THE JEFFERSON HEALTH PLAN

FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTAL INFORMATION
AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2017

SCHNEIDER DOWNS

Big Thinking. Personal Focus.

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Dave Yost · Auditor of State

Board of Directors
Jefferson Health Plan
2023 Sunset Blvd
Steubenville, Ohio 43952

We have reviewed the *Independent Auditors' Report* of the Jefferson Health Plan, Jefferson County, prepared by Schneider Downs & Co., Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Jefferson Health Plan is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

February 6, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Jefferson Health Plan
Steubenville, Ohio 43952

Report on the Financial Statements

We have audited the accompanying financial statements of The Jefferson Health Plan (the Consortium) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Consortium, as of June 30, 2017 and the changes in its net financial position and cash flows for the year 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 this presentation include Management's discussion and analysis and Ten-Year Claims Development Information, listed in the table of contents, 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 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 December 28, 2017, on our consideration of The Jefferson 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. 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 Jefferson Health Plan's internal control over financial reporting and compliance.

Schneider Downs & Co., Inc.

Columbus, Ohio
December 28, 2017

THE JEFFERSON HEALTH PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Our discussion and analysis of The Jefferson Health Plan's (the Consortium) financial performance provides an overview of the Consortium's financial activities for the fiscal year ended June 30, 2017. Management's Discussion and Analysis is intended to provide an overview of the Consortium's financial performance as a whole. The readers should also review the basic financial statements and the notes to the basic financial statements in conjunction with the Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- As described in Note 1 to the financial statements, this is the first year the Consortium has prepared its financial statements using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) to meet the reporting requirements of the Ohio Administrative Code 117-2-03(B). The accrual basis adjustments reduced the previously reported financial position at June 30, 2016 of $142,507,592 to a restated net position of $113,102,091.

  The Consortium's net position was $101,483,204 and $113,102,091 at June 30, 2017 and 2016, respectively. This represents a decrease to the net position of $11,618,887 from July 1, 2016 and an increase to the net position of $9,011,991 from July 1, 2015.

- The Consortium made an infrastructure loan to a member dated July 2016 in the amount of $900,000. The first two payments, due in March and November of 2017, are $72,799, including interest at 2.275%. Thereafter, payments of $36,149 and $72,799 are due each March and November, respectively through November 2025. The member may make additional payments throughout the year. The member made an additional payment in September 2016. The Consortium received payments on the infrastructure loan of $81,336 during the year, including $18,457 of interest. Infrastructure loans are available only to allocated members of the Consortium and must have been a member of the Consortium for at least 2 years and be in good standing. If a member meets the requirements, they may apply to obtain an infrastructure loan for the constructions of new infrastructure or reconstruction, rehabilitation, restoration, or replacement projects.

- For the fiscal year ended June 30, 2017, the Consortium had operating revenues of $277,522,836, and operating expenses of $289,717,438 with an operating (loss) of $(12,194,602). For the fiscal year ended June 30, 2017, the Consortium had investment earnings of $557,258 and had interest income from an infrastructure loan of $18,457. For the fiscal year ended June 30, 2016, the Consortium had operating revenues of $243,698,285 and operating expenses of $235,533,434 with an operating income of $8,164,851 for the fiscal year ended June 30, 2016, the Consortium had investment earnings of $847,140. Operating revenues were net of $3,091,244 and $5,208,571 due to moratoriums for the fiscal year ending June 30, 2017 and 2016, respectively. Operating revenues and expenses increased due to the increase of members, covered lives, and claims.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements, notes to the financial statements and required supplemental information. The statement of net position and the statement of revenues, expenses and change in net position provide information about the activities of the Consortium as a whole and present a longer-term view of the Consortium's finances.

USING THIS ANNUAL REPORT (Continued)

- **Statement of Net Position** – statement includes all of the Consortium's assets and liabilities. The statement provides information about the nature and amount of resources (assets) owned by the Consortium, and obligations owed by the Consortium (liabilities) at June 30, 2017. The Consortium's net position is the difference between the assets and liabilities.

