

HEALTH TRANSIT POOL OF OHIO

MEDINA COUNTY

Financial Report with Supplemental Information

For the Year Ended
December 31, 2015

Varney, Fink & Associates, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Trustees
Health Transit Pool of Ohio
One Park Centre Drive
Wadsworth, Ohio 44281

We have reviewed the *Independent Auditor's Report* of the Health Transit Pool of Ohio, Medina County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2015 through December 31, 2015. 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 Health Transit Pool of Ohio is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

September 6, 2016

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HEALTH TRANSIT POOL OF OHIO

For the Year Ended

December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Health Transit Pool of Ohio
One Park Centre Drive
Wadsworth, Ohio 44281

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Health Transit Pool of Ohio, Medina County, (Health TP), (a not-for-profit corporation), as of December 31, 2015 and 2014, and for the year ended December 31, 2015 and the fourteen-month period ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Health TP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audits. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing those risks of financial statement material misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to Health TP's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of Health TP's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Health TP, as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the year ended December 31, 2015 and the fourteen-month period then ended December 31, 2014 in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial to the financial statements, Health TP has changed its reporting for Members Claim Expenses. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis, claims development information, and the reconciliation for claims liability by type of contract policy*, listed in the table of contents, to supplement the financial statements. Although this information is not part of the financial statements, the Governmental Accounting Standards Board considers it essential for placing the financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, to the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016, on our consideration of Health TP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 Health TP's internal control over financial reporting and compliance.

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Certified Public Accountants
Wadsworth, Ohio

June 29, 2016

This section of Health Transit Pool of Ohio’s (Health TP) annual financial report presents management’s overview discussion and analysis of Health TP’s financial performance during the year ended December 31, 2015. Please read it in conjunction with Health TP’s financial statements, which immediately follow this section.

Introduction

In 2013, the Health Transit Pool of Ohio (Health TP) set out to establish a health benefits program with eligibility for any Public Transit operating under Ohio statutory authority. The purpose of the Health Transit Pool of Ohio (Health TP) is to offer a cost-effective alternative to the commercial market for medical, dental, vision, life and prescription drug coverage in addition to providing the corresponding risk management services. Health TP achieves these goals through group purchasing, self-insurance and the pooling of risk. Membership in Health TP is comprised exclusively of Ohio Political Subdivisions, Regional Transit Authorities, County Transit Boards, and other Ohio County Transit operations.

Health TP executed by-laws effective November 1, 2013, and is a Ohio Nonprofit Corporation authorized and governed pursuant to Section 9.833 of the Ohio Revised Code. The formation of Health TP was funded by the three founding members, Metro RTA (Akron), Stark Area Regional Transit Authority (Canton) and Toledo Area Regional Transit Authority (Toledo).

Using this Annual Report

Health TP operates as a proprietary enterprise fund and as such uses full accrual accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recognized when incurred. Health TP is not legally required to adopt a budget; however, under the by-laws the Health TP Board adopts a budget each year to monitor all expenses of the pool. Budget comparisons are not required for Health TP and therefore are not presented as required supplementary information in this report.

Financial Overview

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements, and required supplemental information.

The three basic financial statements presented are as follows:

Statement of Net Position - This Statement of Net Position represents Health TP’s position as of December 31, 2015. Information is presented about assets and liabilities with net position presented as the difference between the two. More detailed information is available in the accompanying financial statements.

Statement of Revenue, Expenses, and Changes in Net Position - This statement reflects the operating and nonoperating revenue and expenses for the period December 31, 2014 through December 31, 2015. Operating revenue consists primarily of member contributions, with the major sources of operating expenses being claims and claims adjustment expense, general and administrative expenses, and stop loss/reinsurance costs. Non-operating revenues and expenses consist primarily of investment activity and distributions to members.

Statement of Cash Flows - This statement is presented on the direct method of reporting and reflects cash flows from operating activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fourteen month period ended December 31, 2015.

Condensed Financial Information

The following tables present the summarized financial position for Health TP on December 31, 2015. In addition to net position, when assessing the overall health of Health TP, the reader needs to consider other nonfinancial factors such as the legal climate in the state, the general state of the financial markets, and the level of risk prevention undertaken by Health TP and its members.

