

**CENTRAL OHIO
HEALTH CARE CONSORTIUM**
LICKING COUNTY, OHIO

REGULAR AUDIT

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

Board of Directors
Central Ohio Health Care Consortium
141 East Broadway
Granville, Ohio 43023

We have reviewed the *Independent Auditor's Report* of the Central Ohio Health Care Consortium, Licking County, prepared by Julian & Grube, Inc., for the audit period January 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Central Ohio Health Care Consortium is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 08, 2022

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**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

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Independent Auditor's Report

Central Ohio Health Care Consortium
Licking County
141 East Broadway
P.O. Box 514
Granville, Ohio 43023

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Central Ohio Health Care Consortium, Licking County, Ohio, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Central Ohio Health Care Consortium's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Central Ohio Health Care Consortium, as of December 31, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Central Ohio Health Care Consortium and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited the Central Ohio Health Care Consortium's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As described in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Central Ohio Health Care Consortium. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *Ten-Year Claims Development Information* listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2022, on our consideration of the Central Ohio Health Care Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Central Ohio Health Care Consortium's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Ohio Health Care Consortium's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
June 10, 2022

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

The discussion and analysis of the Central Ohio Health Care Consortium's ("the Consortium") financial performance provides an overall review of the Consortium's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Consortium's financial performance.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Consortium's basic financial statements. The Consortium uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

The basic financial statements, which follow this section, provide both long and short-term information about the Consortium's financial status. The statement of net position and the statement of revenue, expenses, and changes in net position provide information about the financial activities of the Consortium. These are followed by the statement of cash flows, which represents detailed information about the changes in the Consortium's cash position during the year.

Financial Overview

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

The three basic financial statements presented are as follows:

Statement of Net Position - This statement presents information reflecting the Consortium's assets, liabilities, and net position and is categorized into current assets and liabilities.

Statement of Revenues, Expenses, and Changes in Net Position - This statement reflects the operating and nonoperating revenue and expenses for the current year. Operating revenue consists primarily of member contributions, with the major sources of operating expenses being losses and loss adjustment expenses, general and administrative expenses, and reinsurance costs. Nonoperating revenue and expenses consist of investment activity.

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

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 9-16 of this report.

Financial Highlights

Key financial highlights for the year 2021 are as follows:

- Cash and cash equivalents and investments were \$8,031,564 at December 31, 2021, which represents an increase of 19.03% from 2020.
- The Consortium has retained an independent actuary to determine the loss and loss adjustment expense reserves. Based upon the actuary's report, the loss and loss adjustment expense reserves were \$1,699,000 and \$1,395,000 at December 31, 2021 and 2020, respectively.
- The Consortium had operating revenues of \$22,995,483 and \$21,034,104 for the years 2021 and 2020, respectively. The Consortium had operating expenses of \$21,263,658 and \$16,973,202 for the years 2021 and 2020, respectively. The Consortium also reported net investment income of (\$8,450) and \$73,663 for the years 2021 and 2020, respectively.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

- The Consortium had claims that exceeded the individual stop loss limit of \$250,000 for the plan year ended December 31, 2021 and December 31, 2020, amounting to a recovery of \$1,971,882 and \$1,912,255, respectively
- The Consortium consisted of eleven members in 2020 and 2021.

The table below provides a summary of the Consortium's net position at December 31, 2021 and 2020.

	2021	2020
Net Position		
<u>Assets</u>		
Cash and cash equivalents	\$ 6,420,438	\$ 5,117,240
Investments	1,611,126	1,630,227
Receivables:		
Stop loss recoverable	2,114,726	278,000
Prescription rebates	629,306	538,046
Member contributions	695,195	1,294,782
Accrued interest receivable	4,178	4,702
Total assets	11,474,969	8,862,997
<u>Liabilities:</u>		
Unpaid loss and loss adjustment expenses	1,699,000	1,395,000
Unearned participant contributions	1,091,791	507,814
Accrued expenses	3,058	2,438
Total liabilities	2,793,849	1,905,252
<u>Net Position:</u>		
Unrestricted	\$ 8,681,120	\$ 6,957,745

Net position in 2021 increased \$1,723,375 from 2020 as member contributions, prescription drug rebates, stop loss reimbursements outpaced loss and loss adjustment expenses and excess loss insurance premiums.