- **Statement of Revenues, Expenses and Change in Net Position** – statement includes information on the Consortium's operating and non-operating revenue and expenses for the year ended June 30, 2017. Operating revenue consists primarily of contributions from members and the major sources of operating expenses consist of claims payments and administrative fees. Non-operating revenue and expenses consist of investment earnings and infrastructure loan interest.

- **Statement of Cash flows** – statement is prepared on the direct method of reporting and provides information about the Consortium's cash receipts and cash disbursements. The statement is summarized with net change resulting from operating and investing activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2017, the Consortium had $65,062 invested in two vehicles. At June 30, 2016, the Consortium had $20,062 invested in one vehicle. The Consortium did not finance these vehicles. Depreciation is calculated on the straight-line basis over the estimated useful lives of depreciable assets. Vehicles have useful lives of five years with total depreciation expense of $7,012 and $4,012 for the years ended June 30, 2017 and 2016, respectively.

At June 30, 2017 and 2016 or during the years ended June 30, 2017 and 2016, the Consortium had no debt outstanding.

BUDGET HIGHLIGHTS

The Consortium is not required to follow the budgetary provisions set forth in the Ohio Revised Code Chapter 5705.

CONTACTING THE CONSORTIUM'S FINANCIAL MANAGEMENT

This financial report is designated to provide our citizens, taxpayers and investors and creditors with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it received. If you have any questions about this report or need additional information, contact the fiscal agent, Jefferson County Educational Service Center; attention: Don Donahue, 2023 Sunset Blvd., Steubenville, Ohio, 43952.

THE JEFFERSON HEALTH PLAN
STATEMENT OF NET POSITION
June 30, 2017

ASSETS

Non-capital assets		
Cash and cash equivalents	$	19,384,632
Investments		116,776,910
Receivables:		
Investment income receivable		132,051
Accounts receivable		1,584,644
Other receivable		941,394
Infrastructure loan receivable		837,121
Prepaid expenses		56,003
Deposits		244,400
Total non-capital assets		139,957,155
Capital assets net of accumulated depreciation		49,022
Total assets	$	140,006,177

LIABILITIES AND NET POSITION

Liabilities		
Accounts payable and other accrued liabilities	$	350,637
Accrued payroll and payroll taxes		30,036
Reserve for claims		32,644,546
Unearned revenue		5,497,754
Total liabilities		38,522,973
Net position		
Unrestricted		101,434,182
Net investment in capital assets		49,022
Total net position		101,483,204
Total liabilities and net position	$	140,006,177

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

THE JEFFERSON HEALTH PLAN
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Year Ended June 30, 2017

Operating Revenues		
Contributions from members - net		$ 274,744,131
Rebates		2,126,614
Other revenues		652,091
	Total operating revenues	277,522,836
Operating expenses		
Claims expenses		257,912,246
Administrative fees		17,497,736
Depreciation		7,012
Affordable Care Act fees and taxes		946,333
Purchased services		2,207,861
Stop-loss premiums		931,246
Reimbursement of member balances		9,634,262
Life, vision and EAP premiums		580,742
	Total operating expenses	289,717,438
	Operating loss	(12,194,602)
Non-operating revenue		
Investment earnings		557,258
Infrastructure loan interest		18,457
	Total non-operating revenue	575,715
Change in net position		(11,618,887)
Net position		
Beginning of year (restated)		113,102,091
Ending of year		$ 101,483,204

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

THE JEFFERSON HEALTH PLAN
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

Cash Flows from Operating Activities	
Cash received from members	$ 275,959,149
Cash received from other	9,000
Cash received from rebates	2,126,614
Cash paid to members	(9,634,262)
Cash paid for claims	(251,524,655)
Cash paid to third-party administrators for deposits	(20,000)
Cash paid for administrative and general expenses	(22,933,935)
Net cash used in operating activities	(6,018,089)
Cash Flows from Investing Activities	
Investment income received	1,472,244
Infrastructure loan interest received	18,457
Issuance of infrastructure loan	(900,000)
Receipts from infrastructure loan	62,879
Purchase of capital assets	(45,000)
Purchase of investments	(141,495,525)
Proceeds from sales and maturities of investments	150,548,105
Net cash provided by investing activities	9,661,160
Net Increase in Cash and Cash Equivalents	3,643,071
Cash and Cash Equivalents - Beginning of year	15,741,561
Cash and Cash Equivalents - End of year	$ 19,384,632

