

HEALTH TRANSIT POOL OF OHIO  
MEDINA COUNTY, OHIO

*REGULAR AUDIT*

*FOR THE YEARS ENDED*  
DECEMBER 31, 2023 AND 2022



Rea & associates

[www.reacpa.com](http://www.reacpa.com)



OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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Board of Trustees  
Health Transit Pool of Ohio  
1 Park Center Drive #300  
Wadsworth, Ohio 44281

We have reviewed the *Independent Auditor's Report* of the Health Transit Pool of Ohio, Medina County, prepared by Rea & Associates, Inc., for the audit period January 1, 2023 through December 31, 2023. 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 cursive script that reads 'Keith Faber'.

Keith Faber  
Auditor of State  
Columbus, Ohio

**July 09, 2024**

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**HEALTH TRANSIT POOL OF OHIO  
MEDINA COUNTY, OHIO**

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Health Transit Pool of Ohio, Medina County, Ohio, (Health TP) as of and for the fiscal years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Health TP's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Health Transit Pool of Ohio, Medina County, Ohio, as of December 31, 2023 and 2022, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health TP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplemental information as listed in the table of contents, to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 GAAS, 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 June 17, 2024 on our consideration of the Health TP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health TP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health TP's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Medina, Ohio  
June 17, 2024

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**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2023 and 2022*

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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 years ended December 31, 2023 and 2022. Please read it in conjunction with Health TP's financial statements, which immediately follow this section.

**Introduction**

In 2013, the 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 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 an 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 Regional Transit Authority (Akron), Stark Area Regional Transit Authority (Canton) and Toledo Area Regional Transit Authority (Toledo). In 2016, two additional members joined the pool; Portage Area Regional Transportation Authority (PARTA) and Western Reserve Transit Authority (Youngstown). LAKETRAN joined the pool in 2018. In 2021, Butler County Regional Transit Authority (BCRTA) joined the pool as part of the new small member group and became a full member in 2024. METRO Regional Transit Authority (Akron) voted to withdraw from the Pool effective January 1, 2022 and TARTA voted to withdraw from the Pool effective January 1, 2024.

**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 supplementary information.

The three basic financial statements presented are as follows:

**Statements of Net Position** – This statement represents Health TP's position as of the periods ending December 31, 2023 and 2022. 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.

**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2023 and 2022

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**Statements of Revenue, Expenses, and Changes in Net Position** - This statement reflects the operating and nonoperating revenue and expenses for the periods ending December 31, 2023 and 2022. Operating revenue consists primarily of member contributions, with the major sources of operating expenses being IBNR and claims/loss expense.

**Statements 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 periods ended December 31, 2023 and 2022.

**Condensed Financial Information**

The following tables present the summarized financial position for Health TP on December 31, 2023, 2022 and 2021. 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. Summarized financial information is as follows:

**Condensed Statement of Net Position**

	2023	2022	2021
<b>Assets</b>			
Cash and Cash Equivalents	\$ 3,322,230	\$ 4,888,085	\$ 4,542,205
Investments	2,474,732	-	-
Other Current Assets	1,307,826	1,148,350	1,319,355
Total Assets	7,104,788	6,036,435	5,861,560
<b>Liabilities</b>			
	7,957,184	6,454,549	6,224,543
<b>Net Position</b>			
Unrestricted	\$ (852,396)	\$ (418,114)	\$ (362,983)

Other current assets include accounts receivable and prepaids which increased from 2022 and 2023 largely due to members' outstanding balance owed for claims and prepaids.

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

**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
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For the Years Ended December 31, 2023 and 2022

Accounts payable decreased from 2022 to 2023 due to the timing of payments. The Health TP's reserves for unpaid claims is based on actuarial data and fluctuates with claims experience. The timing of member collections at year-end explains the volatility of unearned revenue over the three year period, which also contributed to the increase in cash as 2023 premiums were received before December 31 and are being held for future claims.

**Reserves for Claims**

Health TP utilized United Health Care 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). Risk Management resources (RMR) conducts an independent actuarial analysis to determine a funding rate and the adequacy and reasonableness of these reserves.

