



Financial Statements
December 31, 2022 and 2021



Comprehensive Health Association of North Dakota

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December 31, 2022 and 2021

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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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Comprehensive Health Association of North Dakota, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Comprehensive Health Association of North Dakota's financial statements as listed in the table of contents.

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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Comprehensive Health Association of North Dakota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As noted in Note 1 to the financial statements, during the 68th Legislative Assembly of North Dakota, Senate Bill No. 2158 was introduced calling for a study to determine the steps necessary for the dissolution of the Association as soon as plan year 2024. The results of the study will be presented during the 69th Legislative Assembly of North Dakota. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Comprehensive Health Association of North Dakota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Comprehensive Health Association of North Dakota's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about incurred and paid health care claims development for the years ended December 31, 2022 and prior be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the accounting principles generally accepted in the United States of America, 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 required supplementary 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 our report dated March 23, 2023, on our consideration of the Comprehensive Health Association of North Dakota'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 Comprehensive Health Association of North Dakota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Comprehensive Health Association of North Dakota's internal control over financial reporting and compliance.

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

Fargo, North Dakota
March 23, 2023

Comprehensive Health Association of North Dakota
 Statements of Financial Position
 December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 2,068,080	\$ 1,375,889
Due from Blue Cross Blue Shield of North Dakota	40,441	44,007
Assessment receivable	34,175	30,969
	\$ 2,142,696	\$ 1,450,865
Liabilities and Net Assets		
Liabilities		
Aggregate reserves for policy contracts		
Claims expense	\$ 355,709	\$ 463,405
Unpaid claims adjustment expenses	9,000	16,000
Total aggregate reserves for policy contracts	364,709	479,405
Deferred revenue	27,410	23,705
Total liabilities	392,119	503,110
Net Assets Without Donor Restrictions	1,750,577	947,755
	\$ 2,142,696	\$ 1,450,865

Comprehensive Health Association of North Dakota
 Statements of Activities and Functional Expenses
 Years Ended December 31, 2022 and 2021

	2022	2021
Support and Revenue		
Subscriber fees earned	\$ 1,421,991	\$ 1,630,334
Member assessments	1,500,000	1,500,000
Interest	5,951	1,249
	2,927,942	3,131,583
Expenses		
Program Expenses		
Claims incurred	1,974,656	3,086,436
Management and General		
Personnel costs	57,600	71,024
Facility costs	24,339	30,011
Administrative and general expenses	68,525	84,493
	2,125,120	3,271,964
Change in Net Assets Without Donor Restrictions	802,822	(140,381)
Net Assets, Beginning of Year	947,755	1,088,136
Net Assets, End of Year	\$ 1,750,577	\$ 947,755

Comprehensive Health Association of North Dakota

Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets without donor restrictions	\$ 802,822	\$ (140,381)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Due from Blue Cross Blue Shield of North Dakota	3,566	(7,134)
Assessment receivable	(3,206)	17,370
Aggregate reserves for policy contracts	(114,696)	71,405
Deferred revenue	3,705	(9,221)
Net Change in Cash and Cash Equivalents	692,191	(67,961)
Cash and Cash Equivalents, Beginning of Year	1,375,889	1,443,850
Cash and Cash Equivalents, End of Year	\$ 2,068,080	\$ 1,375,889

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

Comprehensive Health Association of North Dakota (the 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 2022 and 2021, Members were notified of a \$1,500,000 and \$1,500,000 assessment for the years ended December 31, 2022 and 2021, respectively. Assessment revenue is recognized when the assessment notice is sent to Members. As of December 31, 2022 and 2021, assessments receivable from Members was \$34,175 and \$30,969, respectively. 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, 2022 and 2021.

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, 2022 and 2021.

Concentration of Credit Risk

The Association maintains cash in bank accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2022 and 2021, the Association had approximately \$1,548,197 and \$947,097, respectively, in excess of FDIC-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, 2022 and 2021, 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 2022, 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. During the 68th Legislative Assembly of North Dakota Senate Bill No. 2158 was introduced calling for a study to determine the steps necessary for the dissolution of the Association as soon as plan year 2024. The results of the study will be presented during the 69th Legislative Assembly of North Dakota.

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 March 23, 2023, the date which the financial statements were available to be issued.