Stop loss recoverable receivable increased \$1,836,726 from 2020 as a result of reimbursements not being paid until 2022. Member contributions receivable at December 31, 2021 decreased \$599,587 from 2020, due to more member being paid current. The unpaid loss and loss adjustment expenses liability at December 31, 2021, increased 21.79% from the prior year. The unpaid loss adjustment expenses liability at December 31, 2021 and 2020 is provided by the Consortium's independent actuary. The table below shows the changes in net position for years 2021 and 2020.

	2021	2020
Change in Net Position		
<u>Revenues</u>		
Operating revenues	\$ 22,995,483	\$ 21,034,104
Investment income, net	(8,450)	73,663
Total revenues	22,987,033	21,107,767
<u>Expenses</u>		
Loss and loss adjustment expenses	18,803,354	14,754,982
Insurance coverages	1,492,842	1,318,285
Legal and professional fees	37,909	30,863
Administrative fees & other expenses	929,553	869,072
Total operating expenses	21,263,658	16,973,202
Change in net position	\$ 1,723,375	\$ 4,134,565

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

The Consortium's increase in member contributions offset the increase in loss and loss adjustment expenses in 2021 to end the year with an increase in net position of \$1,723,375. Loss and loss adjustment expenses increased during 2021 as a result of an increase in the number of high-cost claimants as compared to 2020. The ratio of loss and loss adjustment expenses incurred compared to the total revenues earned was 81.80% for 2021 and 69.90% for 2020.

Net investment results were an investment income of (\$8,450) for 2021, compared to \$73,663 for 2020. During 2021, a decrease in fair value of investments of \$30,066 was reported.

Capital Assets and Debt Administration

At December 31, 2021 and 2020, the Consortium had no capital assets or outstanding debt obligations.

Required Supplemental Information

Ten years of claims development information can be found on pages 17-19 of this report.

Current Financial Related Activities

The Consortium is a not-for-profit insurance consortium owned by eleven political subdivisions ("members") located throughout central Ohio. The Consortium's main source of revenue is from contributions/premiums paid by the member political subdivisions. The Consortium also receives interest revenue through its investments.

The Consortium is committed to providing its members with the advantages of a large buying cooperative, while maintaining control by the members' leadership. Underwriting considerations are of utmost importance in reviewing new membership applications, as the Consortium is committed to protecting the long-term financial interest of its core members, and will not admit a new member that will adversely impact premiums and claims payments.

The Consortium Board of Directors and its consultant, USI Insurance Services, Inc., continually discuss program enhancements to the Plan and the establishment of premium rates. Establishing premium rates that satisfy all claims, administrative expenses and other expenses of the Consortium, in addition to enhancing its net position, is important to the short-term and long-term interests of the Consortium.

The most significant challenge facing the Consortium Board of Directors is the continuing trend of increasing health care costs affecting medical and prescription drug coverage. This was the impetus that brought the participating members together in an attempt to benefit from the economies of scale that could be obtained from a group of approximately 901 covered employees, in lieu of each individual member independently entering the insurance marketplace. As the claims costs for medical and prescription drugs continue to escalate, the Consortium Board of Directors is faced with the task of attempting to balance a quality benefits offering within the financial constraints of its members. The Consortium continuously entertains offers to potential members.