CONDENSED STATEMENT OF NET POSITION

	December 31, <u>2015</u>	December 31, <u>2014</u>
Assets:		
Cash	\$ 428,207	\$ 649,067
Accounts Receivable	628,894	238,359
Total Assets:	<u>1,057,101</u>	<u>887,426</u>
Total Liabilities:	<u>1,285,477</u>	<u>1,054,159</u>
Net Position:	<u>\$ (228,376)</u>	<u>\$ (166,733)</u>

Currently Health TP holds no investments; therefore the majority of the assets are cash. Other assets include accounts receivable. The statement shows that Health TP’s total assets were \$1,057,101 as of December 31, 2015, an increase of \$169,675 (19%) over 2014.

Liabilities represent accounts payable for outside services, amounts actuarially calculated as reasonable estimates for incurred but not yet reported to the pool (IBNR), unearned premiums for the upcoming fiscal year, credits owed to the Members for pre-paid pooled claims and Members deposit funds on account to fund future liabilities.

Reserves for Claims

Health TP utilized Medical Mutual to adjust and pay medical claims. Reserves are established for the estimated amount that will be paid at some future date to settle the loss. Reserves are also established for claims that have occurred, but are not yet known to Health TP and for reported claims that are expected to develop (IBNR). Spring Consulting, Inc. conducts an independent actuarial analysis to determine a funding rate and the adequacy and reasonableness of these reserves. The reserve at December 31, 2015 for IBNR is \$200,053.

REVENUES, EXPENSES AND CHANGES IN NET POSITON

	December 31, <u>2015</u>	December 31, <u>2014</u>
Operating Revenues:		
Membership Contributions (premium earned)	\$ 11,419,698	\$ 9,543,982
Members Claims Expense	(9,548,027)	(8,066,743)
Reinsurance/Stop-Loss Insurance Premiums	<u>(1,116,884)</u>	<u>(913,113)</u>
Total Operating Revenues	754,787	564,126
Operating Expenses:		
Claims/Loss Expense	612,947	329,773
IBNR Actuarial Reserves	53,099	270,227
Corporate Legal Fees	4,676	17,622
All other Administrative Expenses	<u>145,708</u>	<u>113,237</u>
Total Operating Expenses	816,430	730,859
Operating (loss)	<u>(61,643)</u>	<u>(166,733)</u>
Net Position - Beginning of year	<u>(166,733)</u>	<u></u>
Net Position - End of year	<u>\$ (228,376)</u>	<u>\$ -</u>

Contributions (Premiums) earned are recognized during the fiscal year of the coverage period. This amount is reduced by the members deductible claims cost and the reinsurance and stop-loss purchased from the commercial insurance market to reduce the risk of large losses. During 2015, Health TP members retained the first \$75,000 per person for medical and prescription coverage with the pool retaining the loss from \$75,000 to \$175,000 per person. Medical Mutual reimburses all amounts above the stop loss of \$175,000. During 2015, the expense of reinsurance was reduced by \$109,995 through a prescription drug rebate program managed by Medical Mutual.

The retentions for the pool are determined at renewal each year by the Board of Trustees with analysis considered from the commercial costs as contrasted with the actuarial expense associated with raising or lower the retained risk.

Total membership contributions were \$11,419,698 and the total operating loss was (\$61,643).

Financial Highlights and Future Planning

Health TP was designed to provide budget stability in an uncertain volatile health benefits market. With this purpose in mind, Health TP will continue to adjust with market conditions allowing the maximum benefits of the members. The Board will continually review the attachment point of purchased commercial insurance as it relates to the cost of self-insurance as a group.

Significant savings were seen by Health TP members through the sharing of group purchased fixed costs. By using industry standard purchasing methods, the group is able to control costs through the transparent purchasing process.

Health HP will be moving toward providing group wellness and other risk management services as a pool to help control the overall cost of the incurred claims.

Contacting Health TP's Management

This financial report is designed to provide a general overview of Health TP’s finances. Questions concerning any of the data contained herein or requests for additional financial information should be directed to the Administrator of Health TP, 1 Park Centre Drive, #300, Wadsworth, OH 44281.