**Condensed Statement of Changes in Net Position**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues			
Membership Contributions	\$ 17,373,673	\$ 16,591,987	\$ 24,381,595
Member Claims Expense	(13,370,376)	(12,501,828)	(18,412,856)
Reinsurance/Stop-Loss Insurance Premiums	<u>(2,000,904)</u>	<u>(1,982,323)</u>	<u>(2,255,777)</u>
Total Net Operating Revenues	<u>2,002,393</u>	<u>2,107,836</u>	<u>3,712,962</u>
Operating Expenses			
IBNR and Claims/Loss Expense	2,116,474	1,943,321	2,272,015
General and Administrative Expenses	<u>320,201</u>	<u>219,646</u>	<u>359,687</u>
Total Operating Expenses	<u>2,436,675</u>	<u>2,162,967</u>	<u>2,631,702</u>
Operating Income / (Loss)	(434,282)	(55,131)	1,081,260
Net Position (Deficit) at Beginning of Year	<u>(418,114)</u>	<u>(362,983)</u>	<u>(1,444,243)</u>
Net Position (Deficit) at End of Year	<u>\$ (852,396)</u>	<u>\$ (418,114)</u>	<u>\$ (362,983)</u>

Contributions (Premiums) earned are recognized during the fiscal year of the coverage period. This amount is reduced by the member's deductible claims cost and the reinsurance and stop-loss purchased from the commercial insurance market to reduce the risk of large losses.

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.

Membership contributions decreased from 2021 to 2022 due to the withdrawal of one of its founding members. Membership contributions increased in 2023 from 2022 due to the increase in claim cost from 2022 to 2023, this can vary from year to year based on significantly large claims.

**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2023 and 2022*

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**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 TP 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.

Health TP will continue to market the pool to other eligible agencies.

**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 Executive Director of Health TP, 1 Park Center Drive, #300, Wadsworth, OH 44281.

**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
*Statements of Net Position*  
*As of December 31, 2023 and 2022*

	2023	2022
<b>Assets</b>		
Cash and Cash Equivalents	\$ 3,322,230	\$ 4,888,085
Investments	2,474,732	-
Accounts Receivable	984,826	835,245
Prepays	323,000	313,105
Total Assets	7,104,788	6,036,435
<b>Liabilities</b>		
Accounts Payable	35,059	332,745
Reserves for Unpaid Claims	447,000	465,000
Members Payable - Claims	2,134,474	1,736,321
Unearned Revenue	5,340,651	3,920,483
Total Liabilities	7,957,184	6,454,549
<b>Net Position</b>		
Unrestricted	(852,396)	(418,114)
Total Net Position	\$ (852,396)	\$ (418,114)

See accompanying notes to the basic financial statements

**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
*Statements of Revenues, Expenses and Changes in Net Position*  
*For The Years Ended December 31, 2023 and 2022*

	2023	2022
Operating Revenues		
Membership Contributions	\$ 17,373,673	\$ 16,591,987
Member Claims Expense	(13,370,376)	(12,501,828)
Reinsurance/Stop-Loss Insurance Premiums	(2,000,904)	(1,982,323)
Total Net Operating Revenues	2,002,393	2,107,836
Operating Expenses		
IBNR and Claims/Loss Expense	2,116,474	1,943,321
Corporate Legal Fees	7,188	3,078
Actuarial Fees	19,500	17,500
Commissions/Consulting	67,208	65,918
All Other Administrative Expenses	226,305	133,150
Total Operating Expenses	2,436,675	2,162,967
Operating Income (Loss)	(434,282)	(55,131)
Total Net Position (Deficit), Beginning of Year	(418,114)	(362,983)
Total Net Position (Deficit), End of Year	\$ (852,396)	\$ (418,114)

See accompanying notes to the basic financial statements



**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
*Statements of Cash Flows*  
For the Years Ended December 31, 2023 and 2022

	2023	2022
<b><u>Cash Flows From Operating Activities</u></b>		
Cash Received From Members	\$ 18,631,260	\$ 16,942,420
Cash Paid for Claims	(2,134,474)	(1,736,321)
Cash Paid for Members Claims	(12,972,223)	(12,906,590)
Cash Paid for Commercial Premiums & Claims Admin	(2,000,904)	(1,982,323)
Cash Paid for Administrative and General Expenses	(614,782)	28,694
Net Cash Provided By Operating Activities	<u>908,877</u>	<u>345,880</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Payments for Purchases of Investments	(2,474,732)	0
Net Cash Provided By (Used for) Investing Activities	<u>(2,474,732)</u>	<u>0</u>
Net Increase (Decrease) in Cash	(1,565,855)	345,880
Cash and Cash Equivalents, Beginning of Year	<u>4,888,085</u>	<u>4,542,205</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,322,230</u>	<u>\$ 4,888,085</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ (434,282)	\$ (55,131)
<b>Changes in Assets and Liabilities:</b>		
Accounts Receivable	(149,581)	83,146
Prepays	(9,895)	87,859
Accounts Payable	(297,686)	160,481
Members Payable - Claims	398,153	(404,762)
Reserve for Unpaid Claims	(18,000)	207,000
Members Funds Held On Behalf - Unearned Revenue	<u>1,420,168</u>	<u>267,287</u>
Net Cash Flows Provided By Operating Activities	<u>\$ 908,877</u>	<u>\$ 345,880</u>

See accompanying notes to the basic financial statements

**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2023 and 2022*

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**NOTE 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 an 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 Regional Transit Authority (Akron), Stark Area Regional Transit Authority (Canton) and Toledo Area Regional Transit Authority (Toledo). During 2016, Health TP accepted two additional members into the Pool; Portage Area Transportation Authority (Kent) and Western Reserve Transit Authority (Youngstown).

LAKETRAN joined the pool in 2018 and Butler County Regional Transit Authority (BCRTA) joined the pool as a small member in 2021 and became a full member for 2024. METRO Regional Transit Authority voted to withdraw from the Pool effective January 1, 2022 and TARTA voted to withdraw from the Pool effective January 1, 2024.

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 medical, prescriptions and optical, dental, life, short-term disability benefits and COBRA. Health TP utilizes the Ohio Transit Risk Pool (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.

**NOTE 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.

**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2023 and 2022*

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***Cash, Cash Equivalents and Investments***

To improve cash management, cash received by the Health TP is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Health TP records.

Investments with an original maturity of three months or less at the time they are purchased by the Health TP and investments of the Health TP's cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

***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 Revenues and Expenses***

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

***Member's Contribution Revenue and Unearned Revenue***

Revenue contributions are paid monthly by participating members and are recognized as revenue over the policy period. Revenues are recorded when earned. Contributions collected in advance of applicable coverage periods are classified as Unearned Revenue. These funds are held by Health TP for the participating member to be used in a future period.

For the years ended December 31, 2023 and 2022, Health TP held a members payable claims liability for funds due back to the members claims paid in excess of \$75,000, up to the stop-loss threshold of \$175,000.

***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.

**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2023 and 2022*

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***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.

**NOTE 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.

There has been no significant reduction in coverage from the prior year and claims have not exceeded coverage for any of the prior three years.

**NOTE 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 reserve established for the payment of any such claims, any surplus member's funds shall be distributed to members, past in present, in proportion to their interest in such surplus.

**NOTE 5 - MEMBER WITHDRAW AND 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 1. 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.

**NOTE 6 - MEMBER ADDITION**

The Pool may add additional members wishing to participate in Health TP. The new members must complete an application and execute a copy of Health TP's by-laws.

**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2023 and 2022*

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**NOTE 7 – DEPOSITS AND INVESTMENTS**

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.

State statutes classify monies held by the Health TP into three categories.

Active deposits are public deposits necessary to meet the current demands on the treasury. Such monies must be maintained either as cash in the Health TP, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Health TP has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Health TP's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

The Health TP will diversify the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. Diversification by instrument and the percentage of portfolio cannot exceed the following:

- A. U.S. Treasury Obligations (bills, notes and bonds), 100%.
- B. U.S. Government Agency Securities and Instrumentality's of Government Sponsored Corporations, 100%.
- C. Certificates of Deposit (collateralized), 100%.
- D. Commercial paper notes, 40%.
  - 1. Notes must be rated at time of purchase in the highest classification established by at least two standard rating services.
  - 2. Aggregate value of the note does not exceed 10% of the aggregate value of the outstanding commercial paper of the issuing corporation.
  - 3. Notes mature no later than 270 days after purchase.
- E. Banker's acceptance of banks that are members of the FDIC, 40%.
  - 1. The obligations are eligible for purchase by the Federal Reserve System.
  - 2. The obligations mature no later than 180 days after purchase.

**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
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- F. Repurchase Agreements, 25%.
- G. State and Local Government Securities, 25%.
- H. State of Ohio Investment pool, 25%.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Health TP, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

***Deposits***

As of December 31, 2023, \$3,078,241 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.

As of December 31, 2022, \$4,638,154 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.

***Investments***

As of December 31, 2023, the Health TP had the following investments and maturities:

Rating by S & P	Investment Type	Measurement Amount	Investment Maturities in Years		Percent of Total
			(<1)	(1-3)	
Fair Value:					
AA+	Treasury Bonds and Notes	\$ 1,978,947	\$ 1,236,289	\$ 742,658	79.97%
AA+	FHLB	249,955	249,955	-	10.10%
AA+	FNMA	245,830	245,830	-	9.93%
		\$ 2,474,732	\$ 1,732,074	\$ 742,658	100.00%

The Health TP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Health TP’s recurring fair value measurements as of December 31, 2023. The Health TP’s fair value investments are Level 2 since valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data.

**Health Transit Pool of Ohio**  
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**Interest Rate Risk.** As a means of limiting its exposure to fair value losses caused by rising interest rates, the Health TP’s investment policy requires that operating funds be invested primarily in short-term investments maturing within two years from the date of purchase and that the Health TP’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk.** State law limits investments in corporate debt to the top two ratings issued by nationally recognized statistical rating organizations. The Health TP does not have a written policy limiting its corporate debt investments to the top rating.

**Concentration of Credit Risk.** The Health TP’s investment policy limits the amounts it may invest in any one type of instrument. See above chart.

**NOTE 8 - 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 year-end.

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 liabilities as of December 31, 2023 and 2022 is as follows:

	2023	2022
Cash and Investments	\$ 5,796,962	\$ 4,888,085
Actuarial Reserve	\$ 447,000	\$ 465,000

**NOTE 9 - 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 Health TP for the years ended December 31, 2023, 2022 and 2021 are as follows:

	2023	2022	2021
1) Reserve for unpaid claims, beginning of period	\$ 465,000	\$ 258,000	\$ 722,466
2) Incurred losses and loss adjustment expense	2,116,474	1,943,321	2,272,015
3) Payment of claims	(2,134,474)	(1,736,321)	(2,736,481)
4) Reserve for unpaid claims, end of period	\$ 447,000	\$ 465,000	\$ 258,000

**Health Transit Pool of Ohio**  
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**NOTE 10 - SELF-INSURED RETENTION**

During 2023 and 2022, all fully Self-Insured 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. United Healthcare reimburses all amounts above the stop loss of \$175,000. For the smaller member product which includes BCRTA, BCRTA Self-Insures to the federally allowed Health Savings Account (HSA) limit and through a Health Reimbursement Account (HRA) arrangement, then self-insures or deductible funds the first \$5,000 of each claim and group shares from \$5,000 to the HSA limit through the Pools shared Loss Fund with all other members. All amounts in excess of the HSA are fully-insured through United Healthcare.

**NOTE 11 - 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 2023 and 2022 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.

**NOTE 12 - 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.

**NOTE 14 - UNEARNED REVENUE**

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, 2023 and 2022, Health TP held \$5,340,651 and \$3,920,483 in pre-payments, respectively.

**NOTE 15 - CONTINGENCY**

Due to potential claim liabilities for Loss Year (10) 2023, the Health TP Board may be required to make a supplemental special assessment to the pool members to cover any liability that may arise from claims that occurred in 2023 but paid in 2024.

**NOTE 16 – SUBSEQUENT EVENT**

Effective January 1, 2024 TARTA has withdrawn from Health TP.



REQUIRED SUPPLEMENTARY INFORMATION

**Health Transit Pool of Ohio**  
**Medina County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Years Ended December 31, 2023 and 2022*

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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 last two years. The columns of the table show data for successive policy years.

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 and any investment income, contribution revenue ceded to excess insurers, and net earned contributions revenue and any reported investment 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 two policy years.
- (5) This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
- (6) This line shows the increase or decrease 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 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.

**HEALTH TRANSIT POOL OF OHIO**  
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Statement of Reconciliation of Net Reserves for Claims and Claims Adjustment Expenses by Type of Contract

	Fiscal and Policy Years Ended December 31,								
	2023			2022			2021		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
Reserves for claims and claims adjustment expenses - Beginning of fiscal year	\$ 521,392	\$ (56,392)	\$ 465,000	\$ 386,909	\$ (128,909)	\$ 258,000	\$ 748,057	\$ (25,591)	\$ 722,466
Incurred claims and claim adjustments expenses:									
Provision for insured events of the current fiscal year	916,716	183,285	1,100,001	1,177,271	297,729	1,475,000	1,274,629	175,371	1,450,000
Change in provision for insured events of prior fiscal year	960,081	56,392	1,016,473	339,412	128,909	468,321	796,424	25,591	822,015
Total incurred claims and claim adjustments	<u>1,876,797</u>	<u>239,677</u>	<u>2,116,474</u>	<u>1,516,683</u>	<u>426,638</u>	<u>1,943,321</u>	<u>2,071,053</u>	<u>200,962</u>	<u>2,272,015</u>
Payments:									
Claims and claims adjustment expenses attributed to insured events of the current fiscal year	1,728,001	406,473	2,134,474	1,382,200	354,121	1,736,321	1,908,814	232,269	2,141,083
Claims and claims adjustment expenses attributed to insured events of the prior fiscal year	-	-	-	-	-	-	523,387	72,011	595,398
Total payments	<u>1,728,001</u>	<u>406,473</u>	<u>2,134,474</u>	<u>1,382,200</u>	<u>354,121</u>	<u>1,736,321</u>	<u>2,432,201</u>	<u>304,280</u>	<u>2,736,481</u>
Reserve for claims and claims adjustment expenses - End of fiscal year	<u>\$ 670,188</u>	<u>\$ (223,188)</u>	<u>\$ 447,000</u>	<u>\$ 521,392</u>	<u>\$ (56,392)</u>	<u>\$ 465,000</u>	<u>\$ 386,909</u>	<u>\$ (128,909)</u>	<u>\$ 258,000</u>

**HEALTH TRANSIT POOL OF OHIO**  
**Medina County, Ohio**  
*Required Supplementary Information*

*Schedule of Claims Information for All Lines of Coverage*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>(1) Required Premium Revenue</b>										
Earned	\$ 9,543,982	\$ 11,419,698	\$ 14,574,397	\$ 17,342,042	\$ 19,511,021	\$ 20,283,753	\$ 20,070,710	\$ 24,351,594	\$ 16,591,987	\$ 17,373,673
Ceded	913,113	1,116,884	1,503,454	1,442,518	1,359,167	1,104,281	1,222,350	2,255,777	1,982,323	2,000,904
Net earned	8,630,869	10,302,814	13,070,943	15,899,524	18,151,854	19,179,472	18,848,360	22,095,817	14,609,664	15,372,769
<b>(2) Unallocated Pool Expenses</b>	130,859	150,384	162,502	205,810	336,837	374,138	324,618	359,687	219,676	320,200
<b>(3) Estimated Total Claims - End of Policy Year</b>										
Incurred	8,675,135	10,579,674	13,929,285	14,906,855	18,784,356	18,191,645	19,977,147	22,415,030	13,651,907	15,959,902
Ceded	8,392	218,647	562,337	1,023,141	1,115,927	1,002,244	1,006,763	1,729,651	793,442	1,860,596
Net Incurred	8,666,743	10,361,027	13,366,948	13,883,714	17,668,429	17,189,401	18,970,384	20,685,379	12,858,465	14,099,306
<b>(4) Net Paid Claims (Cumulative) as of</b>										
End of policy year	8,666,743	10,361,027	13,366,948	13,883,714	17,668,429	17,189,401	18,970,384	20,685,379	12,858,465	14,099,306
One year later	8,519,789	10,330,565	15,035,290	14,906,512	18,318,796	17,429,830	18,969,876	22,411,521	1,288,203	-
Two years later	8,519,789	10,330,565	15,035,290	14,906,512	18,318,796	16,347,765	18,969,876	22,420,362	-	-
Three years later	8,519,789	10,330,565	15,035,290	14,906,512	18,318,796	16,347,765	18,969,876	-	-	-
Four years later	8,519,789	10,330,565	15,035,290	14,906,512	18,318,796	16,347,765	-	-	-	-
Five years later	8,519,789	10,330,565	15,035,290	14,905,512	18,318,796	-	-	-	-	-
Six years later	8,519,789	10,330,565	15,035,290	14,905,512	-	-	-	-	-	-
Seven years later	8,519,789	10,330,565	15,035,290	-	-	-	-	-	-	-
Eight years later	8,519,789	10,330,565	-	-	-	-	-	-	-	-
Nine years later	8,519,789	-	-	-	-	-	-	-	-	-
<b>(5) Re-estimated Ceded Claims</b>	8,392	218,647	562,337	1,023,141	1,115,927	1,002,244	1,006,763	1,729,651	793,442	1,860,596
<b>(6) Re-estimated Net Incurred Claims</b>										
End of policy year	8,666,743	10,361,027	13,366,948	13,883,714	17,668,429	17,189,401	18,970,384	20,685,379	12,858,465	14,099,306
One year later	8,519,789	10,330,565	15,035,290	14,906,512	18,318,796	17,429,830	18,969,876	22,411,521	1,288,203	-
Two years later	8,519,789	10,330,565	15,035,290	14,906,512	18,318,796	16,347,765	18,969,876	22,411,521	-	-
Three years later	8,519,789	10,330,565	15,035,290	14,906,512	18,318,796	16,347,765	18,969,876	-	-	-
Four years later	8,519,789	10,330,565	15,035,290	14,906,512	18,318,796	16,347,765	-	-	-	-
Five years later	8,519,789	10,330,565	15,035,290	14,905,512	18,318,796	-	-	-	-	-
Six years later	8,519,789	10,330,565	15,035,290	14,905,512	-	-	-	-	-	-
Seven years later	8,519,789	10,330,565	15,035,290	-	-	-	-	-	-	-
Eight years later	8,519,789	10,330,565	-	-	-	-	-	-	-	-
Nine years later	8,519,789	-	-	-	-	-	-	-	-	-
<b>(7) Change in Estimated Incurred Claims and Expenses from End of Policy Year</b>	(146,954)	(30,462)	1,668,342	1,021,798	650,367	(841,636)	(508)	1,726,142	-	-

*\*\*Only 9 years available at time of report*

**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**

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

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 (*Government Audit Standards*), the financial statements of the Health Transit Pool of Ohio, Medina County, Ohio (Health TP) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Health TP's basic financial statements, and have issued our report thereon dated June 17, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Health TP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health TP's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health TP's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Health TP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is 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 Health TP'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 Health TP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

Rea & Associate, Inc.  
Medina, Ohio  
June 17, 2024

# OHIO AUDITOR OF STATE KEITH FABER



**HEALTH TRANSIT POOL OF OHIO**

**MEDINA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 7/23/2024**

65 East State Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)