Contacting the Consortium's Financial Management

This financial report is designed to provide our members with a general overview of the Central Ohio Health Care Consortium's finances and to reflect the Consortium's accountability for taxpayer monies that it receives from its members. Questions concerning any of the information in this report or requests for additional financial information should be directed to Carie Kraner, Treasurer, Central Ohio Health Care Consortium, 141 East Broadway, P.O. Box 514, Granville, Ohio 43023.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

STATEMENTS OF NET POSITION
DECEMBER 31, 2021

	December 31,	
	2021	2020
Assets:		
Current assets:		
Cash and cash equivalents	\$ 6,420,438	\$ 5,117,240
Investments	1,611,126	1,630,227
Accounts receivable:		
Stop loss recoverable.	2,114,726	278,000
Prescription rebates.	629,306	538,046
Member contributions	695,195	1,294,782
Accrued interest receivable	4,178	4,702
Total assets.	11,474,969	8,862,997
Liabilities:		
Current liabilities:		
Unpaid loss and loss adjustment expenses (see Note 5).	1,699,000	1,395,000
Unearned participant contributions	1,091,791	507,814
Accrued expenses.	3,058	2,438
Total liabilities	2,793,849	1,905,252
Net position:		
Unrestricted.	\$ 8,681,120	\$ 6,957,745

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	Years Ended December 31,	
	2021	2020
Operating revenues:		
Member contributions	\$ 20,038,973	\$ 18,298,395
Prescription drug rebates	809,994	801,008
Stop loss reimbursements	1,971,882	1,912,255
Other revenue	174,633	22,446
Total operating revenues.	<u>22,995,483</u>	<u>21,034,104</u>
Operating expenses:		
Loss and loss adjustment expenses	18,803,354	14,754,982
Excess loss insurance premiums	1,492,842	1,318,285
Legal and professional fees	37,909	30,863
Administrative fees.	908,232	851,587
Other expenses	21,321	17,485
Total operating expenses.	<u>21,263,658</u>	<u>16,973,202</u>
Operating income	<u>1,731,824</u>	<u>4,060,902</u>
Non-operating revenues and expenses:		
Investment income	21,616	36,066
Change in fair value of investments	(30,066)	37,597
Total non-operating revenues and expenses	<u>(8,450)</u>	<u>73,663</u>
Change in net position	1,723,375	4,134,565
Net position, beginning of year	<u>6,957,745</u>	<u>2,823,180</u>
Net position, end of year	<u>\$ 8,681,120</u>	<u>\$ 6,957,745</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Years Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Cash received from members	\$ 21,222,537	\$ 17,174,742
Cash received from prescription drug rebates	718,734	695,759
Cash received from stop loss reimbursements	135,156	1,916,255
Cash received from miscellaneous revenues	174,633	22,446
Cash payments for loss and loss adjustment expenses	(18,499,354)	(15,144,982)
Cash payments for excess loss insurance premiums	(1,492,842)	(1,318,285)
Cash payments for legal and professional fees	(36,739)	(30,554)
Cash payments for administrative fees	(908,232)	(851,587)
Cash payments for miscellaneous expenses	(21,871)	(16,385)
Net cash provided by operating activities	<u>1,292,022</u>	<u>2,447,409</u>
Cash flows from investing activities:		
Interest received	21,176	34,220
Purchase of investments	(310,000)	(1,310,000)
Sale of investments	300,000	1,280,000
Net cash provided by investing activities	<u>11,176</u>	<u>4,220</u>
Net increase in cash and cash equivalents	1,303,198	2,451,629
Cash and cash equivalents, beginning of year	<u>5,117,240</u>	<u>2,665,611</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,420,438</u></u>	<u><u>\$ 5,117,240</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,731,824	\$ 4,060,902
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in stop loss recoverable	(1,836,726)	4,000
(Increase) in prescription rebate receivable	(91,260)	(105,249)
(Increase) decrease in member contributions receivable	599,587	(1,188,278)
Increase (decrease) in incurred but not reported claims	304,000	(390,000)
Increase in deferred participant contributions	583,977	64,625
Increase in accrued expenses	620	1,409
Net cash provided by operating activities	<u><u>\$ 1,292,022</u></u>	<u><u>\$ 2,447,409</u></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 1 - DESCRIPTION OF THE CONSORTIUM

