

**The Ohio State University
Health Plan, Inc.**

Financial Statements

**As of and for the years ended
June 30, 2014 and 2013**



Dave Yost • Auditor of State

Board of Directors
The Ohio State University Health Plan, Inc.
2040 Blankenship Hall
901 Woody Hayes Dr.
Columbus, OH 43210

We have reviewed the *Independent Auditor's Report* of the Ohio State University Health Plan, Inc., Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio State University Health Plan, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 18, 2014

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Health Plan, Inc.
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Independent Auditor's Report

To the Board of Directors of
The Ohio State University Health Plan, Inc.

We have audited the accompanying financial statements of The Ohio State University Health Plan, Inc. (the "Health Plan"), a component unit of The Ohio State University, which comprise the balance sheets as of June 30, 2014 and June 30, 2013 and the related statements of comprehensive income, of cash flows, and of equity for the years then ended, and the related notes to the financial statements, which collectively comprise the Health Plan's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 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 the 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 our 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, we consider 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 the Health Plan at June 30, 2014 and June 30, 2013, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014 on our consideration of the Health Plan'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 for the year ended June 30, 2014. The purpose of that report is 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 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 the Health Plan's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

Columbus, OH
October 22, 2014

**The Ohio State University
Health Plan, Inc.
Balance Sheets
June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 3,469,166	\$ 2,628,898
Investments	602,132	586,339
Accounts receivable	248,675	178,706
Advances - related party	51,813	55,592
Prepaid expenses	-	35,901
Deferred tax asset	70,544	-
Total current assets	<u>4,442,330</u>	<u>3,485,436</u>
Long term advances - related party	118,740	166,775
Property and equipment:		
Furniture and equipment	621,989	621,989
Capitalized software	1,213,020	1,213,020
Less: accumulated depreciation	<u>(1,356,900)</u>	<u>(976,849)</u>
Net property and equipment	478,109	858,160
Total Assets	<u>\$ 5,039,179</u>	<u>\$ 4,510,371</u>
<u>Liabilities and Equity</u>		
Current liabilities:		
Amounts due OSU	\$ 347,806	\$ 152,148
Accrued salaries, wages, and related liabilities	630,155	605,230
Other accruals	<u>531,818</u>	<u>426,718</u>
Total current liabilities	1,509,779	1,184,096
Long term liability - deferred taxes	70,544	-
Equity:		
Paid-in capital	3,834,613	3,834,613
Other comprehensive income	14,713	17,213
Accumulated deficit	<u>(390,470)</u>	<u>(525,551)</u>
Total Equity	<u>3,458,856</u>	<u>3,326,275</u>
Total Liabilities and Equity	<u>\$ 5,039,179</u>	<u>\$ 4,510,371</u>

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

**The Ohio State University
Health Plan, Inc.
Statements of Comprehensive Income
For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<u>REVENUES</u>		
Health plan revenue	\$ 11,231,481	\$ 10,101,971
Pharmacy services revenue	1,915,976	1,993,410
Wellness services revenue	135,405	96,647
Total revenues	<u>13,282,862</u>	<u>12,192,028</u>
<u>EXPENSES</u>		
Salaries	6,427,058	6,197,842
Employee benefits	1,895,974	1,823,438
Purchased services	2,628,374	2,091,209
Office rental & maintenance	573,566	565,356
Equipment rental and repair	576,116	599,873
Depreciation and amortization	380,051	384,115
Other expenses	682,008	517,996
Total expenses	<u>13,163,147</u>	<u>12,179,829</u>
Operating income	119,715	12,199
Interest and dividend income	22,231	26,333
Income from operations before taxes	141,946	38,532
Provision for income tax expense	(6,865)	-
Net income	<u>\$ 135,081</u>	<u>\$ 38,532</u>
Other Comprehensive Loss:		
Unrealized loss on investments	(2,500)	(21,483)
Total comprehensive income	<u>\$ 132,581</u>	<u>\$ 17,049</u>

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

**The Ohio State University
Health Plan, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES:		
Net income	\$ 135,081	\$ 38,532
Adjustments to reconcile change in net assets to cash provided/(used) by operating activities:		
Depreciation and amortization	380,051	384,115
Changes in assets and liabilities:		
Accounts receivable	(69,969)	46,176
Advances - related party	51,814	(222,367)
Prepaid expenses	35,901	41,251
Amounts due OSU	195,658	(717,215)
Accrued salaries, wages, and related liabilities	24,925	170,735
Other accruals	105,100	235,263
Net cash provided/(used) in operating activities	<u>858,561</u>	<u>(23,510)</u>
INVESTING ACTIVITIES:		
Dividend investment	(18,293)	(15,088)
Furniture and equipment purchases	-	(115,083)
Net cash used in investing activities	<u>(18,293)</u>	<u>(130,171)</u>
NET CHANGE IN CASH	840,268	(153,681)
CASH AT BEGINNING OF YEAR	<u>2,628,898</u>	<u>2,782,579</u>
CASH AT END OF YEAR	<u>\$ 3,469,166</u>	<u>\$ 2,628,898</u>

