscriber fees are billed monthly in advance of the respective coverage period. Income for such fees is recorded as earned during the coverage month. Revenue that applies to future periods is shown as deferred revenue on the Statement of Financial Position.

### **Risk and Uncertainties**

In March 2011, Congress enacted the Patient Protection and Affordable Care Act (Affordable Care Act). Risk pools were initially exempted from compliance with these regulations however, recent review at the federal level may overturn this determination. While the Association has no plans to cancel existing coverage in 2020, this could have a material impact on the Association's operations. Legislation may also be introduced that eliminates the need for the Association given the plans and subsidies available under the Affordable Care Act. Management will continue to monitor changes in legislation related to the Affordable Care Act and will assess any potential effects on the future of the Association as more detailed information becomes available.

### **Functional Expenses and Natural Classification**

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring. The Statement of Activities and Functional expenses presents the natural classification detail of expenses by function.

### **Subsequent Events**

The Association has evaluated subsequent events through April 14, 2021, the date which the financial statements were available to be issued.

# Comprehensive Health Association of North Dakota

Notes to Financial Statements

December 31, 2020 and 2019

## Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 1,443,850	\$ 1,267,526
Assessment receivable	48,339	-
Total	\$ 1,492,189	\$ 1,267,526

As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term CDs and money market funds.

## Note 3 - Aggregate Reserves for Policy Contracts

Activity in the liability for aggregate reserves for policy contracts is summarized as follows:

	2020	2019
Balance at the beginning of the year	\$ 568,095	\$ 563,067
Incurred related to		
Current year	2,658,352	3,077,731
Prior year	(264,369)	7,258
Total incurred	2,393,983	3,084,989
Paid related to		
Current year	2,250,352	2,509,636
Prior year	321,726	570,325
Total paid	2,572,078	3,079,961
Balance at the end of the year	\$ 390,000	\$ 568,095

The change in the provision of insured events of prior years, including any claims processed but unpaid, is a decrease of \$264,369 and an increase of \$7,258, respectively, at December 31, 2020 and 2019. This is a result of ongoing analysis of recent loss development trends and re-estimation of unpaid claims on fully insured and risk sharing agreements.

# Comprehensive Health Association of North Dakota

Notes to Financial Statements

December 31, 2020 and 2019

The following presents information about incurred and paid claims development as of December 31, 2020 as well as the cumulative number of reported claims and the total of incurred but not reported (IBNR) reserves plus expected development on reported claims included in the net incurred claims amounts. The cumulative number of reported claims is determined by summing the total number of claims incurred based on the date of service.

Reserves for policy contracts are calculated using a claim development model that splits the claims by incurred and paid month. The reserves were estimated using a completion factor method, considering completion factors from recent months, as well as modification for incurred claims per employee per month factors. Health claims are assumed to be nearly 100% paid within 12 months. There were no changes in the methodology and assumptions used to calculate reserves for policy contracts for the years ended December 31, 2020 and 2019.

The information about incurred and paid health care claims development for the year ended December 31, 2020 is presented as required unaudited supplemental information.

					As of December 31, 2020		
					Health		
Incurred Claims and Allocated Adjustment Expenses For the years ended, December 31,					Combined Total of Incurred-but Not-Reported Liabilities Plus Expected Development On Reported Claims	* Cumulative Number of Reported Claims	
Accident Year	2017*	2018 *	Health		2019 *	2020	
2017 *	\$ 3,940,939	\$ 3,824,166	\$ 3,824,166	\$ 3,824,166	\$ 3,824,166	\$ -	18,583
2018 *		3,254,009	3,261,267	3,261,267	3,261,267	563,067	18,811
2019 *			3,077,731	2,813,362	2,813,362	568,095	11,242
2020				2,658,352	2,658,352	390,000	9,716
		Total	\$ 10,163,164	\$ 12,557,147			
Cumulative Paid Claims and Allocated Claims Adjustment Expenses For the years ended, December 31,							
Accident Year	2017*	2018 *	Health		2019 *	2020	
2017 *	\$ 3,380,939	\$ 3,824,166	\$ 3,824,166	\$ 3,824,166	\$ 3,824,166	\$ 3,824,166	
2018 *		2,690,942	3,261,267	3,261,267	3,261,267	3,261,267	
2019 *			2,509,636	2,831,362	2,831,362	2,250,352	
2020				\$ 9,595,069	\$ 12,167,147	\$ 390,000	
			Liabilities for claims	\$ 390,000			
Claims and Allocated Claims Adjustment Expenses For the years ended, December 31,							
		Health					
Accident Year	Incurred	Cumulative Paid					
2017 *	\$ 3,824,166	\$ 3,824,166					
2018 *	3,261,267	3,261,267					
2019 *	2,813,362	2,831,362					
2020	2,658,352	2,250,352					
Total	\$ 12,557,147	\$ 12,167,147					
		Liabilities for claims	\$ 390,000				
Average Annual Percentage Payout of Incurred Claims by Age							
		Health					
Years	1*	2*	3*				
	88.1%	11.9%	0.0%				

\* RSI- Unaudited

**Note 4 - Transactions with Blue Cross Blue Shield of North Dakota**

**Administrative Services**

The Association has contracted with Blue Cross Blue Shield of North Dakota (BCBSND), as the lead carrier, to perform administrative services for the Association. The administrative contract automatically renews annually. Expenses under this agreement are maintained by a cost accounting system, which allocates operating expenses to the Association based on actual utilization. Lead carrier expenses are limited to 12.5 percent of the Association's subscriber fees and, in 2020, were 11.8 percent or \$223,597, compared to 12.4 percent or \$271,069 in 2019.

Subscriber fees are collected by BCBSND and paid to the Association. In addition, BCBSND pays claims for the Association and is reimbursed for such payments by the Association.

The Association had receivables of \$36,873 and \$166,142 due from BCBSND at December 31, 2020 and 2019, respectively, for administrative services and claims expense reimbursement.

**Member Assessments**

BCBSND had participating member assessments of \$662,900 and \$0 in 2020 and 2019, respectively, to the Association.



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
Comprehensive Health Association of North Dakota  
Fargo, North Dakota

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 Comprehensive Health Association of North Dakota (the Association) which comprise the statement of financial position as of and for the year ended December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 14, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association'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 the Association'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 determination of financial statement amounts. 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*.

**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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fargo, North Dakota  
April 14, 2021