Comprehensive Health Association of North Dakota

Notes to Financial Statements
December 31, 2022 and 2021

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:

	2022	2021
Cash And Cash Equivalents	\$ 2,068,080	\$ 1,375,889
Assessment Receivable	34,175	30,969
Total	\$ 2,102,255	\$ 1,406,858

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:

	2022	2021
Balance at the Beginning of the Year	\$ 463,405	\$ 390,000
Incurred Related to		
Current year	2,119,556	3,122,949
Prior year	(144,900)	(36,513)
Total incurred	1,974,656	3,086,436
Paid Related to		
Current year	1,763,847	2,659,544
Prior year	318,505	353,487
Total paid	2,082,352	3,013,031
Balance at the End of the Year	\$ 355,709	\$ 463,405

The change in the provision of insured events of prior years, including any claims processed but unpaid, is a decrease of \$144,900 and \$36,513, respectively, at December 31, 2022 and 2021. 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, 2022 and 2021

The following presents information about incurred and paid claims development as of December 31, 2022 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, 2022 and 2021.

The information about incurred and paid health care claims development for the years ended December 31, 2022 and prior is presented as required unaudited supplemental information.

							As of December 31, 2022		
							Health		
Incurred Claims and Allocated Adjustment Expenses							Combined Total of Incurred-but Not-Reported Liabilities Plus Expected Development On Reported Claims	* Cumulative Number of Reported Claims	
For the years ended, December 31,									
Accident Year	2017*	2018 *	Health						
			2019 *	2020 *	2021 *	2022			
2017 *	\$ 3,940,939	\$ 3,824,166	\$ 3,824,166	\$ 3,824,166	\$ 3,824,166	\$ 3,824,166	560,000	15,877	
2018 *		3,254,009	3,261,267	3,261,267	3,261,267	3,261,267	563,067	13,870	
2019 *			3,077,731	2,831,362	2,831,362	2,831,362	568,095	15,212	
2020 *				2,640,352	2,603,839	2,603,839	390,000	8,301	
2021 *					3,122,949	2,978,049	463,405	8,262	
2022					-	2,119,556	355,709	6,471	
			Total	\$ 12,557,147	\$ 15,643,583	\$ 17,618,239			
Cumulative Paid Claims and Allocated Claims Adjustment Expenses									
For the years ended, December 31,									
Accident Year	2017*	2018 *	Health						
			2019 *	2020 *	2021 *	2022			
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	2,831,362			
2020 *				2,250,352	2,603,839	2,603,839			
2021 *					2,659,544	2,978,049			
2022						1,763,847			
				\$ 12,167,147	\$ 15,180,178	\$ 17,262,530			
					Liabilities for claims	\$ 355,709			
Claims and Allocated Claims Adjustment Expenses									
For the years ended, December 31,									
Accident Year	Health								
	Incurred	Cumulative Paid							
2017 *	\$ 3,824,166	\$ 3,824,166							
2018 *	3,261,267	3,261,267							
2019 *	2,831,362	2,831,362							
2020 *	2,603,839	2,603,839							
2021 *	2,978,049	2,978,049							
2022	2,119,556	1,763,847							
Total	\$ 17,618,239	\$ 17,262,530							
		Liabilities for claims					\$ 355,709		
Average Annual Percentage Payout of Incurred Claims by Age									
Years	1*	2*	3*	Health		4*	5*	6*	* RSI - Unaudited
	86%	13.6%	0.0%	0.0%	0.0%	0.0%	0.0%		

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 2022, were 10.6 percent or \$150,464, compared to 11.4 percent or \$185,529 in 2021.

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 \$40,411 and \$44,007 due from BCBSND at December 31, 2022 and 2021, respectively, for administrative services and claims expense reimbursement.

The Association had claims payable to BCBSND of \$48,709 and \$28,405 for claims moved to a paid status from BCBSND at December 31, 2022 and 2021, respectively.

Member Assessments

BCBSND had participating member assessments of \$910,989 and \$944,256 in 2022 and 2021, 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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Comprehensive Health Association of North Dakota as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Comprehensive Health Association of North Dakota’s basic financial statements and have issued our report thereon dated March 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Comprehensive Health Association of North Dakota'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 Comprehensive Health Association of North Dakota’s internal control. Accordingly, we do not express an opinion on the effectiveness of Comprehensive Health Association of North Dakota’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Comprehensive Health Association of North Dakota'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*.

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.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota

March 23, 2023