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

**The Ohio State University
Health Plan, Inc.
Statements of Equity
June 30, 2014 and 2013**

	Paid-in capital	Other comprehensive income	Accumulated deficit	Total
Balance at June 30, 2012	\$ 3,834,613	\$ 38,696	\$ (564,083)	\$ 3,309,226
Net income	-	-	38,532	38,532
Unrealized loss on investments	-	(21,483)	-	(21,483)
Balance at June 30, 2013	\$ 3,834,613	\$ 17,213	\$ (525,551)	\$ 3,326,275
Net income	-	-	135,081	135,081
Unrealized loss on investments	-	(2,500)	-	(2,500)
Balance at June 30, 2014	<u>\$ 3,834,613</u>	<u>\$ 14,713</u>	<u>\$ (390,470)</u>	<u>\$ 3,458,856</u>

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

The Ohio State University Health Plan, Inc. Notes to the Financial Statements June 30, 2014 and 2013

1. Summary of Significant Accounting Policies

The significant accounting policies followed by The Ohio State University Health Plan, Inc. (the "Health Plan" or "Company") are summarized below.

Organization

The Health Plan was organized in December 1991 and began full operations on July 1, 1992. On July 27, 2009, the name of the corporation was changed to The Ohio State University Health Plan, Inc. (formerly The Ohio State University Managed Health Care Systems). The Health Plan was organized to promote and carry out educational, charitable, and scientific purposes by conducting and supporting activities that are for the benefit, perform the functions, and carry out the purposes of The Ohio State University (the "University") and supporting the strategic goals of the University's Wexner Medical Center. The Health Plan's primary activities are the performance of managed care, pharmacy services, and wellness services to the University and other employers and groups within Ohio.

Should the Health Plan cease to exist, any net assets remaining after payment of all liabilities would revert to either a selected successor organization established for substantially the same purpose, or absent such a selection, to the University.

Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the financial position resulting from all health care activities managed by the Health Plan including the Pharmacy Benefits Administration through the Rx Ohio Collaborative (RxOC) for which the Health Plan provides oversight.

Certain amounts have been reclassified from the prior year to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash

The Health Plan maintains cash accounts with a local financial institution. As of June 30, 2014 and 2013, \$3,469,166 and \$2,628,898, respectively, of the cash holdings of the Health Plan were cash holdings held in bank accounts. Of these cash balances, \$250,000 was subject to federal deposit insurance (FDIC). The uninsured balance is collateralized by pools of securities pledged by the depository bank and is held in the name of the respective bank.

Fair Value of Financial Instruments

The Health Plan estimates fair values of its financial instruments using available quoted market information in accordance with FASB ASC 830 *Fair Value Measurements and Disclosures*. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Health Plan could realize in a current market exchange. Different market assumptions might have a material effect on the estimated fair value amounts. The carrying amounts of accounts receivable, accounts payable, and other current liabilities approximate fair value because of the relatively short

**The Ohio State University
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Notes to the Financial Statements
June 30, 2014 and 2013**

maturities of these financial instruments. Investments are comprised of publicly-traded mutual funds and are carried at fair value at June 30, 2014 and 2013. See Note 3, *Investments*, for further detail.

Property and Equipment

Property and equipment is stated on the basis of cost. Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives ranging from 5 to 7 years. Capitalized software at June 30, 2014 and 2013 relates to the implementation of the Health Plan's case management software, which was put into service in October 2011 and is being amortized over a four year period. Amortization expense recorded was \$303,255 for the years ended June 30, 2014 and 2013, respectively. Following University policy, equipment costing less than \$5,000 in the aggregate is not capitalized but expensed directly.

Income Taxes

The Health Plan is a taxable entity for federal tax purposes. The Health Plan provides deferred federal income taxes for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for federal income tax purposes.

The Health Plan recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of the assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Health Plan is a non-charitable, non-profit organization for state tax purposes.

Revenue Recognition

The Health Plan earns revenue for services on a predetermined contractual basis, on a fixed fee per covered participant basis, or on a fixed fee per claim basis as specified in the participant contracts.