A reconciliation of operating loss to net cash provided by operating activities is as follows:

Reconciliation of Operating Income to Net Cash Used in Operating Activities	
Operating loss	$ (12,194,602)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	7,012
Changes in assets and liabilities:	
Accounts receivable	1,005,818
Other receivable	(758,880)
Prepaid expenses	(44,431)
Deposits	(20,000)
Accounts payable and other accrued liabilities	82,258
Accrued payroll and payroll taxes	30,036
Reserve for claims	6,387,591
Unearned revenue	(512,891)
Net cash used in operating activities	$ (6,018,089)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Jefferson Health Plan (the Consortium) is a claims servicing pool established pursuant to Ohio Revised Code (ORC) Chapter 167. The legislative body of the Consortium is an assembly consisting of a designee from each of its 113 members. The membership of the assembly appoints a nine-member Board of Directors, which acts as the managerial body of the Consortium. The Consortium provides a cooperative program to administer medical, prescription, vision and dental benefits for employees of the participating entities and their eligible dependents.

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of the Consortium and to create adequate reserves for claims and allocated expense. The Consortium has a stop-loss from a third party for claims in excess of $1,500,000 per participant at June 30, 2017.

Besides the standard monthly contributions, the Consortium may extend an assessment to each member based on a three-year window calculation determined by an independent consultant. The calculation is based on the ratio of total expense to total income for each member during the previous three years ended June 30. The consultant separately reviews each participant's medical, prescription, vision and dental balances for potential assessments. Conversely, a participant may be eligible for a month or two-month waiver of its monthly contributions based on the above calculation.

A participant may withdraw from the Consortium or any particular benefits program. Two participants withdrew from the Consortium, while six additional participants enrolled during the period July 1, 2016 through June 30, 2017.

The Consortium's management believes that these financial statements present all activities for which the Consortium is financially accountable.

The Jefferson County Education Service Center acts as fiscal agent for the Consortium and is a separate reporting entity with separate financial statements. Since the Jefferson County Education Service Center is the fiscal agent and a member of the Consortium, the amounts paid to the Jefferson County Education Service Center are considered related-party transactions. For the year ending June 30, 2017, the Consortium had fiscal agent expenses of $1,255,767, and $36,194 in accounts payable and other accrued liabilities at June 30, 2017.

The Board of Directors declared a one-time special dividend for certain eligible participating member organizations during fiscal year 2014. The one-time special dividend is still available for election by qualifying member organizations that have not previously made an election. The one-time special dividend was declared to have the effect of transferring the payment of run-out claims for a period not longer than six months from the effective date of termination for the member organization to the Consortium.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Entity (Continued)

Member organizations that take part in the one-time special dividend are required to execute a new agreement modifying their original agreement with the Consortium to permanently transfer their payment of run-out claims for a period not longer than six months from the effective date of termination to the Consortium from the participating member organization in return for membership in the Consortium for three additional years. The one-time special dividend would transfer a substantial debt from member organizations to the Consortium. Members leaving the Consortium not having given a six-month notice of termination are not eligible to participate. At June 30, 2017, 37 members obtained the one-time special dividend.

B. Basis of Accounting

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

C. Conversion to Accrual Basis

For the fiscal year ended June 30, 2017, the Consortium is required to present its financial statements in accordance with GAAP. In conjunction with this requirement, the financial statements are recorded on the accrual basis of accounting for the current fiscal year.

The conversion from the accounting basis previously used by the Consortium as required by the Auditor of State, which was similar to the cash receipts and disbursements accounting basis, required adjustments to be recorded at June 30, 2017 to the previously reported financial statements to reflect the prior year's effect of adopting these new accounting principles.