The Central Ohio Health Care Consortium (the "Consortium") is a legally separate entity organized under Ohio Revised Code Section 9.833. The Consortium was established in 1992, as a joint self-insurance program formed by several political subdivisions throughout Central Ohio. The purpose of the Consortium is to maximize benefits and reduce the costs of medical and prescription drug coverages for their employees and eligible dependents. These coverages are described in the summary of coverage benefits, which has been distributed to all member officers and employees covered by the Plan. Participants should refer to the plan agreement for a complete description of the Plan's provisions.

A. Board of Directors

The Board of Directors is the governing body of the Consortium. Each Consortium member appoints one individual to be its representative on the Board of Directors. The officers of the Board of Directors consist of a Chairman, Vice-Chairman, Secretary and Treasurer, who are elected at the annual meeting of the Board of Directors and serve until the next annual meeting. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors. The Board of Directors sets and approves all benefit programs to be offered through the Consortium, and all policies and other contracts are accepted or entered into by the Consortium. The Board of Directors sets all premium and other amounts to be paid by the Consortium members. All members of the Board of Directors serve without compensation.

B. Enrollment by Members

The original members entered into an irrevocable agreement to remain a member of the Plan for a minimum of three years. Any subsequent new members are required to remain as a member of the Plan until the end of the three-year term in effect. As a part of this agreement, each member has agreed to participate in the funding of losses and other insurance related costs and administrative expenses of operating the Plan. The Consortium has established a new pool every three years to continue its self-insurance program.

C. Withdrawal of a Consortium Member

The Consortium members may withdraw from the Consortium as of the end of the three-year trust term by giving written notice no later than September 1 of that year. Non-founding members must remain in the Consortium for a minimum of three years, regardless of the trust term. At and after the effective time of withdrawal, the withdrawing member is wholly and solely responsible for providing health care benefits that had been previously provided by the Consortium, including, but not limited to, any and all incurred, but not reported claims related to its prior participation. The Consortium will have no liability to the withdrawing member in any regard after the effective date of withdrawal.

D. Contributions

All members are required to remit monthly contributions to the administrator, which are used to pay claims and related claim settlement expenses, to purchase excess loss insurance for the Plan and to establish and maintain sufficient loss reserves. Each member may require contributions from its employees toward the cost of any benefit program being offered, and such contributions are included in the payments from such member to the administrator. The monthly contribution is determined for each member in accordance with the number of covered employees and dependents and the prior loss experience of the respective member group. The members' contributions represent an amount in excess of the expected costs of the Plan, which has allowed the Plan to establish reserves for future operations. The funds are maintained in a bank trust account established for the sole purpose and benefit of the Plan's operations.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 1 - DESCRIPTION OF THE CONSORTIUM - (Continued)

E. Administration of the Plan

Effective January 1, 2013, the Plan has entered into an agreement with UMR, an independent third party administrator (the "Administrator") to perform the majority of the duties related to the day to day operations of the Plan. These duties include full responsibility for the approval and payment of claims submitted under the Plan, authority to pay all expenses incurred in the operation of the Plan and the preparation of a monthly report presenting receipts and disbursements by category, including the Administrator's fees. In addition, the Administrator is required to maintain both a fidelity bond covering all of its agents and employees and an errors and omissions insurance policy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Consortium is presented to assist in understanding the accompanying financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity.

A. Basis of Presentation

The basic financial statements of the Consortium have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Basis of Accounting

For financial reporting purposes, the Consortium is engaged in business-type activities and utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when incurred.

