

**NEW HAMPSHIRE SCHOOL HEALTH
CARE COALITION**

**FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION

JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
New Hampshire School Health Care Coalition

Report on the Financial Statements

We have audited the accompanying financial statements of the New Hampshire School Health Care Coalition (the Coalition), which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Coalition's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Hampshire School Health Care Coalition as of June 30, 2015 and the changes in its net position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the New Hampshire School Health Care Coalition as of June 30, 2014, were audited by other auditors whose report dated October 16, 2014, expressed an unmodified opinion on those statements.

Other Information

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the accompanying financial information in schedules 1 and 2 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Reporting on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2016 on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Crowe Horwath LLP

Simsbury, Connecticut
August 5, 2016

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The New Hampshire School Health Care Coalition (the Coalition), a public entity risk pool, presents the following overview and analysis of its financial operations for the fiscal year ended June 30, 2015, to be reviewed and considered in conjunction with the more detailed statements, schedules, and notes in this report.

Financial Highlights:

- Assets exceeded liabilities and deferred inflows of resources by \$24,371,668 at June 30, 2015; this net position consisted of the Coalition's investment in property and equipment of \$699,668 and the amounts designated for the medical risk corridor of \$23,125,000 and the dental risk corridor of \$547,000. The Coalition did not retain any unrestricted or undesignated surplus.
- The Coalition has reported a liability at June 30, 2015 of \$5,509,171 described as a premium holiday payable in accordance with guidance from the New Hampshire Secretary of State, Bureau of Securities Regulation. Premium holiday credits totaling \$4,288,093 were applied to member contribution invoices as of July 1, 2014. The remaining, premium holiday payable, \$1,221,079 represents the surplus at June 30, 2015 to be applied to member contribution invoices as of July 1, 2016.
- The Coalition has adopted additional reporting guidance of the Governmental Accounting Standards Board (GASB), including this management discussion and analysis; expanded note disclosure for investments; and separate sections on the Statement of Net Position for any deferred outflows or deferred inflows of resources.

Overview of the Financial Statements:

The Coalition's fiscal year is July 1 through June 30.

The annual financial report consists of three parts:

- Management's Discussion and Analysis
- Financial Statements and Note Disclosures
- Required Supplementary Information

Management's discussion and analysis provides a narrative overview of the statements and comments on significant developments during the reporting period. The intention is to present a financial summary of operations for the past fiscal year and discuss the outlook for the ensuing year.

The Statements of Net Position contain information regarding the assets and liabilities of the Coalition. In addition, the Coalition has adopted GASB Statement No. 65 which requires deferred outflows of resources and deferred inflows of resources to be reported in separate sections of the Statement of Net Position. The Coalition has not reported any deferred outflows, but does report deferred revenue as a deferred inflow. In prior years, the Coalition reported deferred revenue in the liability section of the statement.

The Statements of Revenues, Expenses and Changes in Net Position show the operating activities for the year, revenues and expenses. As required by the GASB, investment income is considered nonoperating revenue. The net result of operations for the fiscal year is the change in net position from year to year.

The Statements of Cash Flows report the cash flow resulting from operations, investment and financing activities of the Coalition showing how the financial resources were used during the course of the year.

Notes to the Financial Statements provide explanations of the accounting principles followed and of key items in the financial statements. They include tables with more detailed analysis of certain accounts.

The Required Supplementary Information includes the ten-year schedule of claims development and a two-year comparative reconciliation of claims liabilities.

Analysis of Financial Information Presented in the Statements:

Statements of Net Position:

The following table summarizes the Statements of Net Position:

	June 30, 2015	June 30, 2014	Percentage Change	June 30, 2013	Percentage Change
Cash and cash equivalents	\$ 14,525,316	\$ 29,696,786	-51%	\$ 23,013,046	29%
Investments	27,910,979	29,425,002	-5%	32,459,161	-9%
Other assets	3,315,570	2,199,721	51%	3,564,089	-38%
Total assets	45,751,865	61,321,509	-25%	59,036,296	4%
Claims payable	1,951,088	3,171,018	-38%	3,009,674	5%
Claims reserves	12,217,117	10,277,713	19%	8,969,833	15%
Premium holiday payable	5,509,171	25,982,652	-79%	25,947,052	0%
Other liabilities	1,273,055	1,062,368	20%	482,140	120%
Total liabilities	20,950,431	40,493,751	-48%	38,408,699	5%
Deferred inflows of resources	429,766	468,065	-8%	652,850	-28%
Net position:					
Invested in capital assets	699,668	773,693	-10%	844,247	-8%
Unrestricted	23,672,000	19,586,000	21%	19,130,500	2%
Total net position	\$ 24,371,668	\$ 20,359,693	20%	\$ 19,974,747	2%

Total assets for FY2015, FY2014 and FY2013 are \$45,751,865, \$61,321,509 and \$59,036,296, respectively. The decrease in assets is largely due to a decreased cash and cash equivalents balance. Premium Holiday credits in the amount of \$21,673,842 were applied to member contribution invoices as of July 1, 2014. As such, cash balances decreased due to a reduction in premium payments for the month of July 2014.

Total liabilities for FY2015, FY2014 and FY2013 are \$20,950,431, \$40,493,751 and \$38,408,699, respectively. The decrease in liabilities is also due to the Premium Holiday payable amount of \$21,673,842 made on July 1, 2014 to members.

Designated net position has increased over the prior year by \$4,011,975 for increases in the medical and dental risk corridors due to growth in membership and medical trend. The portion of net position which represents the Coalition's investment in property and equipment decreased from the prior year due to depreciation expense for the year.

Statements of Revenues, Expenses and Changes in Net Position:

The following table summarizes the Statements of Revenues, Expenses and Changes in Net Position:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	Percentage Change	<u>June 30, 2013</u>	Percentage Change
Operating revenues:					
Member contributions	\$ 168,862,262	\$ 150,489,954	12%	\$ 139,481,735	8%
Premium holiday credits	(1,221,079)	(4,308,810)	-72%	(10,997,643)	-61%
Other	<u>994,466</u>	<u>1,499,609</u>	-34%	<u>1,841,417</u>	-19%
Total operating revenues	<u>168,635,649</u>	<u>147,680,753</u>	14%	<u>130,325,509</u>	13%
Operating expenses:					
Claims expense	143,438,801	131,242,421	9%	120,300,164	9%
Insurance	11,630,973	9,319,237	25%	6,048,143	54%
Claims administration	5,227,151	4,862,342	8%	5,835,982	-17%
Health and wellness benefits	2,162,001	1,992,559	9%	1,991,545	0%
Administration	1,710,538	1,188,186	44%	1,120,671	6%
Other	<u>1,137,265</u>	<u>1,168,687</u>	-3%	<u>455,701</u>	156%
Total operating expenses	<u>165,306,729</u>	<u>149,773,432</u>	10%	<u>135,752,206</u>	10%
Operating gain (loss)	3,328,920	(2,092,679)	-259%	(5,426,697)	-61%
Nonoperating revenues:					
Earnings on investments	<u>683,055</u>	<u>2,477,625</u>	-72%	<u>1,416,920</u>	75%
Change in net position	4,011,975	384,946	942%	(4,009,777)	-110%
Beginning net position, July 1	<u>20,359,693</u>	<u>19,974,747</u>	2%	<u>23,984,524</u>	-17%
Ending net position, June 30	<u>\$ 24,371,668</u>	<u>\$ 20,359,693</u>	20%	<u>\$ 19,974,747</u>	2%

Revenues - Total operating revenues of FY2015, FY2014 and FY2013 were \$168,635,649, \$147,680,753 and \$130,325,509, respectively. The increase in member contributions was due to an 8.7% health care medical increase coupled with approximately a 4% increase in membership.

Expenses - Total operating expenses for FY2015, FY2014 and FY2013 were \$165,306,729, \$149,773,432 and \$135,752,206, respectively. The increase in claims expense is due to increased utilization, and overall health care costs. Insurance expenses were greater in 2015 as the Coalition's 65+ population continues to grow and as of January 1, 2014 operates as a fully insured product.

Other matters:

Investment Portfolio

The Coalition's investment portfolio on June 30, 2015 was valued at \$27,910,979. The June 30, 2014 value of the investment portfolio was \$29,425,002. The June 30, 2013 value of the investment portfolio was \$32,459,161. The Coalition's Risk Pool Practices Agreement with the NH Secretary of State required that investments be compliant with the requirements imposed upon municipalities pursuant to NH RSA 35:9, allowing for certain exceptions, by April 25, 2014. In the Agreement, the NH Secretary of State consents to the Coalition temporarily retaining the investment in Real Estate Investment Trusts (REITs) on the following conditions: (a) SchoolCare shall liquidate the REIT investments as soon as it is practicable to do so without incurring penalties or breakage fees; (b) SchoolCare shall limit its investment in these REITs by requiring any dividends paid by the REIT investments be paid to SchoolCare in cash and not reinvested in the REIT; (c) the SchoolCare REITs shall not be considered as part of the allowable percentage of the non-complaint investments and (d) SchoolCare shall provide the Bureau with annual updates on the status of the REIT investments and with more frequent updates should unexpected events occur with respect to the REIT investments. The Coalition is also permitted to include investments that are non-compliant with NH RSA 35:9 in an aggregate amount not to exceed 8% of the Coalition's cash, cash equivalents, and other non-REIT investments provided such non-compliant investments are specifically approved for investment by a non-life insurer pursuant to RSA 402:28, I with the exception of 402:28, I, o. The Coalition, with the advice of their investment advisor, adjusted the portfolio to achieve compliance with the 8% limit. As management reviewed the June 30, 2015 investment statements, they determined that approximately 7.6% of the Coalition's investments were non-compliant with the regulatory requirements. This is within the 8% limit set by the Risk Pool Practices Agreement. This is within the 8% limit set by the Risk Pool Practices Agreement. The REIT balances were \$1,731,394 at June 30, 2015 and \$2,352,461 at June 30, 2014. The Coalition held securities that were non-complaint with NH RSA 35:9 in the amount of \$5,179,087 at June 30, 2015 and \$6,769,599 at June 30, 2014. In addition, the Coalition held certain securities that were non-compliant with both NH RSA 35:9, NH RSA 402:28, I as well as the Agreement in the amount \$201,905 as of June 30, 2015 and \$2,219,014 as of June 30, 2014. These securities have been sold as of April 15, 2016.

Capital Assets and Debt

The Coalition's property and equipment at June 30, 2015 was valued at \$699,668 compared to \$773,693 on June 30, 2014 and \$844,247 on June 30, 2013. The changes include equipment purchases of \$5,967 and depreciation of \$79,992. The Coalition has no long-term debt.

Outlook / Economic Factors:

The Coalition and its Board of Directors remain focused on the organization's mission statement to provide education and training for employees and employers to become informed health consumers with healthier life styles, and enable the purchase of quality health care in a cost-effective manner.

The SchoolCare medical and dental plans provide comprehensive benefits to support this endeavor. Health care is evolving rapidly due to rising health care trends as a result of the Patient Protection and Affordable Care Act (PPACA) and particularly in the area of specialty prescription drugs. As the PPACA Excise Tax on high cost plans approaches in 2018, more Member groups have transitioned to products with deductibles and coinsurance to encourage greater consumer accountability in care as well as to promote cost sharing between employers and employees. To assist in these efforts, the Coalition is working to develop next generation products that offer a variety of options through cost sharing and various tax-advantaged financial accounts. These include health reimbursement accounts, health savings accounts and flexible spending accounts. The Coalition will continue to develop these plans and educate Membership in order to assist with mitigating or eliminating Excise Tax on SchoolCare medical plans.

In conjunction with next generation plans, the Coalition believes that wellness plays an integral role in one's health. As such, Staff has worked to update and develop the Coalition's comprehensive ***Good For You!*** wellness programs to promote consumer awareness and accountability of one's own health. These programs echo the Coalition's mission of promoting healthier lifestyles while making wellness fun and easy to participate in. The Coalition has partnered with Viverae, a leader in workplace wellness offerings, to utilize their wellness portal. This portal works to educate on a holistic level, while allowing for technological advancements like participation through device integration. Development of these programs will continue as the Coalition integrates both membership feedback as well as best practices in health and wellness.

Membership

The exceptional service to our existing membership is a cornerstone of the Coalition's mission. The Coalition is very proud of the organization's membership retention of 99% each of the past five (5) years. In addition, the program has experienced greater than a twenty-five percent (47%) increase in membership during this same time period. The Board of Directors has indicated a desire for modest future growth in the program averaging 2-3% annually over the next three years.

Patient Protection and Affordable Care Act (PPACA)

The Patient Protection and Affordable Care Act also referred to as health care reform continues to affect both the Coalition's operations and its membership. Staff regularly monitors, educates and assists members with the implementation of changes required by PPACA. All SchoolCare medical plans are in compliance with health care reform provisions.

In addition to this, SchoolCare staff will be assisting Members with various reporting requirements under PPACA including 6055 and 6056 reporting. Staff has also been working to educate Members on Excise Tax implications. As such, the Coalition has developed various spreadsheets to estimate how much each Member would pay in Excise Tax by plan option. Staff will also continue to develop next generation, lower cost, products to assist in Excise Tax avoidance.

Medical Costs

Medical costs continue to escalate as a result of various factors, such as price inflation, utilization, government-mandated benefits/fees, and new treatments, therapies and technology. As the Coalition looks to 2016, it is anticipated that employers and employees alike will be considering alternative plan designs to reduce health care rates. The Coalition is prepared to support such joint management/labor initiatives through existing SchoolCare plans with higher copays/cost sharing and lower cost plans with deductibles/coinsurance.

Regulatory environment

The Coalition is a pooled risk management program under RSA 5-B and as such is regulated by the New Hampshire Secretary of State, Bureau of Securities. As stated previously, the Coalition entered into a five (5) year Risk Pool Practices Agreement in April 2012. The Coalition will continue to comply with the Agreement and will closely monitor any legislative changes that may affect the Coalition and its membership.

Requests for Information:

For additional information, please contact the New Hampshire School Health Care Coalition, 370 Harvey Road, Manchester, NH 03103; telephone 603-836-5031 or 800-562-5254.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014**

	June 30, 2015	June 30, 2014
ASSETS:		
Cash and cash equivalents	\$ 14,525,316	\$ 29,696,786
Investments	27,910,979	29,425,002
Member receivables	1,105,773	460,742
Accounts receivable	1,343,706	759,484
Accrued interest receivable	131,443	176,271
Prepaid expenses	34,980	29,531
Total current assets	45,052,197	60,547,816
Property and equipment, net	699,668	773,693
Total assets	\$ 45,751,865	\$ 61,321,509
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES:		
Accounts payable	\$ 338,148	\$ 81,359
Accrued expenses	934,907	981,009
Claims payable	1,951,088	3,171,018
Claims reserves	12,217,117	10,277,713
Premium holiday payable	5,509,171	25,982,652
Total current liabilities	20,950,431	40,493,751
DEFERRED INFLOWS OF RESOURCES:		
Deferred revenue	429,766	468,065
NET POSITION:		
Invested in capital assets	699,668	773,693
Unrestricted	23,672,000	19,586,000
Total net position	24,371,668	20,359,693
Total liabilities, deferred inflows of resources and net position	\$ 45,751,865	\$ 61,321,509

The notes to the financial statements are an integral part of these statements.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating revenues:		
Member contributions	\$ 168,862,262	\$ 150,489,954
Premium holiday credits	(1,221,079)	(4,308,810)
Medicare drug subsidy	60,512	593,565
Other income	933,954	906,044
Total operating revenues	<u>168,635,649</u>	<u>147,680,753</u>
Operating expenses:		
Claims expense	143,438,801	131,242,421
Insurance stop-loss	1,367,992	1,974,516
Insurance premiums	10,262,981	7,344,721
Claims administration	5,227,151	4,862,342
Contractual services	507,924	521,388
Affordable Care Act fees	1,137,265	633,669
Administration	1,192,295	1,188,186
Health and wellness benefits	2,162,000	1,992,559
Conference expenses	10,320	13,630
Total operating expenses	<u>165,306,729</u>	<u>149,773,432</u>
Operating gain (loss)	3,328,920	(2,092,679)
Nonoperating revenues:		
Earnings on investments	<u>683,055</u>	<u>2,477,625</u>
Change in net position	4,011,975	384,946
Beginning net position, July 1	<u>20,359,693</u>	<u>19,974,747</u>
Ending net position, June 30	<u>\$ 24,371,668</u>	<u>\$ 20,359,693</u>

The notes to the financial statements are an integral part of these statements.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	June 30, 2015	June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members	\$ 146,495,086	\$ 147,446,122
Subsidies and refund received	1,248,741	1,335,422
Payments to suppliers	(20,779,419)	(17,197,335)
Payments of claims	(142,719,326)	(129,773,197)
Payments to employees	(769,172)	(664,622)
Net cash (used) provided by operating activities	(16,524,090)	1,146,390
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchase of property and equipment	(5,967)	(17,918)
Net cash used by capital financing activities	(5,967)	(17,918)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and sales, net of purchases	971,359	4,248,191
Interest and dividend income	1,225,719	1,307,077
Net cash provided by investing activities	2,197,078	5,555,268
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,332,979)	6,683,740
CASH AND CASH EQUIVALENTS, beginning of year	29,696,786	23,013,046
CASH AND CASH EQUIVALENTS, end of year	\$ 15,363,807	\$ 29,696,786
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 3,328,920	\$ (2,092,679)
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities -		
Depreciation expense	79,992	88,472
(Increase) decrease in assets:		
Member receivables	(645,031)	1,414,163
Accounts receivable	254,274	(164,187)
Prepaid expenses	39,379	354
Increase (decrease) in liabilities:		
Accounts payable	246,069	(25,676)
Claims payable	(1,219,930)	161,344
Accrued expenses	(46,102)	605,904
Claims reserves	1,939,405	1,307,880
Premium holiday payable	(20,473,481)	35,600
Decrease in deferred revenue:	(27,585)	(184,785)
Total adjustments	(19,853,010)	3,239,069
Net cash provided (used) by operating activities	\$ (16,524,090)	\$ 1,146,390
SUPPLEMENTAL NON-CASH DISCLOSURE		
Change in unrealized (loss)/gain on investments	\$ (613,379)	\$ 817,418

The notes to the financial statements are an integral part of these statements.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

1. Organization and significant accounting policies:

- A. Organization and reporting entity - The New Hampshire School Health Care Coalition (the Coalition), was created in 1995 as a non-profit, tax-exempt corporation. The Coalition is a cooperative service organization of political subdivisions authorized by the New Hampshire General Court to establish and operate one or more pooled risk management programs under the requirements of New Hampshire RSA Chapter 5-B for the benefit of political subdivisions of the State of New Hampshire. Its mission is to provide education and training for public employees and employers to become informed health consumers with healthier life styles, and enable the purchase of quality health care in a cost effective manner. The Coalition was founded by the New Hampshire School Boards Association, the New Hampshire Association of School Business Officials, the New Hampshire School Administrators Association, the New Hampshire School Boards Insurance Trust, and the National Education Association-New Hampshire.

Prior to July 1, 2003, the Coalition entered into agreements with insurers to fully insure HMO, POS, indemnity, and Medicare supplement health benefit options, collectively known as the SchoolCare Plan, and accordingly, the insurance risks were not retained by the Coalition under these plans. The Coalition provided prescription drug coverage to retired members on Medicare under a self-funded arrangement beginning on July 1, 2002.

Beginning July 1, 2003, the Coalition entered into a self-insured arrangement with Connecticut General Life for the HMO and POS health benefit options. Connecticut General provides complete claims administration services and management reports.

Beginning July 1, 2010, the Coalition entered into a fully-insured arrangement with Connecticut General Life for DPO (dental provider organization) dental benefit options. The dental program transitioned to a self-insured arrangement on July 1, 2013.

Beginning January 1, 2014, the Coalition transitioned its existing SchoolCare 65+ prescription plan from self-funded to a fully-insured Medicare Part D Employer Group Waiver Program (EGWP) with Express Scripts.

- B. Membership - Membership is limited to political subdivisions of the State of New Hampshire. Membership was 96 and 89 at June 30, 2015 and 2014.
- C. Basis of accounting - The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to proprietary funds of governmental units. The Coalition meets the requirements as a public entity risk pool under Governmental Accounting Standards Board (GASB) statements, and accounts for its activities in accordance with the applicable statements.
- D. Cash and cash equivalents - The Coalition considers all deposit accounts with banks and money market accounts held by the Coalition's investment advisor in the Coalition's name to be cash and cash equivalents. The Coalition's accounts are insured or collateralized at June 30, 2015 and June 30, 2014.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

1. Organization and significant accounting policies (continued):

E. Investments - The Coalition accounts for its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools (Statement No. 31). Statement No. 31 establishes fair value standards on accounting for all investments held by governmental external investment pools and governmental entities. All investment income, including changes in the fair value of investments, is recognized in the statements of revenues, expenses, and changes in net position. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the costs of the investments sold. Realized gains and losses on investments that had been held for more than one year and sold in the current year were included as a change in the fair value of investments reported in the prior years and the current year. Investment purchases are recognized on the trade date. Investments are stated at fair value based on quoted market prices or through a recognized pricing service.

In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3, certain disclosures regarding deposit and investment risks have been provided in Note 2, Investments.

F. Property and equipment - Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives. On January 14, 2012 the Board adopted a formal policy, Capitalization for the Acquisition, Management and Disposition of Fixed Assets. The following is the guideline on how each type of fixed asset should be depreciated:

	Minimum Capitalized Cost	Estimated Useful Life
Office furniture and equipment	\$ 3,000	7 years
Computer equipment	\$ 3,000	5 years
Computer software	\$ 5,000	10 years
computer - other equipment	\$ 3,000	5 years
Buildings and improvements	All purchase costs	30 years
Building equipment	All purchase costs	20 years
Vehicles	All purchase costs	5 years

G. Member contributions - Member contributions are based on the program experience and trends as determined by qualified actuaries and are set by the Board annually. The contributions cover all expenses of the Coalition including claims payments and administration, reserves, stop-loss insurance, health and wellness programs, and the Coalition’s administration. The rates are effective through June 30, 2015.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

1. Organization and significant accounting policies (continued):

- H. Net position - The Coalition reports two classifications of net position, invested in capital assets and unrestricted. Designated net position is defined as that portion of net position that is intended to be used by the Coalition for specific purposes as authorized by the Board of Directors. Undesignated net position would be the residual classification of net position and would include all amounts not otherwise restricted or designated. The Coalition does not report an undesignated net position. Residual amounts are reported as premium holiday payable as the Coalition is required to return any undesignated amount to members. Upon dissolution of the organization, the net position is to be distributed to members.

The following table represents the components of the net position:

	2015	2014
Invested in capital assets	\$ 699,668	\$ 773,693
Designated - medical risk corridor	23,125,000	19,185,000
Designated - dental risk corridor	547,000	401,000
Designated net position	<u>23,672,000</u>	<u>19,586,000</u>
Total net position	<u>\$ 24,371,668</u>	<u>\$ 20,359,693</u>

- I. Income taxes - The Coalition has been recognized as having tax exempt status under Code Section 115 by the Internal Revenue Service.
- J. Marketing - The Coalition expenses marketing and advertising costs when incurred.
- K. Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- L. Unpaid claims liabilities - The Coalition establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. The process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using the development actuarial method which assumes that past patterns of lag between the date a service is received and the date the claim is paid for the service will continue in the future and other economic factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

A. Organization and significant accounting policies (continued):

- M. Excess insurance - The Coalition purchases an individual insurance policy in excess of predetermined levels of retained losses or self-insurance. The excess insurance program may change each coverage year to accommodate increased membership and changing insurance market conditions. Excess insurance permits recovery of a portion of losses from excess insurers, although it does not discharge the primary liability of the Coalition as direct insurer of the risks. The Coalition does not report risks covered by excess insurance as liabilities unless it is probable that those risks will not be covered by the excess insurers. Premiums paid to excess insurers for the years ended June 30, 2015 and 2014, were \$2,206,483 and \$1,974,516, respectively. There was \$284,761 and \$539,234 recoverable from excess insurers and deducted from claims liabilities for fiscal years ended June 30, 2015 and 2014, respectively.

Third party health coverage was purchased from OptumHealth Specialty Benefits for the 2015 and 2014 program years subject to individual losses in excess of \$500,000 per covered enrollee for loss years 2015 and 2014 with a deductible of \$125,000. The Coalition no longer purchases aggregate excess insurance. The Medigap portion of the Coalition's SchoolCare 65+ program is fully insured through the United American Insurance Company, and the prescription drug program is fully insured through Express Scripts. The dental insurance benefit option was self-funded through Cigna as of June 30, 2014.

- N. Deferred revenue - The Coalition has implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. In addition to assets and liabilities, deferred outflows of resources (previously reported as assets) and deferred inflows of resources (previously reported as liabilities), will be reported as separate sections in the statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period. The Coalition does not currently report any deferred outflows of resources. The Coalition reports deferred revenue which represents members' contributions received in advance of the month of coverage as deferred inflows of resources.
- O. Premium deficiency reserve - In accordance with GASB Statement No. 30, "Risk Financing Omnibus," premium deficiencies are required to be calculated and reported by public entity risk pools. A premium deficiency can result when expected costs for coverage obligations as of the financial statement date exceed expected contributions (based on rates set prior to the financial statement date) for such coverage. No premium deficiency reserve was recorded as of June 30, 2015 and 2014. Investment income was included as part of the calculation in determining if a premium deficiency existed.
- P. Subsequent events - The Coalition has evaluated subsequent events through August 5, 2016 which is the date the financial statements were available to be issued.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

2. Investments:

Investments are reported at fair value using quoted market prices. Net realized and unrealized gains and losses are included in the accompanying Statements of Revenues, Expenses and Changes in Net Position in earnings on investments under nonoperating revenues and expenses. The Coalition's investments are subject to regulatory compliance requirements and various investment risks. The Coalition's investment policy, as approved by the Board of Directors, contains certain provisions and limitations intended to insure regulatory compliance and to mitigate the Coalition's exposure to investment risks.

Compliance - The Coalition's Risk Pool Practices Agreement with the NH Secretary of State required that investments be compliant with the requirements imposed upon municipalities pursuant to NH RSA 35:9, allowing for certain exceptions, by April 25, 2014. In the Agreement, the NH Secretary of State consents to the Coalition temporarily retaining the investment in Real Estate Investment Trusts (REITs) on the following conditions: (a) SchoolCare shall liquidate the REIT investments as soon as it is practicable to do so without incurring penalties or breakage fees; (b) SchoolCare shall limit its investment in these REITs by requiring any dividends paid by the REIT investments be paid to SchoolCare in cash and not reinvested in the REIT; (c) the SchoolCare REITs shall not be considered as part of the allowable percentage of the non-complaint investments and (d) SchoolCare shall provide the Bureau with annual updates on the status of the REIT investments and with more frequent updates should unexpected events occur with respect to the REIT investments. The Coalition is also permitted to include investments that are non-compliant with NH RSA 35:9 in an aggregate amount not to exceed 8% of the Coalition's cash, cash equivalents, and other non-REIT investments provided such non-compliant investments are specifically approved for investment by a non-life insurer pursuant to RSA 402:28, I with the exception of 402:28, I, o. The Coalition, with the advice of their investment advisor, adjusted the portfolio to achieve compliance with the 8% limit. As management reviewed the June 30, 2015 investment statements, they determined that approximately 7.6% of the Coalition's investments were non-compliant with the regulatory requirements. This is within the 8% limit set by the Risk Pool Practices Agreement. The REIT balances were \$1,731,394 at June 30, 2015 and \$2,352,461 at June 30, 2014. The Coalition held securities that were non-complaint with NH RSA 35:9 in the amount of \$5,179,087 at June 30, 2015 and \$6,769,599 at June 30, 2014. In addition, the Coalition held certain securities that were non-compliant with both NH RSA 35:9, NH RSA 402:28, I as well as the Agreement in the amount \$201,905 as of June 30, 2015 and \$2,219,014 as of June 30, 2014. These securities have been sold as of April 15, 2016.

Custodial credit risk - Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the Coalition will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Investments other than the real estate investment trusts and the public deposit investment pool were held by LPL Financial Services at June 30, 2015 and 2014.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

2. Investments (continued):

The Coalition's investments, including compliance consisted of the following as of June 30, 2015 and 2014:

June 30, 2015						
Category	Amount of Investment Portfolio	Percentage of Investment Portfolio	Non-	Percentage of	Non-	Percentage of
			Compliant	Municipal Law	Compliant	Insurance Law
			Municipal Law RSA 35:9 Investments	RSA 35:9 Non-compliant Investments	Insurance Law 402:28:I Investments	402:28:I Non-compliant Investments
Corporate Bonds	4,494,761	10.59%	2,911,687	6.86%	-	0.00%
Government Bonds	9,603,424	22.63%	-	0.00%	-	0.00%
Municipal Bonds	949,568	2.24%	-	0.00%	-	0.00%
Mutual Funds	6,878,782	16.21%	2,267,401	0.48%	201,905	0.48%
NH PDIP	-	0.00%	-	0.00%	-	0.00%
REITs	1,731,394	4.08%	1,731,394	4.00%	1,731,394	4.00%
US Treasuries	4,253,050	10.02%	-	0.00%	-	0.00%
Total Investments	27,910,979	65.77%	-	0.00%	-	0.00%
Cash and Money Markets	14,525,316	34.23%	-	0.00%	-	0.00%
Adjustment	-	0.00%	-	0.00%	-	0.00%
Total Investment Portfolio	42,436,295	100%	-	0.00%	-	0.00%
Total Out of Compliance			6,910,482	11.34%	1,933,299	4.48%

June 30, 2014						
Category	Amount of Investment Portfolio	Percentage of Investment Portfolio	Non-	Percentage of	Non-	Percentage of
			Compliant	Municipal Law	Compliant	Insurance Law
			Municipal Law RSA 35:9 Investments	RSA 35:9 Non-compliant Investments	Insurance Law 402:28:I Investments	402:28:I Non-compliant Investments
Corporate Bonds	7,025,426	11.88%	6,107,652	10.33%	2,219,014	3.75%
Government Bonds	11,810,845	19.98%	-	0%	-	0%
Municipal Bonds	802,512	1.36%	-	0%	-	0%
Mutual Funds	2,602,826	4.40%	661,947	1.12%	-	0.0%
NH PDIP	100,677	0.17%	-	0.00%	-	0%
REITs	2,352,462	3.98%	2,352,462	3.98%	2,352,462	3.98%
US Treasuries	4,734,993	8.01%	-	0.00%	-	0%
Total Investments	29,429,741	49.78%	-	0.00%	-	0%
Cash and Money Markets	29,696,786	50.23%	-	0.00%	-	0%
Adjustment	(4,739)	-0.01%	-	0.00%	-	0%
Total Investment Portfolio	59,121,788	100%	-	0%	-	0%
Total Out of Compliance			9,122,061	15.43%	4,571,476	7.73%

Interest rate risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rates. The Coalition mitigates the risk that the market value of securities will fall due to changes in general interest rates by structuring the portfolio with allocations across asset class sectors to position the portfolio to take advantage of changes in the interest rate environment.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

2. Investments (continued):

Maturities of interest-earning investments at June 30, 2015 are as follows:

	Fair Value	Less than One Year	1 to 5 Years	6 to 10 Years	After 10 Years
U.S. Treasuries	\$ 4,253,050	\$ -	\$ 2,463,771	\$ 1,789,279	\$ -
U.S. Agencies MBS	9,603,424	101,941	594,537	371,202	8,535,744
Corporate bonds	4,494,761	-	810,536	2,354,733	1,329,492
Municipal bonds	949,568	-	202,954	-	746,614
	<u>\$ 19,300,803</u>	<u>\$ 101,941</u>	<u>\$ 4,071,798</u>	<u>\$ 4,515,214</u>	<u>\$ 10,611,850</u>

Maturities of interest earning investments at June 30, 2014 are as follows:

	Fair Value	Less than One Year	1 to 5 Years	6 to 10 Years	After 10 Years
U.S. Treasuries	\$ 5,292,835	\$ 2,208,874	\$ 408,510	\$ 2,675,451	\$ -
U.S. Agencies MBS	11,253,002	-	784,413	426,128	10,042,461
Corporate bonds	7,025,426	43,768	2,805,814	2,751,667	1,424,177
Municipal bonds	802,512	-	195,136	-	607,376
	<u>\$ 24,373,775</u>	<u>\$ 2,252,642</u>	<u>\$ 4,193,873</u>	<u>\$ 5,853,246</u>	<u>\$ 12,074,014</u>

Credit risk - Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's investment in a single issuer. Except for the concentration of investments in Mutual Funds (25%) the Coalition investments are diversified.

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

2. Investments (continued):

The table below outlines the Standard & Poor's credit ratings of the Coalition's fixed maturity securities at June 30, 2015.

	U.S. Treasuries	U.S. Agency MBS	Corporate Bonds	Municipal Bonds	Totals
AAA	\$ 4,253,050	\$ 8,614,436	\$ -	\$ -	\$ 12,867,486
AA+	-	988,988	217,907	-	1,206,895
AA	-	-	-	124,381	124,381
AA-	-	-	-	348,150	348,150
A+	-	-	148,111	-	148,111
A	-	-	310,607	274,083	584,690
A-	-	-	906,449	202,954	1,109,403
BBB+	-	-	595,355	-	595,355
BBB	-	-	1,246,255	-	1,246,255
BBB-	-	-	1,070,077	-	1,070,077
	<u>\$ 4,253,050</u>	<u>\$ 9,603,424</u>	<u>\$ 4,494,761</u>	<u>\$ 949,568</u>	<u>\$ 19,300,803</u>

The table below outlines the Standard & Poor's credit ratings of the Coalition's fixed maturity securities at June 30, 2014:

	U.S. Treasuries	U.S. Agency MBS	Corporate Bonds	Municipal Bonds	Totals
AAA	\$ 5,292,835	\$ 11,253,002	\$ -	\$ -	\$ 16,545,837
AA+	-	-	130,300	-	130,300
AA-	-	-	-	322,906	322,906
A+	-	-	119,028	-	119,028
A	-	-	-	284,470	284,470
A-	-	-	668,446	195,136	863,582
BBB+	-	-	437,848	-	437,848
BBB	-	-	1,519,556	-	1,519,556
BBB-	-	-	1,791,659	-	1,791,659
BB+	-	-	783,832	-	783,832
BB	-	-	389,838	-	389,838
BB-	-	-	653,275	-	653,275
B+	-	-	269,856	-	269,856
B	-	-	129,600	-	129,600
B-	-	-	132,188	-	132,188
	<u>\$ 5,292,835</u>	<u>\$ 11,253,002</u>	<u>\$ 7,025,426</u>	<u>\$ 802,512</u>	<u>\$ 24,373,775</u>

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

2. Investments (continued):

For the years ended June 30, 2015 and 2014, the Coalition realized a net gain of \$70,715 and \$396,614 from the sale of investment securities. The calculation of the realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

3. Property and equipment:

Property and equipment consisted of the following at year end:

	<u>Balance June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Capital assets, being depreciated				
Buildings and improvements	\$ 609,763	\$ -	\$ -	\$ 609,763
Furniture and equipment	<u>392,868</u>	<u>5,967</u>	<u>-</u>	<u>398,835</u>
Total capital assets being depreciated	<u>1,002,631</u>	<u>5,967</u>	<u>-</u>	<u>1,008,598</u>
Less: accumulated depreciation for:				
Buildings and improvements	(94,367)	-	(21,878)	(116,245)
Furniture and equipment	<u>(134,571)</u>	<u>-</u>	<u>(58,114)</u>	<u>(192,685)</u>
Total accumulated depreciation	<u>(228,938)</u>	<u>-</u>	<u>(79,992)</u>	<u>(308,930)</u>
Total capital assets being depreciated, net	<u>\$ 773,693</u>	<u>\$ 5,967</u>	<u>\$ (79,992)</u>	<u>\$ 699,668</u>

Depreciation expense was \$79,992 and \$88,472 for the years ended June 30, 2015 and 2014, respectively.

4. Unpaid claims liabilities:

As discussed in Note 1. A., the Coalition started pooling the risk for prescription drug coverage for retired members under the Express Scripts Plan on July 1, 2002 and started pooling the risk for the HMO and POS health benefit options on July 1, 2003. The Coalition establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

4. Unpaid claims liabilities (continued):

The following represents changes in those aggregate liabilities for the Coalition for the years ended June 30, 2015, 2014 and 2013:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Unpaid claims and allocated claims adjustment at beginning of the year	\$ 13,448,731	\$ 11,979,507	\$ 13,808,770
Incurred claims and allocated claim adjustment expenses:			
Provision for insured events of current fiscal year	145,913,916	132,302,195	123,126,244
Changes in the provision for insured events of prior fiscal years	(2,475,115)	(1,060,171)	(2,826,080)
Claims administration expenses, current year	5,227,151	4,862,342	4,643,555
Total incurred claims and claim adjustment expenses	<u>148,665,952</u>	<u>136,104,366</u>	<u>124,943,719</u>
Claim and allocated claim adjustment expense payments:			
Attributable to insured events of current fiscal year	131,745,711	118,853,464	111,146,738
Attributable to insured events of prior fiscal years	10,973,618	10,919,336	9,848,061
Claims administration expenses, current year	5,227,149	4,862,342	5,778,183
Total payments	<u>147,946,478</u>	<u>134,635,142</u>	<u>126,772,982</u>
Total unpaid claims and claim adjustment expenses at end of the year	<u>\$ 14,168,205</u>	<u>\$ 13,448,731</u>	<u>\$ 11,979,507</u>

5. Risk pool practices agreement:

On April 25, 2012, the Coalition entered into a Risk Pool Practices Agreement (the Agreement) with the New Hampshire Secretary of State. The provisions of the Agreement significantly changed two areas of the Coalition's operations - return of surplus and investments.

Return of surplus - From inception in 1995 to 2013, the Coalition returned surplus to its members through rate stabilization to reduce rate increases. The BSR, during its 2012 on-site examination, noted the Coalition's documentation of rate stabilization procedures and designation of surplus for this purpose. However, the Secretary of State, as a policy matter, did not agree that the use of rate stabilization as described is compliant with NH RSA 5-B and required the Coalition to return surplus to its members through a "Premium Holiday." In December 2012, the Coalition returned \$4,250,000 to members through a Premium Holiday. The Coalition returned another \$4,250,000 in December 2013 through another Premium Holiday. Following the BSR's 2013 examination, the Coalition classified all unrestricted and undesignated surplus as an additional Premium Holiday payable. An additional accrual of surplus at June 30, 2014 increased the liability. The Premium Holiday liability at June 30, 2014 was applied to the members' calculated and invoiced coverage premium effective July 1, 2014 in the amount of \$21,673,842. Surplus at June 30, 2014 in the amount of \$4,288,093 was applied to Members' calculated and invoiced coverage premium effective July 1, 2015. This practice of return of surplus through a Premium Holiday was considered a change in accounting policy implemented in the year ended June 30, 2012.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

5. Risk pool practices agreement (continued):

Investments - The Board of Directors currently has an investment policy based on the “prudent person” standard whereby investments are made with judgment and care considering the probable safety of the investment as well as the expected income to be derived. The Agreement required investments be compliant with the requirements imposed upon municipalities pursuant to RSA 35:9, allowing for certain exceptions, by April 25, 2014. At June 30, 2015, the Coalition determined that approximately 7.6% of its investments were considered to be non-compliant which is within the 8% or less range. The REIT balances were \$1,731,394 at June 30, 2015 and \$2,352,461 at June 30, 2014. The Coalition held securities that were non-compliant with NH RSA 35:9 in the amount of \$5,179,087 at June 30, 2015 and \$6,769,599 at June 30, 2014. In addition, the Coalition held certain securities that were non-compliant with both NH RSA 35:9 as well as NH RSA 402:28, I as well as the Agreement in the amount \$201,905 as of June 30, 2015 and \$2,219,014 as of June 30, 2014. These securities have been sold as of April 15, 2016. The Coalition also adopted changes to its investment policy to implement the provisions of the agreement.

6. Net position:

Designated net position - The Medical Risk Corridor and Dental Risk Corridor is determined annually with advice of the Coalition’s actuaries using a stochastic modeling methodology at the 95% confidence level and is held as a contingent reserve for all business risks not included in loss reserves. Under the terms of the Risk Pool Practices Agreement, the Coalition is not permitted to retain an undesignated net position.

7. Health care reform:

On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) made significant changes impacting group health plans including the SchoolCare Medical Plans. Since 2010, the Coalition continues to monitor and assist members with the implementation of changes required by PPACA. In 2015, the Coalition has accrued fees of approximately \$1,137,265 which represent the Coalition’s annual assessment under the Act.

Annually the SchoolCare Medical Plans are amended to reflect benefit changes required by PPACA such as lifetime limits and preventive services. In addition, the Health Benefits Booklet has been updated with these benefit changes as well as other federal requirements including but not limited to eligibility criteria and the claims appeals procedures.

8. Reclassifications:

During 2015, certain financial statement lines on the Statement of Net Position have been renamed, designated net position to unrestricted net position and property and equipment to invested in capital assets.

During 2015, certain account line items on the Statement of Cash Flows have been reclassified. Accounts receivable and medicare subsidiary receivable are netted together as accounts receivable to agree to presentation on the Statements of Net Position.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE YEARS ENDED JUNE 30, 2015, 2014 and 2013
Schedule 1**

	SchoolCare - Medical			SchoolCare - Dental			SchoolCare 65+ - Pharmacy		
	6/30/2015	6/30/2014	6/30/2013	6/30/2015	6/30/2014	6/30/2013	6/30/2015	6/30/2014	6/30/2013
Unpaid claims and allocated claims adjustment expenses at beginning of year	\$ 13,265,845	\$ 11,790,026	\$ 13,637,794	\$ 182,886	\$ -	\$ -	\$ -	\$ 189,482	\$ 170,976
Incurred claims and allocated claim adjustment expenses:									
Provision for insured events of current fiscal year	142,721,688	127,154,723	118,373,757	3,192,228	2,226,840	-	-	2,920,631	4,752,487
Changes in the provision for insured events of prior fiscal year	(2,450,637)	(1,060,171)	(2,826,080)	(24,478)	-	-	-	-	-
Claims administration expenses, current year	5,123,611	4,766,113	4,622,629	103,540	79,711	-	-	16,519	20,926
Total incurred claims and claim adjustment expenses	<u>145,394,661</u>	<u>130,860,665</u>	<u>120,170,306</u>	<u>3,271,290</u>	<u>2,306,551</u>	<u>-</u>	<u>-</u>	<u>2,937,150</u>	<u>4,773,413</u>
Claim and allocated claim adjustment expense payments:									
Attributable to insured events of current fiscal year	128,989,055	113,888,878	106,583,732	2,756,656	2,043,954	-	-	2,920,631	4,563,006
Attributable to insured events of prior fiscal years	10,815,207	10,729,855	9,677,085	158,408	-	-	-	189,482	170,976
Claims administration expenses, current year	5,123,611	4,766,113	5,757,257	103,540	79,711	-	-	16,519	20,926
Total payments	<u>144,927,873</u>	<u>129,384,846</u>	<u>122,018,074</u>	<u>3,018,604</u>	<u>2,123,665</u>	<u>-</u>	<u>-</u>	<u>3,126,632</u>	<u>4,754,908</u>
Total unpaid claims and claim adjustment expenses at the years ended June 30, 2015, 2014 and 2013	<u>\$ 13,732,633</u>	<u>\$ 13,265,845</u>	<u>\$ 11,790,026</u>	<u>\$ 435,572</u>	<u>\$ 182,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,481</u>

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
COMPARATIVE SCHEDULE OF CLAIM DEVELOPMENT,
EARNED ASSESSMENTS AND UNALLOCATED EXPENSES
JUNE 30, 2015
Schedule 2
(Page 1 of 2)**

The following table illustrates how the Coalition's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Coalition as of the end of each of the previous nine years. The rows of the table are defined as follows: (1) This line shows the total of the fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue. (2) This line shows the fiscal years other operating costs of the Coalition including overhead and claims expense not allocable to individual claims. (3) This line shows the Coalition's gross incurred claims and allocated claim 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 (called policy year). (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years of each policy year. (5) This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year. (6) This section of ten rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.) (7) This line compares the latest reestimated 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 mature, the correlation between original estimates and reestimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

The June 30, 2013 balance for end of policy year net incurred claim expense changed from the 2014 audit to the 2015 report within. The change was due to the fiscal year 2013 balance previously including designations for property and equipment as well as funds from the previously self-funded 65+ program reserve.

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
COMPARATIVE SCHEDULE OF CLAIM DEVELOPMENT, EARNED ASSESSMENTS AND UNALLOCATED EXPENSES
JUNE 30, 2015
Schedule 2
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	Fiscal and Policy Year Ended									
	<u>6/30/2006</u>	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2015</u>
(1) Required contribution and investment revenue:										
Earned	\$ 56,687,962	\$ 57,037,152	\$ 59,397,133	\$ 69,547,673	\$ 78,191,834	\$ 101,576,541	\$ 101,685,003	\$ 122,926,284	\$ 145,505,569	\$ 163,557,841
Ceded	<u>955,917</u>	<u>1,048,980</u>	<u>996,952</u>	<u>665,574</u>	<u>533,577</u>	<u>793,399</u>	<u>1,126,463</u>	<u>1,430,523</u>	<u>1,974,516</u>	<u>2,206,484</u>
Net earned	55,732,045	55,988,172	58,400,181	68,882,099	77,658,257	100,783,142	100,558,540	121,495,761	143,531,053	161,351,357
(2) Unallocated expenses	3,249,565	3,234,505	3,414,497	4,052,154	4,538,115	7,256,765	8,471,257	6,766,446	8,834,804	9,907,428
(3) Estimated claims and expenses, end of policy year										
Incurred	45,932,194	46,436,971	49,511,425	61,413,964	70,131,306	98,473,213	112,433,287	123,381,661	133,348,065	143,139,881
Ceded	<u>142,169</u>	<u>330,102</u>	<u>108,927</u>	-	-	<u>1,032,391</u>	-	<u>255,417</u>	<u>1,045,871</u>	<u>418,193</u>
Net incurred	45,790,025	46,106,869	49,402,498	61,413,964	70,131,306	97,440,822	112,433,287	123,126,244	132,302,194	142,721,688
(4) Net paid (cumulative) as of:										
End of the policy year	41,700,128	41,271,041	44,806,139	56,763,320	63,030,689	89,489,249	99,759,145	111,146,738	118,853,463	131,745,711
One year later	41,700,128	46,276,532	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	
Two years later	45,141,494	46,276,532	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207	122,066,073		
Three years later	45,141,494	46,276,532	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207			
Four years later	45,141,494	46,276,532	48,283,542	61,358,425	67,415,030	95,043,861				
Five years later	45,141,494	46,276,532	48,283,542	61,358,425	67,415,030					
Six years later	45,141,494	46,276,532	48,283,542	61,358,425						
Seven years later	45,141,494	46,276,532	48,283,542							
Eight years later	45,141,494	46,276,532								
Nine years later	45,141,494									
(5) Re-estimated ceded claims and expenses	158,689	1,090,510	106,823	-	-	1,171,022	-	255,417	1,195,297	418,193
(6) Re-estimated net incurred claims and expenses:										
End of the policy year	45,790,025	46,106,869	49,402,498	61,413,964	69,313,461	97,440,822	112,433,287	123,126,244	132,302,194	142,721,688
One year later	45,790,025	46,276,532	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	
Two years later	45,141,494	46,276,532	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207	122,066,073		
Three years later	45,141,494	46,276,532	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207			
Four years later	45,141,494	46,276,532	48,283,542	61,358,425	67,433,284	95,043,861				
Five years later	45,141,494	46,276,532	48,283,542	61,358,425	67,433,284					
Six years later	45,141,494	46,276,532	48,283,542	61,358,425						
Seven years later	45,141,494	46,276,532	48,283,542							
Eight years later	45,141,494	46,276,532								
Nine years later	45,141,494									
(7) Increase (decrease) in estimated net incurred claims and expenses from end of the policy year	(648,531)	169,663	(1,118,955)	(55,540)	(1,898,432)	(2,396,961)	(2,826,080)	(1,060,171)	(2,475,115)	-