Cash Position as Reported June 30, 2016	Accrual Basis Adjustments	Restated Net position at June 30, 2016
$ 142,507,592	$ (29,405,501)	$ 113,102,091

D. Cash and Cash Equivalents

The Consortium considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Consortium, or (3) collateralized by the financial institution's public entity deposit pool.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Valuation of Investments

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Investment income or loss (including realized/unrealized gains and losses on investments, and interest) is recognized in the statement of revenues, expenses and change in net position as a component of non-operating revenue (expense).

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term.

F. Receivables and Contributions

All receivables are shown net of an allowance for uncollectible amounts, if any. Receivables are recorded as an asset in the period that they are earned. Receivables are written off when deemed uncollectible. The Consortium had no uncollectible amounts at June 30, 2017.

All members are required to remit monthly contributions to the Consortium, which are used to pay claims and administrative expenses. The monthly contribution is determined for each member in accordance with the number of covered employees and dependents and the prior loss experience of the respective member group that is set each plan year. Member contributions are recorded in revenue in the period that they are earned. Contributions from members are shown net of approved premium moratoria of $3,091,244. A premium moratoria is used to offset member cash remittals to the consortium and can be granted up to a three-month limit at any one time. A member may request a premium moratorium once they have achieved sufficient reserves in their account.

G. Capital Assets

Capital assets, which consist of vehicles, are carried at cost, less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful lives of depreciable assets. Vehicles have useful lives of five years. Costs of maintenance and repairs are charged to expense when incurred.

H. Reserve for Claims

Reserves for claims represent the Consortium's reserves for incurred claims, plus an estimate of provisions for loss development and claims incurred but not reported (IBNR) and allocated and unallocated loss adjustment expenses. See Note 6 for additional information related to the Consortium's reserve for claims.

I. Unearned Revenue

Unearned revenues represent contributions paid in advance of the coverage date by members at June 30, 2017. The premiums will be recognized as revenue in the month to which they pertain.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Position

Unrestricted net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

At June 30, 2017, the Consortium does not have a “restricted” net position.

K. Other Revenues

Other revenues recorded on the statement of revenues, expenses and change in net position consist of promotional sponsorships, termination liability income, transfers in from member groups and infrastructure loan application fees.

L. Use of Estimates

The preparation of financial statements in conformity with GAAP 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Budgetary Process

The budgetary process is not a requirement of the Consortium.

2. RISK MANAGEMENT

Self-Insurance

The Consortium is a claims servicing self-insurance pool organized under ORC Chapter 167 for the purpose of establishing and carrying out a cooperative program to administer medical, prescription, vision and dental benefits for employees of the participating entities and their eligible dependents. The Consortium contracts with third-party administrators to process and pay health claims, dental claims and vision claims incurred by its members.

The Consortium also purchases stop-loss coverage for claims in excess of a set amount for individual claims.

2. RISK MANAGEMENT (Continued)

Each member of the Consortium is obligated to pay a fee based on an estimate of the member's share of the Consortium costs for the fiscal year. Included in this estimate are claims by eligible employees, which are payable by each member, the member's share of the medical, prescription, vision and dental premiums, and their proportionate share of the administrative costs of the Consortium. The actual balance of each member's account is determined on a monthly basis. Each member is required to meet or exceed the claims that have been incurred but not reported and to maintain adequate reserves or current funding to meet or exceed their claims fluctuation reserve requirements. If a member is in a deficit position, the participating member has two fiscal years to make up a negative reserve amount or an insufficient IBNR and three fiscal years to make up insufficient claims fluctuation reserves.

Members are required to provide 6 months' notice of withdraw from the Consortium for the termination, allowing the Consortium time to determine any withdrawal balance owed to or by the departing employer. Any outstanding reserve balances are held by the Consortium for a maximum period of six months to satisfy the payment of claims incurred before termination. The terminating member has the option to pay all of claims incurred prior to the termination of membership so that any reserves could be released sooner. Employers found to be in a deficit position wishing to leave the Consortium will be required to repay the deficit in full within 90 days of the effective withdrawal date. Additionally, such terminating member will be required to pay any claims incurred prior to termination notification.