Health Transit Pool of Ohio
Statement of Net Position
December 31, 2015

	December 31, 2015	December 31, 2014
Assets		
Cash	\$428,207	\$649,067
Accounts Receivable	628,894	238,359
<i>Total Assets</i>	1,057,101	887,426
Liabilities		
Accounts Payable	1,947	1,998
Unearned Premium	310,823	82,315
Reserves for Unpaid Claims	200,053	270,227
Members Payable - Claims	0	262,318
Members Funds Held On Behalf	772,654	437,301
<i>Total Liabilities</i>	1,285,477	1,054,159
Net Position		
Net Position - Unrestricted	(228,376)	(166,733)
<i>Total Net Position</i>	(\$228,376)	(\$166,733)

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

Health Transit Pool of Ohio
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2015

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Membership Contributions	\$11,419,698	\$9,543,982
Members Claim Expense	(9,548,027)	(\$8,066,743)
Reinsurance/Stop-Loss Insurance Premiums	<u>(1,116,884)</u>	<u>(913,113)</u>
<i>Total Net Operating Revenues</i>	<u>754,787</u>	<u>564,126</u>
Operating Expenses:		
Claims/Loss Expense	612,947	329,773
IBNR Actuarial Reserves	53,099	270,227
Corporate Legal Fees	4,676	17,622
Actuarial Fees	22,219	28,000
Commissions/Consulting	54,651	61,200
All Other Administrative Expenses	<u>68,838</u>	<u>24,037</u>
<i>Total Operating Expenses</i>	<u>816,430</u>	<u>730,859</u>
<i>Operating (Loss)</i>	<u>(61,643)</u>	<u>(166,733)</u>
<i>Net Position at Beginning of Year</i>	<u>(166,733)</u>	<u>0</u>
<i>Net Position at End of Year</i>	<u><u>(\$228,376)</u></u>	<u><u>(\$166,733)</u></u>

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

Health Transit Pool of Ohio
Statement of Cash Flows
For the Year Ended December 31, 2015

	December 31, 2015	December 31, 2014
Cash Flows From Operating Activities		
Cash Received From Members	\$11,146,981	\$10,108,714
Cash Paid for Claims	(736,220)	(67,455)
Cash Paid for Members Claims	(9,364,515)	(8,350,005)
Cash Paid for Commercial Premiums & Claims Admin	(1,116,884)	(913,113)
Cash Paid for Administrative and General Expenses	<u>(150,222)</u>	<u>(129,074)</u>
Net Cash Flows Provided by Operating Activities	(220,860)	649,067
Cash Flows From Investing Activities	<u>0</u>	<u>0</u>
Cash Flows From Financing Activities	<u>0</u>	<u>0</u>
Net Increase in Cash	(220,860)	649,067
Cash - Beginning of Year	<u>649,067</u>	<u>0</u>
Cash - End of Year	<u><u>\$428,207</u></u>	<u><u>\$649,067</u></u>
Reconciliation of Operating (Loss) to Net Cash from Operating Activity		
Operating (Loss)	(\$61,643)	(\$166,733)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Decrease (increase) in Assets:		
Accounts Receivable	(390,535)	(238,359)
Increase (Decrease) in Liabilities:		
Accounts Payable	(51)	1,998
Members Payable - Claims	(262,318)	262,318
Reserve for Unpaid Claims	(70,174)	270,227
Members Funds Held On Behalf	335,353	437,301
Unearned Member Contributions	<u>228,508</u>	<u>82,315</u>
Net Cash Flows Provided By Operating Activities	<u><u>(\$220,860)</u></u>	<u><u>\$649,067</u></u>

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

1. ORGANIZATION OVERVIEW

The Joint Self-Insurance Act authorizes Ohio political subdivisions to enter into an agreement to establish, maintain and administer joint self-insurance pools and joint risk management programs.

In 2013, the Ohio Transit Risk Pool (OTRP) set out to establish a health benefits program with eligibility for any Public Transit operating under Ohio statutory authority. The purpose of the Health Transit Pool of Ohio (Health TP) is to offer a cost-effective alternative to the commercial market for medical, dental, vision, life and prescription drug coverage and to provide the corresponding risk management services. Health TP achieves these goals through group purchasing, self-insurance and the pooling of risk.

Health TP executed by-laws effective November 1, 2013, and is a Ohio Nonprofit Corporation authorized and governed pursuant to Section 9.833 of the Ohio Revised Code. The formation of Health TP was funded by the three founding members, Metro RTA (Akron), Stark Area Regional Transit Authority (Canton) and Toledo Area Regional Transit Authority (Toledo).