The Consortium distinguishes operating revenues and expenses from non-operating items. Operating revenues generally result from charges to members for insurance premiums, loss contributions, claims handling fees and administrative expenses. Operating expenses include loss and loss adjustment expenses, insurance premiums, administrative fees and professional fees. The principal non-operating revenue and expense of the Consortium is investment income and change in fair value of investments, respectively.

C. Cash and Investments

During 2021, investments of the Consortium were limited to negotiable certificates of deposit (CDs), federal agency securities, U.S. Treasury bonds and U.S. Treasury notes. Investments are reported at fair value, which is based on quoted market prices.

For purposes of the statement of net position and the statement of cash flows, investments purchased by the Consortium with original maturities of three months or less at the time they are purchased are considered to be "cash equivalents". Investments purchased by the Consortium with original maturities of more than three months at the time they are purchased are considered to be "investments". An analysis of the Consortium's cash and investments at year-end is provided in Note 3.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Fair Value Measurements

The Consortium categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

E. Receivables

All receivables are shown net of an allowance for uncollectible amounts, as applicable. Receivables are written off when deemed uncollectible. The Consortium had no uncollectible amount at December 31, 2021.

F. Unpaid Loss and Loss Adjustment Expenses

Provisions for losses and loss adjustment expenses are charged against income based upon the date the services are rendered to the covered member. These provisions represent an estimate of reported unpaid claims plus a provision for claims incurred, but not reported, and the administrative costs to process these claims. The liability at December 31, 2021, is determined by an independent actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data.

The Consortium's management believes that the estimate of the liability for unpaid losses and loss adjustment expenses is reasonable. However, the ultimate settlement of losses and the related loss adjustment expenses may vary from the estimated amounts included in the accompanying financial statements.

G. Excess Loss Agreement

The Consortium uses a reinsurance agreement to reduce its exposure to large losses. This excess loss agreement allows the Consortium to recover a portion of losses incurred. The Consortium does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by the excess loss agreement.

H. Net Position

Net position is the excess of revenues over expenses during the period in which the Consortium has been in existence. If adequate provision has been made for the payment of all claims and expenses of the Consortium, the Board of Directors, at its discretion, may distribute surplus funds to members subject to certain restrictions. In lieu of distributing surplus funds, the Board may carry forward the surplus to future years.

I. Member Contributions

Member contributions are recognized on an accrual basis and are recorded in the month earned. Contributions receivable represent contributions due, but not received in the current period. Unearned contributions represent the portion of contributions received, which will be earned in a future period.

J. Estimates

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of Consortium assets, liabilities and benefit obligations, and the reported increases and decreases of Consortium assets during the reporting periods. Actual results could differ from those estimates.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Federal Income Tax

The Consortium has received an exemption from Federal income tax as an organization formed under Section 501(c)(9) of the Internal Revenue Code. The Consortium is not classified as a private foundation. Under ASC No. 740-10, the Consortium's tax returns for the years 2017-2021 are subject to examination by tax authorities.

NOTE 3 - CASH AND INVESTMENTS

The Consortium's cash and cash equivalents are held by the Trustee in a bank located in Central Ohio. The carrying value was \$6,420,438 and \$5,117,240 at December 31, 2021 and December 31, 2020, respectively.

The Consortium may invest in the following instruments: U.S. Government Securities, U.S. Government Agency Securities and Instrumentalities of Government Sponsored Agencies, Interest-Bearing Certificates of Deposit, Mutual Funds, State Treasury Asset Reserve of Ohio, Repurchase Agreements, and Commercial Paper.