3. INFRASTRUCTURE BANK

During 2016, the Consortium established an infrastructure bank for their members. In connection with amendments to Ohio House Bill 64 related to regional council of governments, the Consortium is permitted to facilitate projects with qualifying political subdivisions to address urgent local infrastructure needs through an establishment of an infrastructure bank. As of June 30, 2017, the Consortium had one outstanding infrastructure loan.

The outstanding infrastructure loan to a member dated July 2016 in the amount of $900,000 with payments of $72,299 for March and November 2017, and $36,149 and $72,299 due each March and November starting March 2018, respectively, which includes interest of 2.275%, with a final payment scheduled for November 2025. The infrastructure loan is collateralized by the project for which the loan is made.

The aggregate annual maturities of the infrastructure note for the five years subsequent to June 30, 2017 are as follows:

2018	$	89,658
2019		91,719
2020		93,790
2021		95,984
2022		98,190
Thereafter		367,780
Total	$	837,121

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Concentration of Credit Risk

Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party. Investment managers are expected to maintain diversified portfolios by sector and issuer. The Consortium has no more than 5% of the fixed income portfolio invested in the securities of any one issuer, and no more than 5% in any one issue, with the exception of government bonds.

Investments of the Consortium are comprised of the following at June 30, 2017:

	Cost	Market
Bonds	$ 117,459,639	$ 116,776,910

Interest Rate Risk

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. The Consortium does not have a policy to limit interest rate risk. The reporting of effective duration in the table below quantifies, to the fullest extent possible, the interest rate risk of the system's fixed income assets.

At June 30, 2017, the Consortium had the following investments:

		Investment Maturities				
Investment Type	Fair Value	6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
Bonds	$116,776,910	$ 31,784,569	$	$ 7,673,756	$ 10,875,535	$ 54,530,492

Investment income (loss) on the Consortium's investments is summarized as follows for the year ending June 30, 2017:

Interest income	$ 1,493,799
Net unrealized and realized loss on investments	(936,541)
Net investment earnings	$ 557,258

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Consortium exposure to credit risk on fixed income securities, based on Standard & Poor's Quality Ratings, is as follows at June 30, 2017:

AA+	$ 91,155,514
A1+	19,936,326
AA	3,666,676
AAA	2,018,394
Total	$ 116,776,910

Money-Weighted Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 1.00%.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels are described as follows:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Consortium has the ability to access.

Level 2. Inputs to the valuation methodology include:

a. Quoted prices for similar assets or liabilities in active markets;

b. Quoted prices for identical or similar assets or liabilities in inactive markets;

c. Inputs other than quoted prices that are observable for the asset or liability;

d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

The methods described above might produce a fair value calculation that might not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Consortium believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth, by level, within the fair value hierarchy, the Consortium's assets carried at fair value:

		Fair Value Measurements at June 30, 2017		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Bonds:				
Bank and Finance	$ 9,976,327	-	$ 9,976,327	-
Government Agency	68,151,851	-	68,151,851	-
Industrial	9,960,000	-	9,960,000	-
Municipal	10,206,669	-	10,206,669	-
Treasury	18,482,063	-	18,482,063	-
Total	$ 116,776,910	-	$ 116,776,910	-

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

Capital Assets	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Vehicles - cost	$ 20,062	$ 45,000	-	$ 65,062
Accumulated Depreciation	(9,028)	(7,012)	-	(16,040)
Net	$ 11,034	$ 37,988	-	$ 49,022

6. RESERVE FOR CLAIMS

The IBNR claims (actuarial liability) at June 30 are used by the Consortium to help determine the rates to charge members. Additionally, the estimation of IBNR, as of a valuation date, allows the consortium to compare the liability to the funds reserved and to determine whether the amounts reserved meet the requirements of ORC Section 9.833. The Consortium has also established a formal funding policy for claims fluctuation reserves to aid in tempering potential significant fluctuations in premiums and contribution levels that may be required. The IBNR claims liability are based on actuarial assumptions that produce a liability estimate consistent with the plan of benefits in force and with administrative practices and have been calculated on actuarial assumptions that are reasonable and appropriate under the circumstances. Premium charges to members are based on calculations provided by the Consortium's Actuary. The following table represents changes in the reserve for unpaid claims for the Consortium for the year ended June 30, 2017.

