



Board of Directors
Kentucky Health Benefit Exchange

We have audited the financial statements of Kentucky Health Benefit Exchange (KHBE) as of and for the year ended June 30, 2023, and have issued our report thereon dated June 21, 2024. Professional standards require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards (U.S. GAAS)

As stated in our engagement letter dated May 24, 2024, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (U.S. GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.

U.S. GAAP provides for certain required supplemental information (RSI) to supplement the basic financial statements. Our responsibility with respect to management's discussion and analysis on pages 4 through 7 and the RSI on pages 26 through 30, which supplement the basic financial statements, is to apply certain limited procedures in accordance with U.S. GAAS. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Significant Risks

In our engagement letter, we identified the risks we expected would meet the definition of "significant risks" pursuant to U.S. GAAS, which are risks toward the upper end of the risk spectrum based on their likelihood and potential magnitude. Through conclusion of our audit of the financial statements, we have not identified any additional significant risks.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by KHBE are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by KHBE during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures relating to employee pension plan in Note 8 to the financial statements.
- The disclosures relating to other post-employment benefits (OPEB) in Note 9 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The estimated useful lives of capital assets used in the calculation of depreciation expense, which are based on the perceived life of the related capital assets.
- The estimates used in the calculation of the OPEB liability and related amounts, which is based on actuarially determined amounts and KHBE's allocable portion of the OPEB plan's audited liability; and
- The estimates used in the calculation of the net pension liability and related amounts, which is based on actuarially determined amounts and KHBE's allocable portion of the pension plan's audited liability.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule presents an uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial to the financial statements taken as a whole. The uncorrected misstatement or the matters underlying it could potentially cause future period financial statements to be materially misstated, even though, in our judgment, the uncorrected misstatement is immaterial to the financial statements under audit. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. There was a collaborative adjustment to record additional accounts payable and expenses along with corresponding receivables and revenue amounting to approximately \$2,574,000. The entry did not have an impact on the operating loss or ending net position.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of this letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to KHBE’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as KHBE’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

ADVISORY COMMENT

Accrual of Late Invoices

We understand that KHBE follows the policy of the Commonwealth of Kentucky (the Commonwealth) to only accrue invoices received through the month of July. This policy is appropriate for statewide financial statements as invoices received after that period are immaterial to the financial statements of the Commonwealth as a whole. However, they were material to KHBE’s standalone financial statements for the year ended June 30, 2023. Management made us aware of that policy and provided a collaborative entry to accrue the additional invoices during the audit process. We recommend for purposes of preparing KHBE’s standalone financial statements that management record an accrual for an estimate of invoices to be received subsequent to July that will relate to the prior fiscal year.

We sincerely appreciate the cooperation, courtesy, and working environment provided to our personnel by management and the employees of KHBE during our engagement.

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

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
June 21, 2024

Kentucky Health Benefit Exchange

Year End: June 30, 2023

Passed Adjusting Journal Entries

Date: 7/1/2020 To 6/30/2023

| Number | Date | Name | Account No | Reference | Debit | Credit |
|--------|-----------|---------------------------------|------------|-----------|------------|------------|
| PAJE01 | 6/30/2023 | Assessment fees | 4001 | 902. 1 | 166,034.00 | |
| PAJE01 | 6/30/2023 | Personnel & Contracted Services | 5010 | 902. 1 | | 166,034.00 |

To decrease expense and assessment fees due to unrecorded liabilities identified in the prior year.