Health TP is governed by and construed in accordance with the laws of the State, and it is the intention of all Health TP members that their agreements and by-laws shall comply with Section 9.833 of the Ohio Revised Code.

Health TP is governed by a Board of Trustees consists of one voting member appointed by the Board of each Health TP member. The executive committee consists of a President, Vice-President, Secretary, Treasurer and Assistant Treasurer.

Health TP uses third party administrators to process, approve, and deny claims, and to make payments to the medical providers. For 2015, medical, optical and prescription benefits (Medical), Medical Mutual was the third party administrator. For dental, life and short-term disability benefits (Ancillary), Guardian was the third party administrator. For COBRA administration the third party administrator was Ceridian.

Health TP utilizes the OTRP as the managing Administrator. The financial activity for Health TP is independent and no funds are held at OTRP on behalf of Health TP.

Health TP utilizes additional third party services under contract: Accounting, Actuarial, Auditing, Brokerage, Banking and Corporate Legal.

Management believes the financial statements included in this report represent all of the financial activity of Health TP over which Health TP has the ability to exercise direct operating control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Basis of Accounting

Health TP uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

- Cash

Health TP's assets are held in the name of Health TP in a single separate demand deposit account. There are currently no investment accounts.

- Budgetary Process

The Health TP by-laws require that the Board of Health TP develop and approve and review a budget each fiscal year.

- Accounts Receivable

Receivables from members are stated at net invoice amounts. Collectability of balances is reviewed periodically. Any amounts deemed to be uncollectible are written off at that time. Management has determined all amounts are collectible and no allowance for doubtful accounts is required.

- Operating Cash Receipts and Cash Disbursements

Operating cash receipts are those receipts that are generated directly from the primary activity of the enterprise fund. For Health TP, these cash receipts are charges coverage and services provided. Operating cash disbursements are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund. Receipts and disbursements not meeting these definitions are reported as non-operating.

- Member's Contribution Revenue and Unearned Contributions

Contributions are paid monthly by participating members and are recognized as revenue over the policy period. Receivables are recorded when earned. Contributions collected in advance of applicable coverage periods are classified as unearned contributions.

- 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 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.

- Tax Status

Health TP is a not-for-profit corporation as defined under Section 115 of the Internal Revenue Code. Accordingly, Health TP is exempt from federal, state and local taxes.

3. RISK MANAGEMENT

Health TP is exposed to various risks of loss from torts including but not limited to theft, loss of assets, business interruption; errors and omissions and directors and officers. Health TP owns no capital assets and is administered 100% by outside services. Each vendor is required under their respective agreements to carry all relevant insurance coverages with proof of coverage provided as required. The Ohio Transit Risk Pool (OTRP) provides comprehensive liability coverage to the Board of Directors.

Catastrophic loss protection is provided through the purchase of Reinsurance/Stop Loss/Excess coverage above the pooled risk. Health TP by-laws allow for a provision for special assessment in the event liabilities of the pool should exceed those amounts budgeted.

4. POOL TERMINATION

In the event of the termination of Health TP, all members of Health TP past and present are obligated for any necessary supplemental contribution attributable to years during which they were members. After all claims and related expenses have been properly paid or reserved established for the payment of any such claims, any surplus members funds shall be distributed to members, past in present, in proportion to their interest in such surplus.

5. MEMBER WITHDRAW/REMOVAL

Any Pool member wishing to withdraw from participation in Health TP shall give notification at least one hundred eighty days prior to the anniversary date of Health TP’s health plan. The effective date of withdraw will be January 1st. Any Pool withdrawn member shall continue to have all obligations for those loss years in which the withdrawn member participated. Funds may be returned by a withdrawn member pursuant to the agreements of Health TP.

Any Pool member which withdraws from Health TP shall not have any return of equity, if any, until the policy years during which the withdrawn or terminated Member’s participated in the Pool have been formally closed by vote of the Board of Trustees. Such funds will only be returned after all outstanding payments and future obligations have been met.

6. DEPOSITS

Health TP has adopted a Cash and Investment policy. The policy required that all funds on deposit in banks in excess of FDIC limits be secured by some form of collateral.

At the year end, the carrying amount of Health TP’s deposit was \$428,207 and the bank balance was \$627,873. As of December 31, 2015, \$377,873 of Health TP’s bank balance was exposed to custodial risk while \$250,000 was covered by FDIC. Of the uninsured bank balance, all was collateralized with securities held by the pledging institution’s trust department, but not in Health TP’s name.