Reserves for Unpaid Claims and Claim Adjustment Expenses - Beginning of Year	$ 26,256,955
Incurred Claims and Claim Adjustment Expenses	
Provision for claims incurred in current year	263,030,055
Change in provision for claims incurred in prior years	(5,117,809)
Total incurred claims and claim adjustment expenses	257,912,246
Payments	
Claims and claim adjustment expenses paid for claims incurred in current year	(230,385,509)
Claims and claim adjustment expenses paid for claims incurred in prior years	(21,139,146)
Total payments	(251,524,655)
Reserves for Unpaid Claims and Claim Adjustment Expenses - End of Year	$ 32,644,546

7. PUBLIC EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN

At March 1, 2017, the Consortium had personnel who are eligible to participant in the Ohio Public Retirement System (OPERS).

Plan Description – OPERS

Consortium employees participate in OPERS. OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Consortium employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A **Eligible to retire prior to January 7, 2013 or five years after January 7, 2013**	**Group B** **20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013**	**Group C** **Members not in other Groups and members hired on or after January 7, 2013**
State and Local **Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**State and Local** **Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**State and Local** **Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

7. PUBLIC EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (Continued)

FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Funding Policy
The ORC provides statutory authority for member and employer contributions as follows:

2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Consortium's contractually required contribution was $43,300 for 2017. Of this amount, $0 is reported as accounts payable and accrued liabilities.

8. CONTINGENCIES

As of December 28, 2017, the Consortium is involved in a dispute with the Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC) and certain of its members concerning administration of health care benefits. In June, 2014, OPEC-HC joined the Consortium by signing the membership agreement to administrate the OPEC-HC Pool. In June, 2017, OPEC-HC's Board of Directors terminated the Consortium as its administrator, effective July, 1, 2017. Certain members of OPEC-HC, as Plaintiffs, filed suit to challenge this action and to seek damages against OPEC-HC and its broker agent. The Consortium was later added to the suit whereby the Plaintiffs are requesting a complete and detailed accounting of all money received and expended by the Consortium and OPEC-HC as it relates to the Plaintiffs, as well as a declaratory judgement that the Consortium may not impose any monetary penalties against the Plaintiffs.

The case is currently in the discovery phase. The Consortium intends to vigorously defend itself, and potentially, pursue the recovery of funds which it believes are owed by OPEC-HC and the OPEC-HC membership. At this stage of the proceedings, the Consortium cannot conclude, with any degree of legal certainty, as to the outcome of the case.

9. SUBSEQUENT EVENTS

The Consortium has evaluated all events or transactions subsequent to the statement of net position date of June 30, 2017 through December 28, 2017, which is the date these financial statements were available to be issued, and determined that there are no subsequent events that require disclosure except as disclosed below.

In connection with amendments to Ohio House Bill 64, the Consortium is expanding its marketing efforts to other states where permitted by state law. Subsequent to June 30, 2017, the Consortium has reached an agreement with a member in a state outside of Ohio.

The Consortium entered into a second infrastructure loan with a member in the amount of $1,900,000.

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Required Supplemental Information

THE JEFFERSON HEALTH PLAN
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2017

Claims Development Information

The following table illustrates how the Consortium's earned revenue and investment income compare to related costs of loss and other expenses assumed by the Consortium as of the end of each of the last 10 years. The columns of the table show data for successive policy years.