2. Transactions with the University

The Health Plan's Board of Directors includes nine members appointed based on their affiliation with the University. In addition, the Health Plan is associated with the University through both a participant contract for services and an administrative service agreement. Under the terms of the participant contract, the Health Plan receives fees for services provided to the University faculty and staff.

Under the terms of the administrative agreement, the Health Plan receives administrative services from the University, principally the University processes salaries, fringe benefits (including employee participation in the University pension plan) and other operating items, and the Health Plan reimburses the University for these expenses. The amounts due to the University of \$347,806 and \$152,148 as of June 30, 2014 and 2013, respectively, were primarily due for reimbursement of administrative services paid by the University.

**The Ohio State University
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June 30, 2014 and 2013**

3. Investments

The fair value of investments, which includes publicly-traded bond mutual funds, is \$602,132 and \$586,339 as of June 30, 2014 and 2013, respectively.

As defined in FASB ASC 820, *Fair Value* is the price that would be received for an asset or paid to transfer a liability (an exit price) in the Health Plan's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and maximize the use of unobservable inputs when measuring the fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 : inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date

Level 2: other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Health Plan's bond mutual funds are measured at fair value based on level 1 inputs.

4. Accounts Receivable

As of June 30, 2014 and 2013, accounts receivable primarily represents amounts due from Express Scripts Inc. for the Pharmacy Ohio Collaborative program as described in Note 6. All amounts were deemed fully collectible.

**The Ohio State University
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Notes to the Financial Statements
June 30, 2014 and 2013**

5. Income Taxes

The Health Plan has net deferred tax assets as of June 30, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Gross Deferred Tax Assets:		
Current	196,612	167,866
Non-Current	<u>258,114</u>	<u>246,258</u>
Total	<u>454,727</u>	<u>414,124</u>
Gross Deferred Tax Liabilities:		
Current	-	-
Non-Current	<u>(163,155)</u>	<u>(77,822)</u>
Total	<u>(163,155)</u>	<u>(77,822)</u>
Net Deferred Tax Asset before Allowance		
Current	196,612	167,866
Non-Current	<u>94,959</u>	<u>168,436</u>
Total	<u>291,572</u>	<u>336,302</u>
Valuation Allowance	(291,572)	(336,302)
Net Deferred Tax Asset	<u>-</u>	<u>-</u>

The deferred tax assets reflect timing differences between book and tax reporting. As of June 30, 2014 and 2013 deferred tax assets of \$258,114 and \$246,258, respectively, related primarily to net operating loss carryforwards generated in years 2009 through 2012, which have 20 year carryforward periods. The remaining portion of the deferred tax assets is attributable to the timing differences for tax deductions, primarily related to vacation, sick leave and incentive pay. Valuation allowances have been placed on the deferred tax assets at June 30, 2014 and June 30, 2013 due to the Health Plan historical loss experience for tax purposes.

6. Pharmacy Ohio Collaborative Program

The Health Plan joined the Pharmacy Ohio Collaborative (RxOC) in coordination with four State of Ohio Retirement programs in January 2009. Initially this program provided group purchasing of pharmaceuticals for the beneficiaries of the health plan for these partners. The Health Plan assumed management responsibility for the RxOC and leads the marketing efforts of the RxOC program in conjunction with Express Scripts Inc. (ESI), the current pharmacy benefits provider. The Health Plan provides leadership and management of RxOC program throughout the State of Ohio. ESI provides funding to support the RxOC program. Also this program is marketed to other universities, school systems, governmental entities, and employers. A management fee is paid to the RxOC program by these entities for access and the services being provided. The Health Plan has copyrighted the RxOC name.

**The Ohio State University
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Notes to the Financial Statements
June 30, 2014 and 2013**

7. Leases

The Health Plan leases its corporate facilities under certain operating leases expiring in May 2015. Total operating lease expense for fiscal year 2014 and 2013 was \$571,510 and \$515,753, respectively. The future minimum lease payments remaining under the operating lease as of June 30, 2014 are \$528,026 due in fiscal year 2015.

8. Retirement Plans

Health Plan employees, as part of the Ohio State University, are covered by one of three retirement systems. The University faculty is covered by the State Teachers Retirement System of Ohio (STRS Ohio). Substantially all other employees are covered by the Public Employees Retirement System of Ohio (OPERS). Employees may opt out of STRS Ohio and OPERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements.