7. ACTUARIAL LOSS RESERVE FOR UNPAID CLAIMS

Health TP’s reserve for unpaid claims is determined using actuarial analysis and is computed in accordance with accepted loss reserving standards. The reserve represents a liability for both reported and unreported insured events and the ultimate net cost of all claims incurred which were unpaid at December 31, 2015.

Although Health TP’s actuary considers both Health TP’s experience and industry data in determining such reserves, assumption and projections as to future events are necessary and ultimate loss may differ significantly from amount projected. Reserves are not discounted. No reserve is posted for ancillary coverages as they are not self-insured.

A comparison of Health TP’s cash to the remaining actuarially-measured liability as of December 31, 2015 is as follows:

Cash	\$ 428,207
Actuarial Reserve	\$ 200,053

8. RESERVES FOR CLAIMS

Health TP establishes reserves for claims adjustment expenses for both reported and unreported insured events. A summary of changes in the reserves for claims and claims adjustment expenses for OTRP for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
1.) Reserve for unpaid claims, beginning of period	\$ 600,000	\$ -
2.) Incurred losses and loss adjustment expenses	213,000	600,000
3.) Payment of Claims	<u>(612,947)</u>	<u>(329,773)</u>
4.) Reserve for Unpaid Claims, end of period	<u>\$ 200,053</u>	<u>\$ 270,227</u>

9. SELF-INSURED RETENTION

During 2014, Health TP members retained the first \$75,000 per person for medical and prescription coverage with the pool retaining the loss from \$75,000 to \$175,000 per person. Medical Mutual reimburses all amounts above the stop loss of \$175,000.

10. EXCESS INSURANCE COVERAGE

Reinsurance/Stop Loss/Excess coverage is purchased above the pooled risk to protect Health TP and its members from catastrophic loss. During the 2015 coverage year, Health TP purchased excess stop loss insurance for its Medical and Prescription plan. This coverage includes a specific stop loss limit of \$175,000 per subscriber and aggregate stop loss at 125% of expected claims to an aggregate maximum limit of reimbursement of \$1,000,000. Stop loss coverage for Ancillary coverage is not considered necessary because there is a maximum benefit in place.

11. MEMBERS PAYABLE - CLAIMS

Due to the lag in reporting paid claims from the carrier, claims liabilities including pre-paid claims and claims within the reinsurance layer are pre-paid by the Health TP members through weekly invoicing. Over the remaining period of the contract for major medical, claims will continue to develop and liabilities will continue to develop for the loss year. Future liabilities representing pre-paid claims will subsequently be identified and credits will be provided to Members as credit memos for a future time.

12. MEMBERS FUNDS HELD ON BEHALF

Due to the lag in reporting paid claims from the carrier and the nature of the timing of the self-insured claims for the members, Health TP members deposit fund on-account as a pre-payment of future liabilities. As of December 31, 2015 Health TP held \$772,654.

13. SUBSEQUENT EVENTS

Due to additional developing claim liabilities for Loss Year (2) 2015, in May of 2015, the Health TP Board authorized a supplemental special assessment for Loss Year (2) 2015 in the amount of \$187,333. Simultaneously, the Health TP Board authorized a supplemental special assessment for Loss Year (1) 2014 in the amount of \$10,581 to finalize all liabilities for Loss Year (1) 2014 which is now considered closed.

14. MEMBERS CLAIM EXPENSES

For 2015, a management decision was made to place the Members Claim Expense within the operating revenues of \$9,548,027 for 2015 and \$8,066,743 for 2014. Members Claim Expense represents the amount of individual claim payments within a Members Self Insured Retention. These amounts are owed by the Members to Health TP and are invoiced on a weekly basis. To recognize that the revenues are paid by Health TP to the carrier and subsequently invoiced to the Members, for all future statements, they will be recognized.

REQUIRED SUPPLEMENTAL INFORMATION

HEALTH TRANSIT POOL OF OHIO
CLAIMS DEVELOPMENT INFORMATION
YEARS ENDED DECEMBER 31, 2015

The table on the following page outlines how Health TP's earned revenues (net of reinsurance) compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by Health TP as of the end of the fiscal year.