As of December 31, 2021, the Consortium had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	Investment Maturities				
		6 months or <u>less</u>	7 to 12 <u>months</u>	13 to 18 <u>months</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
<i>Fair Value:</i>						
Negotiable CDs	\$ 1,192,723	\$ 200,484	\$ 116,595	\$ 101,451	\$ -	\$ 774,193
FFCB	24,813	-	-	-	24,813	-
FHLMC	97,284	-	-	-	-	97,284
FHLB	221,899	-	-	-	-	221,899
U.S. Treasury Bond	24,782	-	-	-	24,782	-
U.S. Treasury Notes	49,625	-	-	-	49,625	-
Total	<u>\$ 1,611,126</u>	<u>\$ 200,484</u>	<u>\$ 116,595</u>	<u>\$ 101,451</u>	<u>\$ 99,220</u>	<u>\$ 1,093,376</u>

The weighted average maturity of investments at December 31, 2021 is 2.19 years.

As of December 31, 2020, the Consortium had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	Investment Maturities				
		6 months or <u>less</u>	7 to 12 <u>months</u>	13 to 18 <u>months</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
<i>Fair Value:</i>						
Negotiable CDs	\$ 1,213,810	\$ -	\$ -	\$ 203,630	\$ 118,814	\$ 891,366
FNMA	201,381	100,537	100,844	-	-	-
FHLB	115,000	-	-	-	-	115,000
FHLMC	100,036	-	-	-	-	100,036
Total	<u>\$ 1,630,227</u>	<u>\$ 100,537</u>	<u>\$ 100,844</u>	<u>\$ 203,630</u>	<u>\$ 118,814</u>	<u>\$ 1,106,402</u>

The weighted average maturity of investments at December 31, 2020 is 2.55 years.

The Consortium's investment in negotiable CDs, FFCB, FHLMC, FHLB, and FNMA securities, U.S. Treasury bonds, and U.S. Treasury notes are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 - CASH AND INVESTMENTS - (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Consortium's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The investments in FFCB, FHLMC, FHLB, and FNMA securities, U.S. Treasury bonds, and U.S. Treasury notes carry ratings of Aaa by Moodys and AA+ by Standard & Poor's. The negotiable CDs were not rated. The negotiable CDs are covered by FDIC. The Consortium's investment policy does not specifically address credit risk beyond requiring the Consortium to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the Consortium's name. The Consortium has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Consortium Treasurer or qualified trustee.

Concentration of Credit Risk: The Consortium places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Consortium at December 31, 2021 and December 31, 2020:

Measurement/ <u>Investment type</u>	2021		2020	
	Measurement Amount	% of Total	Measurement Amount	% of Total
<i>Fair Value:</i>				
Negotiable CDs	\$ 1,192,723	74.03	\$ 1,213,810	74.46
FFCB	24,813	1.54	-	-
FHLMC	97,284	6.04	100,036	6.14
FHLB	221,899	13.77	115,000	7.05
FNMA	-	-	201,381	12.35
U.S. Treasury Bond	24,782	1.54	-	-
U.S. Treasury Notes	49,625	3.08	-	-
Total	\$ 1,611,126	100.00	\$ 1,630,227	100.00

The following schedule summarizes the investment return and its classification in the Statements of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2021 and December 31, 2020:

	2021	2020
Interest	\$ 21,616	\$ 36,066
Change in fair value of investments	(30,066)	37,597
Total investment return	\$ (8,450)	\$ 73,663

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Consortium established a reserve liability that includes a provision for reported and unreported insured events and an estimate of future payment of losses and loss adjustment expenses. The liability was provided by the Consortium's independent actuary for the year ended December 31, 2021 and 2020, respectively, as follows:

	(in thousands)	
	2021	2020
Unpaid loss and loss adjustment expenses at the beginning of the year	\$ 1,395	\$ 1,785
Incurred loss and loss adjustment expenses:		
Provision for insured events of the current year	17,531	14,707
Increase (decrease) in provision for insured events of the prior years	(123)	48
Total incurred loss and loss adjustment expenses	18,803	14,755
Payments:		
Loss and loss adjustment expenses attributable to insured events of the current year	17,227	13,312
Loss and loss adjustment expenses paid attributable to insured events of prior years	1,272	1,833
Total payments	18,499	15,145
Unpaid losses and loss adjustment expenses at end of the year	\$ 1,699	\$ 1,395

NOTE 5 - UNPAID LOSS AND LOSS ADJUSTMENT EXPENSES

The Consortium has retained the services of two independent third party administrators for 2021 and 2020: UMR for medical claims and RxBenefits for prescription claims. A valid claim must be submitted to the Administrator within ninety days after services have been provided. However, the Consortium will accept claims up to twelve months after the usual filing deadline with a valid reason for the late filing of such a claim.