The Health Plan has no assets or liabilities of STRS Ohio, OPERS, or ARP included in its financial statements. Employer contributions to the plans by the Health Plan for its employees are included as a benefit expense in the Statements of Comprehensive Income. STRS Ohio and OPERS each offer three separate plans: 1) a defined benefit plan, 2) a defined contribution plan and 3) a combined plan. Each of these three options is discussed in greater detail in the following sections.

Defined Benefit Plans

STRS Ohio and OPERS offer statewide cost-sharing multiple-employer defined benefit pension plans. STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors. Both STRS Ohio and OPERS issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the two organizations.

STRS Ohio
275 East Broad Street
Columbus, OH 43215-3371
(614) 227-4090
(888) 227-7877
www.strsoh.org

OPERS, Attn: Finance Director
277 East Town Street
Columbus, OH 43215-4642
(614) 222-5601
(800) 222-7377
www.opers.org

In addition to the retirement benefits described above, STRS Ohio and OPERS provide postemployment health care benefits.

OPERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2013, OPERS allocated 1.0% of the employer contribution rate to fund the health care program for retirees, and this rate was increased to 2% for calendar year 2014 as recommended by the OPERS actuary.

**The Ohio State University
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Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012 with a transition plan that commenced on January 1, 2014. OPERS expects to be able to allocate, on a consistent basis, 4% of employer contributions toward the health care fund after the end of the transition period.

STRS Ohio currently provides access to health care coverage to retirees who participated in the deferred benefit or combined plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS Ohio are included in the employer contribution rate. For the fiscal year ended June 30, 2013, STRS Ohio allocated employer contributions equal to 1% of covered payroll for post-employment health care.

Post-employment health care benefits are not guaranteed by ORC to be covered under either OPERS or STRS Ohio defined benefit plans.

Defined Contribution Plans

ARP is a defined contribution pension plan. Full-time administrative and professional staff and faculty may choose enrollment in ARP in lieu of OPERS or STRS Ohio. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement health care benefits.

Combined Plans

STRS Ohio offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits. OPERS provides retirement, disability, survivor and postretirement health benefits to qualifying members of the combined plan.

**The Ohio State University
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OPERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2013, OPERS allocated 1.0% of the employer contribution rate to fund the health care program for retirees, and this rate was increased to 2% for calendar year 2014 as recommended by the OPERS actuary.

Funding Policy

ORC provides STRS Ohio and OPERS statutory authority to set employee and employer contributions. Contributions equal to those required by STRS Ohio and OPERS are required for ARP. For employees enrolling in ARP, ORC requires a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution be contributed to STRS Ohio and OPERS to enhance the stability of these plans. The required contribution rates (as a percentage of covered payroll) for plan members and the University are as follows:

	STRS Ohio	OPERS	ARP
Faculty:			
Plan member (entire year)	11.00%		11.00%
University (entire year)	14.00%		14.00%*
Staff:			
Plan member (entire year)		10.00%	10.00%
University (entire year)		14.00%	14.00%**
Law Enforcement:			
Plan member (7/1/13-12/31/13)		12.60%	12.60%
Plan member (1/1/14-6/30/14)		13.00%	13.00%
University (entire year)		18.10%	17.33%**

* Employer contributions include 4.5% paid to STRS Ohio.

** Employer contributions include .77% paid to OPERS.

The remaining amount is credited to employee's ARP account.

The University's contributions, including the Health Plan, which represent 100% of required employer contributions, for the year ended June 30, 2014 and for each of the two preceding years are as follows (in thousands):

Year Ended June 30,	STRS Ohio Annual Required Contribution	OPERS Annual Required Contribution	ARP Annual Required Contribution
2012	\$58,006	\$153,118	\$43,523
2013	\$61,667	\$159,903	\$47,062
2014	\$63,953	\$166,591	\$47,911

**The Ohio State University
Health Plan, Inc.
Notes to the Financial Statements
June 30, 2014 and 2013**

9. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2014 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2014. Management has performed this analysis through the date of the report, October 22, 2014, noting no activities or transactions requiring adjustments or disclosure.



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 of
The Ohio State University Health Plan, Inc.

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 The Ohio State University Health Plan, Inc. (the "Health Plan"), a component unit of The Ohio State University, which comprise the balance sheet as of June 30, 2014, and the related statement of comprehensive income, of cash flows, and of equity for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health Plan'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 Health Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Plan'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 may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health Plan'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 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.

PricewaterhouseCoopers LLP

Columbus, OH
October 22, 2014

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Dave Yost • Auditor of State

THE OHIO STATE UNIVERSITY HEALTH PLAN, INC.

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 2, 2014**