The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's earned contribution revenue and investment revenue, contribution revenue ceded to excess insurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the Consortium including overhead and claims expense not allocable to individual claims.
3. This line shows the Consortium's gross incurred claims and allocated claim adjustment expenses, claims assumed by excess insurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of 10 rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by excess insurers as of the end of the current year for each accident year.
6. This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The Jefferson Health Plan
Ten-Year Schedule of Claims Development

		* 2008	* 2009	* 2010	2011	2012	2013	2014	2015	2016	2017
1	Required contributions and investment income:										
	Earned				$ 135,428,856	$ 168,824,791	$ 155,562,774	$ 129,085,873	$ 180,427,044	$ 242,496,728	$ 275,786,307
	Ceded				4,343,051	5,936,989	7,024,558	3,704,364	4,365,154	5,208,571	3,091,244
	Net				131,085,805	162,887,802	148,538,216	125,381,509	176,061,890	237,288,157	272,695,063
2	Expenses other than allocated claim adjustment expenses				13,876,444	13,556,724	14,226,106	12,099,161	17,793,432	17,678,574	22,170,930
3	Estimated claims and allocated claim adjustment expenses - End of policy year:										
	Incurred:				116,170,154	110,755,876	108,869,590	115,829,413	164,288,600	219,007,551	264,496,467
	Ceded				1,357,227	1,150,157	814,924	413,646	12,259	279,886	1,486,412
	Net				117,527,381	111,906,033	109,684,514	116,243,059	164,300,859	218,727,665	263,010,055
4	Cumulative paid claims and allocated claim adjustment expenses										
	End of policy year				100,967,271	95,439,280	94,918,262	104,814,284	146,486,040	192,470,710	230,385,509
	One year later				113,447,764	106,924,136	106,912,856	116,640,750	160,932,916	213,272,208	-
	Two years later				113,466,750	107,118,432	106,944,683	116,691,166	161,058,258	-	-
	Three years later				113,466,750	107,118,432	106,944,683	116,691,166	-	-	-
	Four years later				113,466,750	107,118,432	106,944,683	-	-	-	-
	Five years later				113,466,750	107,118,432	-	-	-	-	-
	Six years later				113,466,750	-	-	-	-	-	-
	Seven years later				-	-	-	-	-	-	-
	Eight years later				-	-	-	-	-	-	-
	Nine years later				-	-	-	-	-	-	-
5	Re-estimated ceded claims and expenses				1,357,227	1,150,157	814,924	413,646	12,259	279,886	1,486,412
6	Re-estimated incurred claims and allocated claim adjustment expenses										
	End of policy year				117,527,381	111,906,033	109,684,514	116,243,059	164,300,859	218,727,665	263,010,055
	One year later				113,447,764	106,924,136	106,912,856	116,640,750	160,932,916	213,272,208	-
	Two years later				113,466,750	107,118,432	106,944,683	116,691,166	161,058,258	-	-
	Three years later				113,466,750	107,118,432	106,944,683	116,691,166	-	-	-
	Four years later				113,466,750	107,118,432	106,944,683	-	-	-	-
	Five years later				113,466,750	107,118,432	-	-	-	-	-
	Six years later				113,466,750	-	-	-	-	-	-
	Seven years later				-	-	-	-	-	-	-
	Eight years later				-	-	-	-	-	-	-
	Nine years later				-	-	-	-	-	-	-
7	(Decrease) increase in estimated incurred claims and allocated claim adjustment expenses subsequent to initial policy year end				$ 4,060,631	$ 4,787,601	$ 2,739,831	$ (448,107)	$ 3,242,601	$ 5,455,456	$ -

* The effect and cost to recreate financial information for the previous three years was not practical
Additional years will be displayed as they become available
See independent auditors' report.

SCHNEIDER DOWNS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
The Jefferson Health Plan
Steubenville, Ohio 43952

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 Jefferson Health Plan (the Consortium), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated December 28, 2017.

Internal Control Over Financial Reporting

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium'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.

Schneider Downs & Co., Inc.

Columbus, Ohio
December 28, 2017

JEFFERSON HEALTH PLAN

JEFFERSON 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
FEBRUARY 20, 2018