The following table is reported on a policy-year basis. This method assigns incurred losses and claim adjustment expenses to the year in which the event that triggered coverage under the risk pool insurance policy or participating contract occurred.

The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned contribution revenue.
- (2) This line shows each fiscal year's other operating costs, including overhead and claims expense not allocable to individual claims.
- (3) This line shows the gross incurred claims and allocated claims adjustment expenses, claims assumed by reinsurers, 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 (policy year).
- (4) This section illustrates the cumulative amounts paid as of the end of the policy year.
- (5) This line shows how each policy year's estimated incurred claims increased or decreased as of the end of the successive years.
- (6) This line shows the increase or decreased in the previous year's estimate. 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 shows the increase or decrease in the latest estimate from the original estimate.

HEALTH TRANSIT POOL OF OHIO – MEDINA COUNTY

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Claims Information for All Lines of Coverage

	2014	2015
(1) Required Premiums and Investment Revenue:		
Earned	\$ 9,543,982	\$ 11,419,698
Ceded	913,113	1,116,884
Net earned	8,630,869	10,302,814
(2) Unallocated Expenses	130,859	150,384
(3) Estimated Claims and Expenses - End of policy year:		
Incurred	661,980	1,031,647
Ceded	8,392	218,647
Net incurred	653,588	813,000
(4) Net Paid (Cumulative) as of		
End of policy year	329,773	612,947
One year later	453,046	-
Two years later	-	-
Three years later	-	-
Four years later	-	-
Five years later	-	-
Six years later	-	-
Seven years later	-	-
Eight years later	-	-
Nine years later	-	-
(5) Re-estimated Ceded Claims and Expenses	18,343	218,647
(6) Re-estimated Net Incurred Claims and Expenses:		
End of policy year	600,000	813,000
One year later	453,046	-
Two years later	-	-
Three years later	-	-
Four years later	-	-
Five years later	-	-
Six years later	-	-
Seven years later	-	-
Eight years later	-	-
Nine years later	-	-
(7) Change in Estimated Incurred Claims and Expenses From End of Policy Year	(200,542)	-

HEALTH TRANSIT POOL OF OHIO – MEDINA COUNTY

REQUIRED SUPPLEMENTAL INFORMATION

Statement of Reconciliation of Net Reserves for Claims and Claims Adjustment Expenses by Type of Contract

	Fiscal and Policy Years Ended December 31					
	2015			2014		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total
Reserves for claims and claims adjustment expenses - Beginning of fiscal year	\$ 222,227	\$ 48,000	\$ 270,227	\$ -	\$ -	\$ -
Incurred claims and claims adjustment expenses:						
Provision for insured events of the current fiscal year	480,000	120,000	600,000	480,000	120,000	600,000
Change in provision for insured events of prior fiscal years	<u>114,046</u>	<u>(48,000)</u>	<u>66,046</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total incurred claims and claims adjustment expenses	594,046	72,000	666,046	480,000	120,000	600,000
Payments:						
Claims and claims adjustment expenses attributable to insured events of the current year	501,165	111,782	612,947	257,773	72,000	329,773
Claims and claims adjustment expenses attributable to insured events of prior fiscal years	<u>123,273</u>	<u>-</u>	<u>123,273</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total payments	<u>624,438</u>	<u>111,782</u>	<u>736,220</u>	<u>257,773</u>	<u>72,000</u>	<u>329,773</u>
Reserve for claims and claims adjustment expenses - End of year	<u>\$ 191,835</u>	<u>\$ 8,218</u>	<u>\$ 200,053</u>	<u>\$ 222,227</u>	<u>\$ 48,000</u>	<u>\$ 270,227</u>

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

Board of Trustees
Health Transit Pool of Ohio
One Park Centre Drive
Wadsworth, Ohio 44281

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Health Transit Pool of Ohio, Medina County, (Health TP), as of December 31, 2015 and 2014, and for the year ended December 31, 2015 and the fourteen-month period ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Health TP's financial statements and have issued our report thereon dated June 29, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Health TP's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of Health TP's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of Health TP's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether Health TP's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of Health TP's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Health TP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Certified Public Accountants
Wadsworth, Ohio

June 29, 2016



Dave Yost • Auditor of State

HEALTH TRANSIT POOL OF OHIO

MEDINA 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
SEPTEMBER 15, 2016**