The provision for unpaid losses and loss adjustment expenses is based upon an estimate, prepared by an independent actuary for claims reported as of year-end and those claims incurred, but not reported to the Consortium as of year-end.

The inherent uncertainty in estimating reserves may result in actual ultimate claims differing significantly for amounts provided for in the statement of net position.

The Consortium is contingently liable with respect to excess loss coverage which would become a liability in the event that the excess loss insurance carriers are unable to meet the obligations assumed under these contracts. Claims in excess of members' surplus, additional member assessments and excess carrier coverage are the responsibility of the members and not the Consortium.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 - UNPAID LOSS AND LOSS ADJUSTMENT EXPENSES - (Continued)

At December 31, 2021 and 2020, the breakdown of unpaid loss and loss adjustment expenses was as follows:

	2021	2020
Medical and prescription drug	\$ 1,394,000	\$ 1,117,000
Loss adjustment expenses	305,000	278,000
 Total liability	 \$ 1,699,000	 \$ 1,395,000

NOTE 6 - EXCESS LOSS AGREEMENT

The Consortium has entered into an agreement for individual loss coverage with a commercial insurance carrier during 2021 and 2020. The individual excess loss coverage has been structured to indemnify the Consortium for medical claims paid to an individual in excess of \$250,000 in 2021 and 2020. The cost of excess loss coverage was \$1,492,842 in 2021 and \$1,318,285 in 2020.

The Consortium has incurred losses recoverable in excess of the individual loss limits in 2021 and 2020 of \$1,971,882 and \$1,912,255, respectively.

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

The Consortium has concentrated its credit risk for cash and cash equivalents by maintaining deposits in a high-quality bank located in Central Ohio. At December 31, 2021, \$500,000 was covered by the Federal Deposit Insurance Corporation (FDIC), \$990,249 was covered by the Ohio Pooled Collateral System (OPCS) and \$7,114,083 was exposed to credit risk because the amount was uninsured and uncollateralized. The maximum uninsured loss that would have resulted from risk at December 31, 2020 was \$2,655,090.

Custodial credit risk is the risk that, in the event of bank failure, the Consortium will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Consortium has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (a) eligible securities pledged to the Consortium and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or (b) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2021 the Consortium's depository institutions was approved for a reduced collateral rate of 60% through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Consortium to a successful claim by the FDIC.

The Consortium's eleven members are political subdivisions generally located in Central Ohio, which represents a limited number of potential Plan members.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 8 - TERMINATION OF PLAN

Under certain conditions, the Plan may be terminated. Upon termination, the assets then remaining shall be subject to the applicable provisions of the Plan then in effect and shall be used to pay benefits to the participants as calculated by the Administrator. Any remaining assets will then be returned to the participating members.

If a participating member terminates its agreement with the Consortium, that member immediately becomes responsible for its benefit obligation. If a member terminates before its three-year term has expired, the member forfeits all rights to the Consortium's member reserves.

NOTE 9 - THIRD PARTY ADMINISTRATION

The Consortium has agreements with third party administrators for the purpose of claims administration, claims adjustments, loss control and financial record keeping. For the year ended December 31, 2021 and 2020, the amount charged to expense was \$908,232 and \$851,587, respectively.

