

**NEW HAMPSHIRE SCHOOL HEALTH
CARE COALITION**

**FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION

JUNE 30, 2020 AND 2019

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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), as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the Coalition's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit 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, 2020 and 2019 and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 October 26, 2020 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* in considering New Hampshire School Health Care Coalition internal control over financial reporting and compliance.


Crowe LLP

Simsbury, Connecticut
October 26, 2020

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020, 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 \$28,694,358 at June 30, 2020; this net position consisted of the Coalition's investment in property and equipment of \$402,358 and the unrestricted amounts for the medical contingent reserve of \$27,513,000 and the dental contingent reserve of \$779,000. The Coalition did not retain any unrestricted or undesignated surplus.
- The Coalition has reported a liability at June 30, 2020 of \$24,926,502 described as a premium holiday payable in accordance with guidance from the New Hampshire Secretary of State, Bureau of Securities Regulation (BSR). Premium holiday credits totaling \$11,967,897 were paid to former Members in June 2020 or applied to Member contribution invoices as of July 1, 2020. Current Member groups also have the option of receiving premium holiday credits via invoice credits or checks. The remaining premium holiday payable of \$13,138,415 is the surplus at June 30, 2020 to be applied to Member contribution invoices as of July 1, 2021. If a group terminates before July 2021, their premium holiday is paid out via check. Of the \$13,138,415, \$12,272,531 represents a medical premium holiday and \$865,884 represents a dental premium holiday.
- 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.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

The Statements of Net Position contain information regarding the assets and liabilities of the Coalition. The Coalition reports in accordance with 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.

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 non-operating 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 operating, investing 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 three-year comparative reconciliation of claims liabilities.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Analysis of Financial Information Presented in the Statements:

Statements of Net Position:

The following table summarizes the Statements of Net Position:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	Percentage Change	<u>June 30, 2018</u>	Percentage Change
Cash and cash equivalents	\$ 28,085,628	\$ 23,189,849	21%	\$ 21,292,806	9%
Investments	41,051,142	39,111,027	5%	36,426,720	7%
Other assets	<u>4,899,811</u>	<u>4,201,846</u>	17%	<u>2,986,637</u>	41%
Total assets	<u>74,036,581</u>	<u>66,502,723</u>	11%	<u>60,706,163</u>	10%
Claims payable	2,754,931	3,134,277	-12%	2,933,422	7%
Claims reserves	10,992,954	11,929,414	-8%	12,167,934	-2%
Premium holiday payable	24,926,502	22,823,081	9%	16,826,495	36%
Premium deficiency reserve	3,916,051	-	100%	-	0%
Other liabilities	<u>1,900,727</u>	<u>1,347,499</u>	41%	<u>1,300,795</u>	4%
Total liabilities	<u>44,491,164</u>	<u>39,234,271</u>	13%	<u>33,228,645</u>	18%
Deferred inflows of resources	<u>851,058</u>	<u>500,016</u>	70%	<u>1,116,215</u>	-55%
Net position:					
Invested in capital assets	402,358	417,436	-4%	446,303	-6%
Unrestricted	<u>28,292,000</u>	<u>26,351,000</u>	7%	<u>25,915,000</u>	2%
Total net position	<u>\$ 28,694,358</u>	<u>\$ 26,768,436</u>	7%	<u>\$ 26,361,303</u>	2%

Total assets for FY2020, FY2019, and FY2018 are \$74,036,581, \$66,502,723, and \$60,706,163, respectively. The increase in assets from FY 2019 to FY2020 is because of increased cash balances due to lower than anticipated claims experience in the latter part of the year due to the COVID-19 pandemic. Investments also performed well and increased year over year. The increase in assets from FY2018 to FY2019 is attributed to an increased investment balance due to favorable market performance as well as increased Member contributions.

Total liabilities for FY2020, FY2019 and FY2018, are \$44,491,164, \$39,234,271 and \$33,228,645, respectively. The increase in Total liabilities from FY2019 to FY2020 is because of lower than anticipated claims experience in the latter part of the year due to the COVID-19 pandemic resulting in a higher Premium Holiday payable for return to members as well as a premium deficiency reserve due to deferred claims into FY2021. The lower claims experience resulted in a higher Premium Holiday payable for return to members (increased surplus) as well as a premium deficiency reserve due to deferred claims into FY2021. The increase in liabilities from FY2018 to FY2019 is due to increased member contributions and lower than expected claims experience resulting in a return of surplus which is recorded as Premium Holiday payable.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Unrestricted net position increased over the prior year by \$1,921,000 in the medical contingent reserve and \$20,000 in the dental contingent reserve. The increase in medical contingent reserve was calculated using a 7.86% melded trend for projected 2020-21 claims. A higher trend was used for medical due to increased utilization and deferred services. The increase in dental contingent reserve was calculated by considering increased Membership as well as an estimated two months of projected 2020-21 claims. Both reserves were “normalized” using months of claims experience that were not affected by the COVID-19 pandemic.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020</u>	<u>June 30, 2019</u>	Percentage Change	<u>June 30, 2018</u>	Percentage Change
Operating revenues:					
Member contributions	\$ 195,565,845	\$ 188,351,300	4%	\$ 182,330,644	3%
Other	<u>6,184,105</u>	<u>4,928,618</u>	25%	<u>3,807,505</u>	29%
Total operating revenues	<u>201,749,950</u>	<u>193,279,917</u>	4%	<u>186,138,149</u>	4%
Operating expenses:					
Claims expense	156,292,633	157,279,710	-1%	147,114,883	7%
Insurance premiums	17,221,056	15,675,659	10%	15,394,793	2%
Claims administration	5,080,260	4,579,602	11%	4,410,416	4%
Self-insured pool assessments	901,011	777,060	16%	-	0%
Health and wellness benefits	3,070,376	3,536,826	-13%	3,530,431	0%
Administration	2,183,822	1,913,525	14%	2,395,848	-20%
Premium deficiency expense	3,916,051	-	100%	-	0%
Other	<u>442,857</u>	<u>38,165</u>	1060%	<u>37,196</u>	3%
Total operating expenses	<u>189,108,065</u>	<u>183,800,546</u>	3%	<u>172,883,567</u>	6%
Operating gain	12,641,885	9,479,371	33%	13,254,583	-28%
Nonoperating revenues:					
Premium holiday credits	(13,138,415)	(11,967,897)	10%	(11,081,914)	8%
Earnings on investments	<u>2,422,453</u>	<u>2,895,659</u>	-16%	<u>673,080</u>	330%
Change in net position	1,925,923	407,133	373%	2,845,749	-86%
Beginning net position, July 1	<u>26,768,436</u>	<u>26,361,303</u>	2%	<u>23,515,554</u>	12%
Ending net position, June 30	<u>\$ 28,694,358</u>	<u>\$ 26,768,436</u>	7%	<u>\$ 26,361,303</u>	2%

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Revenues - Total operating revenues of FY2020, FY2019 and FY2018, were \$201,749,950, \$193,279,917 and \$186,138,149, respectively. The increase in Member contributions from FY2019 to FY2020 is due to increased membership/subscribers in the medical program of about 5% as well as the addition of ancillary products such as life, long-term disability, short-term disability and vision. The medical and dental premium increases for FY2020 were virtually flat. The increase in Member contributions from FY2018 to FY2019 was due to a medical premium increase of approximately 4% as of 7/1/18 and a dental premium increase of .7%. Enrollment in the dental program also increased by approximately 14% as of July 1, 2018. The increase in other revenues is due to higher negotiated Cigna pharmacy rebates coupled with utilization year over year.

Expenses - Total operating expenses for FY2020, FY2019 and FY2018 were \$189,108,066, \$183,800,547 and \$172,883,566, respectively. For 2020, operating expenses increased largely due to a premium deficiency expense of \$3,916,051 as well as an increase in the Insurance line item to account for premiums paid to Mutual of Omaha and VSP for ancillary coverages which is offsetting revenue that is recorded as Member contributions as this acts as a pass through risk for SchoolCare. For FY2019, operating expenses were mostly driven by increased claims expense year over year. A new line item was added in 2019, self-insured pool assessments. It contains the New Hampshire Vaccine as well as the New Hampshire Health Plan Assessment fee. The New Hampshire Health Plan Assessment fee had previously been paid by the Coalition's stop loss provider Optum. The New Hampshire Vaccine Fee was categorized as an administrative expense in prior years.

Other matters:

Investment Portfolio

The Coalition engages Strategic Asset Alliance (SAA) as an investment consultant and advisor to the Board and organization. Asset Allocation and Management Company (AAM) provides investment management and accounting services. US Bank acts as the custodian of Coalition funds.

The Coalition's investment portfolio on June 30, 2020 was valued at \$41,051,142. The June 30, 2019 value of the investment portfolio was \$39,111,027. The June 30, 2018 value of the investment portfolio was \$36,426,720. The Coalition's Risk Pool Practices Agreement with the NH Secretary of State expired as of April 25, 2017. Although the agreement is no longer in effect, operations and policies adopted as a result of its execution remain in place. The Coalition's investments are compliant with the requirements imposed upon municipalities pursuant to NH RSA 35:9, with the exception of an aggregate amount of .47% which is compliant with RSA 402:28. This aggregate amount includes the Coalition's cash, cash equivalents, and other non-REIT investments. The Coalition held no securities that are non-compliant with NH RSA 35:9 as of June 30, 2020. The Coalition held securities that are non-compliant with NH RSA 35:9 in the amount of \$289,721 at June 30, 2019 and \$922,483 at June 30, 2018.

There remains one (1) Real Estate Investment Trust (REIT) in the Coalition's portfolio as of June 2020. The REIT balances were \$68,764 at June 30, 2020, \$66,854 at June 30, 2019 and \$63,034 at June 30, 2018. The Coalition temporarily retains the non-compliant investment and intends to liquidate as soon as practicable to do so without incurring penalties or breakage fees.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Capital Assets and Debt

The Coalition's property and equipment at June 30, 2020 was valued at \$402,358 compared to \$417,436 at June 30, 2019 and \$446,303 at June 30, 2018. The changes at June 30, 2020 were due to various reasons including a depreciation amount of \$27,717, purchases of equipment of \$12,356, building improvements of \$5,000 and loss on asset disposal of \$4,716. The Coalition has no long-term debt.

Outlook / Economic Factors:

Calendar year 2020 has proven to be a challenging year for health care and consumers alike. With the rapid spread of COVID-19 in the spring and the shutdown of many medical facilities, the Coalition reaffirmed and remained 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. As such, at the direction of the Board, Staff remained in continuous contact with Member groups (management) and Participants (labor) alike throughout the pandemic. The result of this contact as well as adapting to Member needs throughout the crisis was a shift in operations and delivery of services to a 100% virtual model. Staff delivered presentations and group meetings virtually and continues to do so.

In addition to a shift in operations, the Coalition experienced lower than normal claims costs in the second half of the plan year as a result of decreased utilization and the closure of medical facilities. During this time, communications were sent to participants advising them of virtual care options as well as emergency options if needed. Facilities began reopening in late May/early June and claims began to rise in the second half of June. Although facilities have reopened and participants have started to seek medical services in person once more, there may be many who deferred services and continue to do so. As such Staff and consultants continue to monitor claims and utilization closely to analyze. There is a \$13.1 million premium holiday as a result of this decreased expense.

In response to the COVID-19 pandemic, the Coalition adjusted its medical coverages to ensure Membership wellbeing and peace of mind. The Coalition through Cigna waived cost sharing for both COVID-19 testing as well as treatment regardless of whether for in or out of network services. The Coalition also extended the waiver of cost shares through October 31, 2020 and will be revisiting this deadline if necessary. In addition to these services, virtual care and resources through MDLive are available to Participants. This year more than ever, holistic health continues to be the driver behind keeping Coalition participants happy and healthy. The holistic approach to health includes both mental health as well as wellness programs.

As of July 1, 2019, the Coalition integrated the *Good For You!* Wellness programs with its medical and dental partner, Cigna. This has provided one platform for participants on myCigna.com to access benefits. In addition, these wellness programs include self-care such as ideas on stress management, mental resiliency and at home exercise programs, all of which may prove beneficial in these trying times. Due to the integration with myCigna along with consumer driven plans, participation in the programs has significantly increased year over year. FY2020 saw a participation rate of 56.4% compared to 41.2% in FY2019.

In addition, the Coalition's Board of Directors, Staff and Key Stakeholders are beginning the framework for the next organizational Strategic Plan. Keeping in mind the current environment as well as Member needs as they stand today, all involved agree that a shorter range strategic plan is appropriate to provide for both an organized plan as well as nimbleness as the external environment continues to change rapidly. The initial strategic plan will be a rolling 12 to 18 months with quarterly updates to the Board.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

In 2019, the Coalition Board of Directors authorized Staff to move forward in partnership with Businessolver, a benefits administration platform. Following months of prep work as well as discussions with Businessolver, it was determined by both Board and Staff that Businessolver would not effectively meet Member needs as originally thought. Staff will continue to research alternative options in the future as the Coalition believes online enrollment will become vital in the future. It will also allow for Member groups to have greater options for enrollment.

Finally, as part of continuing to provide excellent service to our Member groups now and in the future, the Coalition added fully insured ancillary products including Life, Accidental Death & Dismemberment, and Disability as well as a voluntary vision hardware plan beginning July 1, 2019. This was a request of Membership in a 2018 survey as well as years past. The Coalition will offer these benefits in an on-going effort to a responsive employee benefits partner for Member groups

In the coming months, the Coalition will continue to be responsive to Member needs as they arise allowing for quick transitions as needed. The Coalition remains strong financially and well positioned to support Member groups and Participants now and in the future. This is the organization's 25th year in business. The pandemic has shown that the Coalition, Board and Staff continue to have the mission statement front and center no matter the obstacles.

Membership

The exceptional service to our existing Membership is a cornerstone of the Coalition's mission. The Coalition's Membership in medical plans grew by approximately 5% due to new groups joining the program. Dental has remained relatively flat. The Coalition's dental plans continue to grow with approximately 50% of subscribers participating currently. Staff continues to service current Members to the highest standard possible while marketing to prospective clients through educational opportunities and events. These opportunities have now shifted to virtual formats and Staff has modeled either live or recorded presentations to meet Member's needs.

Membership Services

The Coalition offers many administrative services to its Member Groups to provide flexibility, education, convenience and time saving options through expert Coalition Staff:

- Retiree Administration Services - Member Groups are provided with this service option which offers Retiree medical and dental billing administration, collecting payments and coordination with the New Hampshire Retirement System. Coalition Staff also assist both Members and individual retirees with any questions or concerns they may have regarding coverage or claims.
- COBRA Administration Services - The Coalition administers various required COBRA notices along with issuance of invoices and collection of COBRA payments on its Members behalf. In addition, the Coalition Staff has three (3) certified COBRA administrators knowledgeable in the intricacies and regulations of the law.
- Dependent Benefit Protection - In the unfortunate instance of an employee's death, the Coalition provides extended medical and dental benefits at no cost to dependents of the employee for the first twelve (12) months of COBRA continuation coverage, no matter the cause of death. As of June 30, 2020, 13 individuals were covered for medical benefits and 11 for dental benefits.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

- Onsite Services - Benefit education is offered through the Coalition to Member groups through various onsite events and presentations. In addition, the Coalition provides various value-added services including but not limited to biometric screenings, flu shot clinics and Employee Assistance Program seminars all in an effort to support holistic health.
- Claims Advocates - One of the key differentiators between the Coalition and traditional insurance products is having key advocates when the need arises. If a Participant is experiencing issues with claims payments or approvals in general, Coalition staff may act as an advocate on behalf of a Participant to resolve related issues. Knowledgeable staff help to navigate Participants through the sometimes-confusing world of health care through both education and solutions.

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, although to a lesser extent than in the past. Staff regularly monitors, educates and assists Members with the implementation of changes required by PPACA. All Coalition medical plans are in compliance with health care reform provisions. In addition to this, Coalition staff continues to assist Members with various reporting requirements under PPACA including 6055 and 6056 reporting

Although PPACA continues to be monitored by Staff, there are few fees and upcoming deadlines remaining. The Excise Tax previously scheduled for a 2022 start was repealed on December 20, 2019. From an administrative perspective, the Coalition paid the Comparative Effectiveness Research PPACA fee on its Members behalf during the fiscal year. The Comparative Effectiveness Research fee was originally expected to sunset with a final payment date of July 31, 2020. The fee has been extended through June 30, 2029 for fiscal year health plans such as SchoolCare with a final payment date of July 31, 2030.

Medical Costs

Medical cost trends had stabilized in recent years mostly due to a large Membership move to Consumer Driven Plan products. With the COVID-19 pandemic as well as uncertainty in usage and demand in the near future, medical trend costs have climbed in both usage and projections. An average projection in New Hampshire for the coming year is around 8.5%. There are many unknowns as to how the pandemic will affect both FY2021 as well as the effect of delayed services such as preventive care on health and costs in years to come. Now more than ever, consumerism will be key for both Participants as well as Staff communications. 79% of SchoolCare's population is enrolled in a consumer driven plan as of 2020. SchoolCare will continue to work with employers and employees to educate and identify alternative options/locations for care that may provide cost savings. Staff also will support any employer efforts for quotes on lower cost plans and cost/benefit analysis as needed.

In addition to outreach, Staff has been working to develop materials and content to assist in education of Membership virtually. As part of the Coalition's mission statement, the organization believes that education of its Member groups is of the utmost importance to train and inform Members and Participants of cost saving alternatives and options. With the large shift to Consumer Driven Plans over the years, the Coalition believes that education must continue each year to empower each participant to be their own health advocate. As such, Staff continues to deliver quality materials via news articles, Facebook live events, webinars and podcasts while supporting cost containment measures at the local level whenever possible. Staff has also compiled detailed claim reports in conjunction with Cigna to be sure Members understand the primary drivers behind medical costs.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 (BSR). The Coalition staff provides periodic updates to the BSR on Coalition operations as they become available.

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.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
STATEMENTS OF NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
ASSETS:		
Cash and cash equivalents	\$ 28,085,628	\$ 23,189,849
Investments	41,051,142	39,111,027
Member receivables	2,727,797	2,335,491
Accounts receivable	1,578,325	1,231,643
Accrued interest receivable	165,550	177,399
Prepaid expenses	<u>25,782</u>	<u>39,878</u>
Total current assets	73,634,223	66,085,287
Property and equipment, net	<u>402,358</u>	<u>417,436</u>
Total assets	<u>\$ 74,036,581</u>	<u>\$ 66,502,723</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES:		
Accounts payable	\$ 1,329,051	\$ 1,229,478
Accrued expenses	571,676	118,021
Claims payable	2,754,931	3,134,277
Claims reserves	10,992,954	11,929,414
Premium deficiency reserve	3,916,051	-
Premium holiday payable	<u>24,926,502</u>	<u>22,823,081</u>
Total current liabilities	44,491,164	39,234,271
DEFERRED INFLOWS OF RESOURCES:		
Deferred revenue	<u>851,058</u>	<u>500,016</u>
NET POSITION:		
Invested in capital assets	402,358	417,436
Unrestricted	<u>28,292,000</u>	<u>26,351,000</u>
Total net position	<u>28,694,358</u>	<u>26,768,436</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 74,036,581</u>	<u>\$ 66,502,723</u>

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Operating revenues:		
Member contributions	\$ 195,565,845	\$ 188,351,300
Other income	6,184,105	4,928,618
Total operating revenues	<u>201,749,950</u>	<u>193,279,917</u>
Operating expenses:		
Claims expense	156,292,633	157,279,710
Insurance stop-loss	2,596,101	1,830,356
Insurance premiums	14,624,955	13,845,304
Claims administration	5,080,260	4,579,602
Contractual services	740,463	625,577
Affordable Care Act fees	41,857	38,165
Legal settlement expense	401,000	-
Self-insured pool assessments	901,011	777,060
Administration	1,428,502	1,281,004
Premium deficiency expense	3,916,051	-
Health and wellness benefits	3,070,376	3,536,826
Conference expenses	14,857	6,943
Total operating expenses	<u>189,108,065</u>	<u>183,800,546</u>
Operating gain	12,641,885	9,479,371
Nonoperating revenues:		
Premium holiday credits	(13,138,415)	(11,967,897)
Earnings on investments	<u>2,422,453</u>	<u>2,895,659</u>
Change in net position	1,925,923	407,133
Beginning net position, July 1	<u>26,768,436</u>	<u>26,361,303</u>
Ending net position, June 30	<u>\$ 28,694,358</u>	<u>\$ 26,768,436</u>

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	June 30, 2020	June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members	\$ 184,489,588	\$ 180,453,551
Subsidies and refund received	5,837,423	5,014,494
Payments to suppliers	(31,147,815)	(25,512,827)
Payments of claims	(153,692,389)	(157,317,375)
Payments to employees	(1,100,660)	(936,368)
Net cash and cash equivalents provided by operating activities	4,386,147	1,701,474
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchase of property and equipment	17,356	5,383
Net cash and cash equivalents provided by capital and financing activities	17,356	5,383
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and sales, net of purchases	(717,301)	(815,622)
Interest and dividend income	1,209,577	1,005,807
Net cash and cash equivalents provided by investing activities	492,277	190,186
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,895,779	1,897,043
CASH AND CASH EQUIVALENTS, beginning of year	23,189,849	21,292,806
CASH AND CASH EQUIVALENTS, end of year	\$ 28,085,628	\$ 23,189,849
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 12,641,885	\$ 9,479,371
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities -		
Depreciation expense	27,717	28,867
Premium holiday credit	(13,138,415)	(11,967,897)
Loss on fixed assets disposal, net	(4,716)	-
(Increase) decrease in assets:		
Member receivables	(392,306)	(1,310,238)
Accounts receivable	(346,682)	85,876
Prepaid expenses	(9,272)	(3,931)
Increase (decrease) in liabilities:		
Accounts payable	99,573	15,428
Claims payable	(379,346)	200,855
Premium deficiency reserve	3,916,051	-
Accrued expenses	453,655	31,276
Claims reserves	(936,460)	(238,520)
Premium holiday payable	2,103,421	5,996,586
Increase in deferred revenue:	351,042	(616,200)
Total adjustments	(8,255,738)	(7,777,897)
Net cash and cash equivalents provided by operating activities	\$ 4,386,147	\$ 1,701,474
SUPPLEMENTAL NON-CASH DISCLOSURE		
Change in unrealized gain on investments	\$ 821,906	\$ 1,752,616

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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 (SchoolCare), 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 July 1, 2011, the Coalition entered into an updated self-funded arrangement with Cigna Health and Life Insurance Company (formally Connecticut General Life) for both health benefit and dental benefit options.

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.

Beginning July 1, 2019, the Coalition began offering fully insured life, long term disability and short term disability plans in partnership with Mutual of Omaha. The Coalition also began offering a hard wear only, voluntary vision plan in partnership with VSP Vision.

B. Membership - Membership is limited to political subdivisions of the State of New Hampshire. Membership was 91 at June 30, 2020 and 89 at June 30, 2019.

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.

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. Organization and significant accounting policies (continued):

- 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, 2020 and June 30, 2019.
- 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 statement 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. The amortized cost of debt securities are adjusted using the interest method for amortization of premiums and accretion of discounts. Such amortization and accretion is included in net investment income. Investment purchases are recognized on the settlement date. Investments are stated at fair value based on quoted market prices or through a recognized pricing service. Annual changes in fair values are recognized in the statement of revenue, expenses, and changes in net position as unrealized gains or losses on investments.

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.

The Coalition measures its investments in accordance with GASB Statement No. 72, Fair Value Measurements and Application (Statement No. 72), which defines fair value, provides a framework for measuring fair value and requires certain disclosures about fair value measurements. The definition of fair value under Statement No. 72 focuses on the price that would be received to sell the asset, which is referred to as the exit price. Statement No. 72 provides guidance on how to measure fair value, when required, under existing accounting standards. Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into broad levels as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs - other than quoted prices - included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active
- Inputs other than quoted prices that are observable for the asset or liability, such as:
 - (1) Interest rates and yield curves observable at commonly quoted intervals
 - (2) Implied volatilities
 - (3) Credit spreads
- Market-corroborated inputs.

Level 3 - Inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

The Coalition has recorded its investments at fair value, as more fully described in Note 2.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

1. Organization and significant accounting policies (continued):

The fair values of investments are measured using quoted market prices or dealer quotations, when available. When quoted market prices are not available, fair value is measured using quoted market prices for similar securities.

- 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:

	<u>Minimum Capitalized Cost</u>	<u>Estimated Useful Life</u>
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 reflect all amounts charged for self-funded and fully insured employee benefit programs. The majority of contributions are for the core medical program which is 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, insurance premiums, health and wellness programs, and the Coalition's administration. The rates are effective through June 30, 2020.
- H. Net position - The Coalition reports two classifications of net position, invested in capital assets and unrestricted. Unrestricted 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.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

1. Organization and significant accounting policies (continued):

The following table represents the components of the net position:

	2020	2019
Invested in capital assets	\$ 402,358	\$ 417,436
Unrestricted - medical contingent reserve	27,513,000	25,592,000
Unrestricted - dental contingent reserve	779,000	759,000
Unrestricted net position	28,292,000	26,351,000
Total net position	\$ 28,694,358	\$ 26,768,436

- 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, 2020 AND 2019**

1. Organization and significant accounting policies (continued):

M. 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 and is refunded by excess insurers. Premiums paid to excess insurers for the years ended June 30, 2020 and 2019, were \$2,596,101 and \$1,830,356, respectively, which is recorded within Insurance on the Statements of Revenues, Expenses and Changes in Net Position. There was \$1,181,929 and \$227,784 recovered from excess insurers and deducted from claims paid for fiscal years ended June 30, 2020 and 2019, respectively. COVID-19 pandemic has had an impact on health care costs. As a result, the third party actuary and management acknowledge this shift and considered this change in determining the estimates. Due to the high degree of uncertainty associated with the pandemic, results may vary from the estimates determined.

Third party health coverage was purchased from Optum for the 2019 a program year subject to individual losses in excess of \$500,000 per covered enrollee for loss year 2019 with an aggregating deductible of \$125,000. Beginning July 1, 2020, the Coalition purchased coverage subject to individual losses in excess of \$550,000 with an aggregating deductible of \$125,000. The Coalition does not currently purchase aggregate excess insurance.

The Coalition administers several fully insured employee benefit programs which pay pass through insurance premiums to carriers. Specifically, the Coalition's SchoolCare 65+ program through the United American Insurance Company and Express Scripts, as well as ancillary insurance through Mutual of Omaha and VSP.

N. Deferred revenue - Financials are presented in accordance with 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), are 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. As a result of delay in services and reporting of services in the last quarter of policy year ending June 30, 2020 as a result of the COVID-19 pandemic, there is excess expected losses to be reported in the policy period effective July 1, 2020. Therefore, a premium deficiency reserve of \$3,916,051 was recorded as of June 30, 2020. No premium deficiency reserve was recorded as of June 30, 2019. Investment income was included as part of the calculation in determining if a premium deficiency existed.

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. Organization and significant accounting policies (continued):

- P. Risks and uncertainties - In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Company could be materially adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.
- Q. Subsequent events - The Coalition has evaluated subsequent events through October 26, 2020, which is the date the financial statements were available to be issued.

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 non-operating 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 investment portfolio on June 30, 2020 was valued at \$41,051,142. On June 30, 2019 it was valued at \$39,111,027. The June 30, 2018 value of the investment portfolio was \$36,426,720. The Coalition's Risk Pool Practices Agreement with the NH Secretary of State expired as of April 25, 2017. Although the agreement is no longer in effect, operations and policies adopted as a result of its execution remain in place. The Coalition's investments are compliant with the requirements imposed upon municipalities pursuant to NH RSA 35:9, with the exception of an aggregate amount of .47% which is compliant with RSA 402:28. This aggregate amount includes the Coalition's cash, cash equivalents, and other non-REIT investments. There is one remaining REIT in the portfolio as of June 30, 2020. The REIT balances were \$68,764 at June 30, 2020, \$66,854 at June 30, 2019 and \$63,013 at June 30, 2018. The Coalition held securities that are non-complaint with NH RSA 35:9 in the amount of \$53,249 at June 30, 2020, \$253,300 at June 30, 2019 and \$922,483 at June 30, 2018.

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 were held by US Bank at June 30, 2020 and June 30, 2019.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

2. Investments (continued):

The Coalition's investments, including compliance consisted of the following as of June 30, 2020:

Category	Amount of Investment Portfolio	Percentage of Investment Portfolio	Non-Compliant Municipal Law RSA 35:9 Investments	Percentage of Municipal Law RSA 35:9 Non-compliant Investments	Non-Insurance Law 402:28:I Investments	Percentage of Insurance Law 402:28:I Non-compliant Investments
Corporate Bonds	\$ 11,481,264	16.61%	\$ 53,249	0.08%	\$ -	0.00%
Government Bonds	701,563	1.01%	-	0.00%	-	0.00%
Municipal Bonds	4,397,870	6.36%	-	0.00%	-	0.00%
Asset Backed Corporate	4,073,157	5.89%	-	0.00%	-	0.00%
Mortgage Backed Corporate	11,168,713	16.15%	-	0.00%	-	0.00%
Exchange Traded Funds	5,889,883	8.52%	-	0.00%	-	0.00%
REITs	68,764	0.10%	68,764	0.10%	68,764	0.10%
US Treasuries	3,269,928	4.73%	-	0.00%	-	0.00%
Total Investments	41,051,142	59.38%	-	0.00%	-	0.00%
Cash and Money Markets	28,085,628	40.62%	-	0.00%	-	0.00%
Total Investment Portfolio	\$69,136,770	100%	-	0.00%	-	0.00%
Total Out of Compliance			\$ 122,013	0.18%	\$ 68,764	0.10%

The Coalition's investments, including compliance consisted of the following as of June 30, 2019:

Category	Amount of Investment Portfolio	Percentage of Investment Portfolio	Non-Compliant Municipal Law RSA 35:9 Investments	Percentage of Municipal Law RSA 35:9 Non-compliant Investments	Non-Insurance Law 402:28:I Investments	Percentage of Insurance Law 402:28:I Non-compliant Investments
Corporate Bonds	\$ 10,851,049	15.70%	\$ 253,300	0.41%	\$ -	0.00%
Government Bonds	808,896	1.17%	-	0.00%	-	0.00%
Municipal Bonds	2,868,153	4.15%	-	0.00%	-	0.00%
Asset Backed Corporate	4,517,764	6.53%	-	0.00%	-	0.00%
Mortgage Backed Corporate	9,321,435	13.48%	-	0.00%	-	0.00%
Exchange Traded Funds	7,505,919	10.86%	-	0.00%	-	0.00%
REITs	66,854	0.10%	66,854	0.11%	66,854	0.11%
US Treasuries	3,170,957	4.59%	-	0.00%	-	0.00%
Total Investments	39,111,027	56.57%	-	0.00%	-	0.00%
Cash and Money Markets	23,189,849	33.54%	-	0.00%	-	0.00%
Total Investment Portfolio	\$62,300,876	100%	-	0.00%	-	0.00%
Total Out of Compliance			\$ 320,154	0.51%	\$ 66,854	0.11%

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2. Investments (continued):

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.

Maturities of interest earning investments at June 30, 2020 are as follows:

	Fair Value	Less than One Year	1 to 5 Years	6 to 10 Years	After 10 Years
US Treasuries	\$ 3,269,928	\$ 43,060	\$ 1,471,184	\$ 1,755,684	\$ -
Government bonds	701,563	-	701,563	-	-
Corporate bonds	11,481,264	754,500	5,968,790	4,546,334	211,640
Municipal bonds	4,397,870	561,324	1,029,412	2,512,653	294,481
Asset backed	4,073,157	533,693	2,635,765	372,102	531,597
Mortgage backed	11,168,713	595,272	841,727	1,263,403	8,468,311
	<u>\$ 35,092,495</u>	<u>\$ 2,487,849</u>	<u>\$ 12,648,441</u>	<u>\$ 10,450,176</u>	<u>\$ 9,506,029</u>

Maturities of interest earning investments at June 30, 2019 are as follows:

	Fair Value	Less than One Year	1 to 5 Years	6 to 10 Years	After 10 Years
US Treasuries	\$ 3,170,957	\$ -	\$ 1,950,787	\$ 1,220,169	\$ -
Government bonds	808,896	-	534,791	274,105	-
Corporate bonds	10,851,049	284,198	6,298,158	3,790,411	478,282
Municipal bonds	2,868,153	-	1,353,259	1,514,894	-
Asset backed	4,517,764	793,907	2,847,602	517,636	358,619
Mortgage backed	9,321,435	171,775	1,213,412	831,897	7,104,351
	<u>\$ 31,538,254</u>	<u>\$ 1,249,880</u>	<u>\$ 14,198,009</u>	<u>\$ 8,149,112</u>	<u>\$ 7,941,252</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, the Coalition investments are diversified.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

2. Investments (continued):

The table below outlines third party credit ratings of the Coalition's fixed maturity securities at June 30, 2020:

	U.S. Treasuries	Government Bonds	Corporate Bonds	Municipal Bonds	Asset Backed	Mortgage Backed	Totals
AAA	\$ -	\$ -	\$ -	\$ 1,576,618	\$ 3,902,759	\$ 4,020,828	\$ 9,500,205
AA+	3,269,928	701,563	159,286	1,550,129	-	6,483,997	12,164,903
AA	-	-	768,203	595,758	76,754	-	1,440,715
AA-	-	-	1,116,440	210,654	93,644	-	1,420,738
A+	-	-	2,364,789	-	-	-	2,364,789
A	-	-	4,081,552	250,585	-	-	4,332,137
A-	-	-	2,990,994	-	-	-	2,990,994
BBB+	-	-	-	-	-	-	-
BBB	-	-	-	-	-	-	-
BBB-	-	-	-	-	-	-	-
BB	-	-	-	-	-	-	-
NA	-	-	-	214,126	-	663,888	878,014
NR	-	-	-	-	-	-	-
	<u>\$ 3,269,928</u>	<u>\$ 701,563</u>	<u>\$ 11,481,264</u>	<u>\$ 4,397,870</u>	<u>\$ 4,073,157</u>	<u>\$ 11,168,713</u>	<u>\$ 35,092,495</u>

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

2. Investments (continued):

The table below outlines the third party credit ratings of the Coalition's fixed maturity securities at June 30, 2019:

	U.S. Treasuries	Government Bonds	Corporate Bonds	Municipal Bonds	Asset Backed	Mortgage Backed	Totals
AAA	\$ -	\$ -	\$ 108,972	\$ 599,748	\$ 4,517,764	\$ 3,631,628	\$ 8,858,112
AA+	3,170,957	808,896	153,604	1,425,657	-	5,030,909	10,590,023
AA	-	-	1,112,176	641,671	-	-	1,753,847
AA-	-	-	874,668	201,077	-	-	1,075,745
A+	-	-	1,822,011	-	-	-	1,822,011
A	-	-	4,080,252	-	-	-	4,080,252
A-	-	-	2,359,199	-	-	-	2,359,199
BBB+	-	-	-	-	-	-	-
BBB	-	-	90,624	-	-	-	90,624
BBB-	-	-	102,785	-	-	-	102,785
BB	-	-	96,312	-	-	-	96,312
NA	-	-	-	-	-	658,898	658,898
NR	-	-	50,446	-	-	-	50,446
	-	-	-	-	-	-	-
	<u>\$ 3,170,957</u>	<u>\$ 808,896</u>	<u>\$ 10,851,049</u>	<u>\$ 2,868,153</u>	<u>\$ 4,517,764</u>	<u>\$ 9,321,435</u>	<u>\$ 31,538,254</u>

Marketable equity securities were recorded using Level 1 fair values based on observable quoted market prices from national securities exchanges. Corporate bonds and government bonds were recorded using Level 2 fair values are priced using standard inputs, when available, which include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers, and reference data. Inputs used also take into consideration market indicators, industry, and economic events. REITS classified as Level 3 are valued using discounted cash flow techniques.

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2. Investments (continued):

The following table sets forth by level, within the fair value hierarchy, the Coalition's investments at fair value as of June 30, 2020 and 2019:

June 30, 2020	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Bonds	\$ -	\$ 11,481,264	\$ -
Government Bonds	-	701,563	-
Municipal Bonds	-	4,397,870	-
Asset Backed Corporate	-	4,073,157	-
Mortgage Backed Corporate	-	11,168,713	-
Exchange Traded Funds	5,889,883	-	-
REITs	-	-	68,764
US Treasuries	-	3,269,928	-
	<hr/>	<hr/>	<hr/>
Total Investments	<u>\$ 5,889,883</u>	<u>\$ 35,092,495</u>	<u>\$ 68,764</u>
June 30, 2019	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Bonds	\$ -	\$ 10,851,049	\$ -
Government Bonds	-	808,896	-
Municipal Bonds	-	2,868,153	-
Asset Backed Corporate	-	4,517,764	-
Mortgage Backed Corporate	-	9,321,435	-
Exchange Traded Funds	7,505,919	-	-
REITs	-	-	66,854
US Treasuries	-	3,170,957	-
	<hr/>	<hr/>	<hr/>
Total Investments	<u>\$ 7,505,919</u>	<u>\$ 31,538,254</u>	<u>\$ 66,854</u>

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

2. Investments (continued):

Earnings on investments for the years ended June 30, 2020 and 2019, is summarized as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Interest income, net	\$ 1,197,719	\$ 1,256,812
Amortization expense	(124,766)	(116,371)
Realized gains (losses)	<u>525,684</u>	<u>(1,239)</u>
Premium holiday credits	1,598,637	1,139,202
Unrealized gains	<u>823,816</u>	<u>1,756,457</u>
Earnings on investments	<u>\$ 2,422,453</u>	<u>\$ 2,895,659</u>

3. Property and equipment:

Property and equipment consisted of the following at year end:

	<u>Balance June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Capital assets, being depreciated				
Buildings and improvements	\$ 609,762	\$ 5,000	\$ (6,000)	\$ 608,762
Furniture and equipment	<u>148,835</u>	<u>12,356</u>	<u>(23,689)</u>	<u>137,502</u>
Total capital assets being depreciated	<u>758,597</u>	<u>17,356</u>	<u>(29,689)</u>	<u>746,264</u>
Less: accumulated depreciation for:				
Buildings and improvements	(199,340)	(20,430)	2,775	(216,995)
Furniture and equipment	<u>(141,821)</u>	<u>(7,288)</u>	<u>22,198</u>	<u>(126,911)</u>
Total accumulated depreciation	<u>(341,161)</u>	<u>(27,717)</u>	<u>24,973</u>	<u>(343,906)</u>
Total capital assets being depreciated, net	<u>\$ 417,436</u>	<u>\$ (10,361)</u>	<u>\$ (4,716)</u>	<u>\$ 402,358</u>

Depreciation expense was \$27,717 and \$28,867 for the years ended June 30, 2020 and 2019, respectively.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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 through December 31, 2013 and started pooling the risk for the health benefit options on July 1, 2003. The Coalition also started pooling the risk for the dental benefit options as of July 1, 2013. 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.

The following represents changes in those aggregate liabilities for the Coalition for the years ended June 30, 2020, 2019 and 2018:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Unpaid claims and allocated claims adjustment expenses at beginning of year	\$ 15,063,691	\$ 15,101,356	\$ 13,541,422
Incurred claims and allocated claim adjustment expenses:			
Provision for insured events of current fiscal year	158,820,984	159,370,120	148,725,597
Changes in the provision for insured events of prior fiscal years	(2,528,351)	(2,090,410)	(1,610,715)
Claims administration expenses, current year	<u>5,080,260</u>	<u>4,579,603</u>	<u>4,410,416</u>
Total incurred claims and claim adjustment expenses	161,372,893	161,859,313	151,525,298
Claim and allocated claim adjustment expense payments:			
Attributable to insured events of current fiscal year	145,073,100	144,306,429	133,624,241
Attributable to insured events of prior fiscal years	12,535,340	13,010,946	11,930,707
Claims administration expenses, current year	<u>5,080,260</u>	<u>4,579,603</u>	<u>4,410,416</u>
Total payments	<u>162,688,700</u>	<u>161,896,978</u>	<u>149,965,364</u>
Total unpaid claims and claim adjustment expenses at end of the year	<u>\$ 13,747,884</u>	<u>\$ 15,063,691</u>	<u>\$ 15,101,356</u>

As a result of changes in estimates of insured events in prior years, incurred losses and loss adjustment expenses decreased by \$2,528,351 and 2,090,410 in 2020 and 2019, respectively, due to favorable loss development.

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 Agreement was effective through April 25, 2017. The provisions of the Agreement significantly changed two areas of the Coalition's operations - return of surplus and investments.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

5. Risk pool practices agreement (continued):

Return of surplus - From inception in 1995 to 2013, the Coalition returned surplus to its Members through rate stabilization to reduce rate increases. The New Hampshire Secretary of State, Bureau of Securities Regulation, 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”. The below chart has been updated to illustrate total Premium Holiday amounts paid to both former and current Members by year. Premium Holiday is paid to former Members by June 30th of each fiscal year and current Members as a Premium Holiday Credit on July 1st invoices. Current Member groups also have the option of receiving premium holiday credits via invoice credits or checks.

<u>Date of Premium Holiday</u>	<u>Total Amount of Premium Holiday</u>
December 1, 2012	\$ 4,250,000
December 1, 2013	\$ 4,250,000
July 1, 2014	\$ 21,697,052
July 1, 2015	\$ 4,308,814
July 1, 2016	\$ 1,221,078
July 1, 2017	\$ 4,636,390
July 1, 2018	\$ 6,128,691
July 1, 2019	\$ 11,081,915
July 1, 2020	\$ 11,967,897

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.

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. This investment policy was updated in October of 2019 to reflect changes in market value measurements between US Bank and Clearwater.

The Coalition’s investment portfolio on June 30, 2020 was valued at \$41,051,142. On June 30, 2019 it was valued at \$39,111,027. The June 30, 2018 value of the investment portfolio was \$36,426,720. The Coalition’s Risk Pool Practices Agreement with the NH Secretary of State expired as of April 25, 2017. Although the agreement is no longer in effect, operations and policies adopted as a result of its execution remain in place. The Coalition’s investments are compliant with the requirements imposed upon municipalities pursuant to NH RSA 35:9, with the exception of an aggregate amount of .47% which is compliant with RSA 402:28. This aggregate amount includes the Coalition’s cash, cash equivalents, and other non-REIT investments. There is one remaining REIT in the portfolio as of June 30, 2020. The REIT balances were \$68,764 at June 30, 2020, \$66,854 at June 30, 2019 and \$63,013 at June 30, 2018. The Coalition held no securities that are non-compliant with NH RSA 35:9 as of June 30, 2020. The Coalition held securities that are non-complaint with NH RSA 35:9 in the amount of \$289,721 at June 30, 2019 and \$922,483 at June 30, 2018.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

6. Net position:

Unrestricted net position - The medical contingent reserve is determined annually with advice of the Coalition's actuaries using a stochastic modeling methodology at the 95% confidence level and is held as under unrestricted net position as a designated contingent reserve for all business risks not included in loss reserves. The dental contingent reserve is also determined annually with advice of the Coalition's actuaries using two months projected claims payments. This is used instead of stochastic modeling due to both the size of the program as well as the predictability of claims payments. The Coalition does not 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 2020, the Coalition has accrued fees of \$41,857 which represent the Coalition's annual assessment under the Act for the Comparative Effectiveness Research Fee. The Comparative Effectiveness Research fee was originally expected to sunset with a final payment date of July 31, 2020. The fess has been extended through June 30, 2029 for SchoolCare with a final payment date of July 31, 2030.

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.

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE YEARS ENDED JUNE 30, 2020, 2019 and 2018
Schedule 1**

	<u>SchoolCare-Medical</u>			<u>SchoolCare - Dental</u>		
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Unpaid claims and allocated claims adjustment expenses at beginning of year	\$ 14,811,620	\$ 14,862,279	\$ 13,352,791	\$ 252,072	\$ 239,078	\$ 188,632
Incurred claims and allocated claim adjustment expenses:						
Provision for insured events of current fiscal year	155,031,129	155,064,665	144,954,163	3,789,855	4,305,455	3,771,434
Changes in the provision for insured events of prior fiscal year	(2,492,755)	(2,039,738)	(1,597,063)	(35,596)	(50,672)	(13,652)
Claims administration expenses, current year	<u>4,931,552</u>	<u>4,434,274</u>	<u>4,284,348</u>	<u>148,708</u>	<u>145,329</u>	<u>126,068</u>
Total incurred claims and claim adjustment expenses	<u>157,469,926</u>	<u>157,459,201</u>	<u>147,641,448</u>	<u>3,902,967</u>	<u>4,400,112</u>	<u>3,883,850</u>
Claim and allocated claim adjustment expense payments:						
Attributable to insured events of current fiscal year	141,559,168	140,253,046	130,091,885	3,513,933	4,053,383	3,532,356
Attributable to insured events of prior fiscal years	12,318,864	12,822,540	11,755,727	216,476	188,406	174,980
Claims administration expenses, current year	<u>4,931,552</u>	<u>4,434,274</u>	<u>4,284,348</u>	<u>148,708</u>	<u>145,329</u>	<u>126,068</u>
Total payments	<u>158,809,584</u>	<u>157,509,860</u>	<u>146,131,960</u>	<u>3,879,117</u>	<u>4,387,118</u>	<u>3,833,404</u>
Total unpaid claims and claim adjustment expenses at the years ended June 30, 2020, 2019 and 2018	<u>\$ 13,471,962</u>	<u>\$ 14,811,620</u>	<u>\$ 14,862,279</u>	<u>\$ 275,922</u>	<u>\$ 252,072</u>	<u>\$ 239,078</u>

**NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
COMPARATIVE SCHEDULE OF CLAIM DEVELOPMENT,
EARNED ASSESSMENTS AND UNALLOCATED EXPENSES
JUNE 30, 2020
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 year's other operating costs of the Coalition including overhead and claims expense not allocable to individual claims. This operating cost has been updated to reflect administrative costs without inclusion of the SchoolCare 65+ fully-insured Medicare supplement plans or the fully insured ancillary products. (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.

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
COMPARATIVE SCHEDULE OF CLAIM DEVELOPMENT, EARNED ASSESSMENTS AND UNALLOCATED EXPENSES
JUNE 30, 2020
Schedule 2 (Page 2 of 2)

	<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>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
(1) Required contribution and investment revenue:											
Earned	\$ 78,191,834	\$ 101,576,541	\$ 101,685,003	\$ 122,926,284	\$ 145,505,569	\$ 159,063,635	\$ 162,438,317	\$ 160,616,072	\$ 169,000,654	\$ 177,144,772	\$ 183,041,152
Ceded	533,577	793,399	1,126,463	1,430,523	1,974,516	2,206,484	1,460,836	1,608,270	1,631,254	1,830,356	2,596,101
Net earned	77,658,257	100,783,142	100,558,540	121,495,761	143,531,053	156,857,151	160,977,481	159,007,802	167,369,400	175,314,415	180,445,051
(2) Unallocated expenses	4,538,115	7,256,765	8,471,257	6,766,446	8,834,804	9,907,428	11,208,816	10,275,523	10,134,359	10,588,285	15,276,340
(3) Estimated claims and expenses, end of policy year											
Incurred	70,131,306	98,473,213	112,433,287	123,381,661	133,348,065	146,332,109	152,415,558	149,135,224	150,533,600	159,597,904	160,002,913
Ceded	-	1,032,391	-	255,417	1,045,871	418,193	175,325	623,032	1,808,003	227,784	1,181,929
Net incurred	70,131,306	97,440,822	112,433,287	123,126,244	132,302,194	145,913,916	152,240,233	148,512,192	148,725,597	159,370,120	158,820,984
(4) Net paid (cumulative) as of:											
End of the policy year	63,030,689	89,489,249	99,759,145	111,146,738	118,853,463	131,745,711	137,642,784	134,970,770	133,624,242	144,306,429	145,073,100
One year later	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	142,862,668	150,426,323	146,901,477	146,635,188	156,841,769	
Two years later	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	142,862,668	150,426,323	146,901,477	146,635,188		
Three years later	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	142,862,668	150,426,323	146,901,477			
Four years later	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	142,862,668	150,426,323				
Five years later	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	142,862,668					
Six years later	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079						
Seven years later	67,415,030	95,043,861	109,607,207	122,066,073							
Eight years later	67,415,030	95,043,861	109,607,207								
Nine years later											
(5) Re-estimated ceded claims and expenses	-	1,171,022	-	255,417	1,195,297	649,305	257,907	790,968	3,333,399	863,082	1,181,929
(6) Re-estimated net incurred claims and expenses:											
End of the policy year	69,313,461	97,440,822	112,433,287	123,126,244	132,302,194	145,913,916	152,240,233	148,512,192	148,725,597	159,370,120	158,820,984
One year later	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	142,862,667	150,426,323	146,901,477	146,635,187	156,841,769	
Two years later	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	142,862,667	150,426,323	146,901,477	146,635,187		
Three years later	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	142,862,667	150,426,323	146,901,477			
Four years later	67,433,284	95,043,861	109,607,207	122,066,073	129,827,079	142,862,667	150,426,323				
Five years later	67,433,284	95,043,861	109,607,207	122,066,073	129,827,079	142,862,667					
Six years later	67,433,284	95,043,861	109,607,207	122,066,073	129,827,079						
Seven years later	67,433,284	95,043,861	109,607,207								
Eight years later	67,433,284	95,043,861									
Nine years later											
(7) Increase (decrease) in estimated net incurred claims and expenses from end of the policy year	(1,898,432)	(2,396,961)	(2,826,080)	(1,060,171)	(2,475,115)	(3,051,249)	(1,813,910)	(1,610,715)	(2,090,410)	(2,528,351)	-

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Directors of
New Hampshire School Health Care Coalition

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Hampshire School Health Care Coalition (the Coalition) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Coalition's basic financial statements, and have issued our report thereon dated October 26, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Simsbury, Connecticut
October 26, 2020