NOTE 10 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Consortium. The impact on the Consortium's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

**TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
REQUIRED SUPPLEMENTARY INFORMATION**

The following table illustrates how the Consortium's earned revenues (net of reinsurance) and investment income compares to related costs of loss and other expenses assumed by the Consortium as of the end of the year. The rows of the table are defined as follows:

- (1) This line shows the total of each year's gross earned contributions and reported investment income.
- (2) This line shows each year's other operating costs of the Consortium including overhead and loss expenses not allocable to individual claims.
- (3) This line shows the Consortium's incurred losses originally reported at the end of the year in which the event that triggered coverage occurred (called policy year).
- (4) This section shows the cumulative amounts paid as of the end successive years for each policy year.
- (5) This section shows how each policy year's incurred losses increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims and emergence of new losses not previously known.
- (6) This line compares the latest re-estimated incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred losses currently recognized in less mature policy years. The columns of the table show data for successive policy years.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
LICKING COUNTY, OHIO**

TEN-YEAR CLAIMS DEVELOPMENT INFORMATION (CONTINUED)

Policy Year Ended (in thousands)					
	2012	2013	2014	2015	2016
1. Net earned required contribution and investment revenues	\$ 11,518	\$ 11,909	\$ 12,250	\$ 13,422	\$ 13,980
2. Unallocated expenses	1,007	1,195	1,297	1,301	1,549
3. Estimated incurred claims and expenses	8,629	9,569	10,825	11,199	13,115
4. Paid, cumulative as of:					
End of policy year	7,473	8,681	9,829	10,053	11,295
One year later	8,579	9,669	10,839	11,469	12,161
Two years later	8,579	9,669	10,839	11,469	12,161
Three years later	8,579	9,669	10,839	11,469	12,161
Four years later	8,579	9,669	10,839	11,469	12,161
Five years later	8,579	9,669	10,839	11,469	12,161
Six years later	8,579	9,669	10,839	11,469	-
Seven years later	8,579	9,669	10,839	-	-
Eight years later	8,579	9,669	-	-	-
Nine years later	8,579	-	-	-	-
5. Re-estimated incurred claims and expense:					
End of policy year	8,629	9,569	10,825	11,199	13,115
One year later	8,579	9,669	10,839	11,469	12,161
Two years later	8,579	9,669	10,839	11,469	12,161
Three years later	8,579	9,669	10,839	11,469	12,161
Four years later	8,579	9,669	10,839	11,469	12,161
Five years later	8,579	9,669	10,839	11,469	12,161
Six years later	8,579	9,669	10,839	11,469	-
Seven years later	8,579	9,669	10,839	-	-
Eight years later	8,579	9,669	-	-	-
Nine years later	8,579	-	-	-	-
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	(50)	100	14	270	(954)

Policy Year Ended (in thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$	14,391	\$ 17,897	\$ 19,688	\$ 21,107	\$ 22,987
	1,561	1,906	2,146	2,218	2,460
	13,670	15,555	19,410	14,707	17,531
	11,707	14,146	17,625	13,312	17,227
	13,536	15,830	19,458	14,584	-
	13,536	15,830	19,458	-	-
	13,536	15,830	-	-	-
	13,536	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	13,670	15,555	19,410	14,707	17,531
	13,536	15,830	19,458	14,584	-
	13,536	15,830	19,458	-	-
	13,536	15,830	-	-	-
	13,536	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	(134)	275	48	(123)	-

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*

Central Ohio Health Care Consortium
Licking County
141 East Broadway
P.O. Box 514
Granville, Ohio 43023

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Central Ohio Health Care Consortium, Licking County, Ohio, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Central Ohio Health Care Consortium's basic financial statements, and have issued our report thereon dated June 10, 2022, wherein we noted as described in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Ohio Health Care Consortium's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Central Ohio Health Care Consortium'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 Central Ohio Health Care Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 10, 2022

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OHIO AUDITOR OF STATE KEITH FABER



CENTRAL OHIO HEALTH CARE CONSORTIUM

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/21/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov