

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

FRANKLIN COUNTY, OHIO

REGULAR AUDIT WITH SUPPLEMENTAL INFORMATION

For the years ended December 31, 2022 and 2021





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Columbus, Ohio 43215
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Board of Directors
County Employee Benefits Consortium of Ohio, Inc.
209 East State Street
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the County Employee Benefits Consortium of Ohio, Inc., Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2022 through December 31, 2022. 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 County Employee Benefits Consortium of Ohio, Inc. is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

July 06, 2023

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**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
FRANKLIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

County Employee Benefits Consortium of Ohio, Inc.
Franklin County
209 East State Street
Columbus, Ohio 43215

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the County Employee Benefits Consortium of Ohio, Inc. (CEBCO), Franklin County, Ohio as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise CEBCO's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of CEBCO, Franklin County, Ohio as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 CEBCO, 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 opinions.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of CEBCO. We did not modify our opinions regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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 CEBCO'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 Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government 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 CEBCO'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 CEBCO'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, schedule of claims development, and schedule of reserve for unpaid claims by type of contract to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 May 26, 2023, on our consideration of CEBCO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 CEBCO'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 CEBCO's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
May 26, 2023

The Management of the County Employee Benefits Consortium of Ohio, Inc. (CEBCO) offers this overview of the organization and analysis of the financial activities of CEBCO for the fiscal years ended December 31, 2022, 2021, and 2020. Readers are encouraged to consider the information presented here in conjunction with CEBCO's financial statements and notes to the financial statements to enhance their understanding of CEBCO's financial performance.

Financial Overview

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information.

The basic financial statements, which follow this section, provide both long-term and short-term information about CEBCO's financial status. CEBCO uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

The three basic financial statements presented are as follows:

- **Statement of Net Position** – This statement presents information reflecting CEBCO's assets, liabilities, and net position and is categorized into current and noncurrent assets and liabilities.
- **Statement of Revenue, Expenses, and Changes in Net Position** – This statement reflects operating and nonoperating revenue and expenses. Operating revenue consists primarily of premiums received net of reinsurance premiums paid, with the major sources of operating expenses being claims and claims adjustment expense, and general and administrative expenses. Nonoperating revenue and expenses consist primarily of investment activity.
- **Statement of Cash Flows** – This statement is presented on the direct method of reporting and reflects cash flows from operating, financing and investing 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.

In 2002, the County Commissioners Association of Ohio (CCAO) set out to establish a health benefits program for Ohio counties. The goal was to provide the highest quality yet most cost-effective medical and related benefits for county employees. CCAO funded and sponsored the development of the program, which would become CEBCO. CEBCO was incorporated as a non-profit, governmental health insurance pool on October 28, 2003. Operations and plan coverage officially began on January 1, 2004. On that date, CEBCO had six member counties. At December 31, 2022, CEBCO had a total of 42 member counties with medical, prescription drug, dental, and vision coverage and also provided insurance benefits for CCAO staff.

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

CEBCO is a self-funded, joint self-insurance consortium authorized pursuant to Section 9.833 of the Ohio Revised Code to offer medical, dental, vision, EAP, and prescription drug coverage. There are five standard PPO (Preferred Provider Organization) plans offered, along with five standard Prescription Drug Plans and three standard HDHP (High Deductible Health Plans) for the member counties to select from to create their benefit designs. In addition, counties may select one of our current legacy plans that is in effect for a current member county. Each county is assessed a fully insured equivalent rate on an annual basis, and premiums are paid into CEBCO monthly. Each county signs a three-year commitment to the CEBCO program with penalties assessed for early withdrawal.

In analyzing CEBCO's financial position, it is important to recognize the mission of CEBCO. From a financial perspective, CEBCO's core objective is to provide cost-effective and high-quality group medical and dental coverage for Ohio counties, including employee medical, prescription, dental, and vision benefits. CEBCO strives for stability in its premiums, so that counties can predict and manage their budgets.

Total estimated claims incurred for the policy year consist of claim payments and an estimate of claims incurred but not paid as determined by an independent actuary. The methods of making such estimates are reviewed by management and are made according to industry practice. Any changes to these estimates will have an impact on reported results of future periods.

CEBCO has purchased excess insurance coverage from a reinsurer to reduce its exposure to large specific losses. The excess insurance contract permits recovery of a portion of losses from the excess insurance carrier (Anthem), although it does not discharge the primary liability of CEBCO as direct insurer. For the years ended December 31, 2022, 2021, and 2020, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of \$700,000 per subscriber, except for one subscriber in 2021 and 2020 whose specific stop loss deductible amount was \$2,000,000, with no specific stop loss maximum. Management reviews the stop loss coverage every year to analyze the cost benefit of the coverage versus the premiums.

Approximately 85, 91, and 93 percent of total assets consist of cash and cash equivalents and investments at December 31, 2022, 2021, and 2020, respectively. CEBCO has significant rebate receivables each year, as rebates are paid several months after being earned. Approximately 82, 71, and 93 percent of total liabilities consist of the reserve for unpaid claims at December 31, 2022, 2021, and 2020, respectively. Approximately 94, 95, and 94 percent of total operating expenses consist of claims expenses at December 31, 2022, 2021, and 2020, respectively. CEBCO participates in a joint venture for shared facility costs and has no significant investments in capital assets. CEBCO carries no long-term debt. CEBCO's financial position is presented below:

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

	December 31		
	2022	2021	2020 As Restated
Current Assets			
Cash and cash equivalents	\$ 18,835,630	\$ 24,638,299	\$ 30,110,339
Investments	12,437,086	13,669,895	11,853,360
Rebate receivable	9,008,234	5,584,649	5,293,078
Other assets	2,353,447	1,454,798	399,009
Total current assets	<u>42,634,397</u>	<u>45,347,641</u>	<u>47,655,786</u>
Noncurrent Assets			
Investments	41,034,402	49,047,688	49,414,390
Other assets	1,240,113	1,234,709	1,232,498
Total noncurrent assets	<u>42,274,515</u>	<u>50,282,397</u>	<u>50,646,888</u>
Total assets	<u>84,908,912</u>	<u>95,630,038</u>	<u>98,302,674</u>
Liabilities			
Reserve for unpaid claims	21,624,000	19,597,000	16,820,000
Other liabilities	4,670,632	7,859,300	1,202,329
Total liabilities	<u>26,294,632</u>	<u>27,456,300</u>	<u>18,022,329</u>
Net Position - Unrestricted			
Net investment in capital assets	135,266	116,203	108,893
Unrestricted	58,479,014	68,057,535	80,171,452
Total net position	<u>\$ 58,614,280</u>	<u>\$ 68,173,738</u>	<u>\$ 80,280,345</u>

The following table shows the major components of income from operations:

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

	Year Ended December 31		
	2022	2021	2020 As Restated
Operating Revenue	\$ 217,577,381	\$ 200,394,178	\$ 185,108,089
Operating Expenses			
Provision for claims	208,688,473	203,550,290	171,529,640
Claims administration	7,690,866	5,991,171	6,852,515
Other general and administrative	5,190,570	4,374,313	3,790,964
Total operating expenses	221,569,909	213,915,774	182,173,119
Operating (Loss) Income	(3,992,528)	(13,521,596)	2,934,970
Nonoperating Revenue (Expenses)			
Interest and dividend income	1,726,973	1,416,795	1,628,025
Realized and unrealized gains (losses) on investments	(7,419,360)	108,292	2,584,563
Other nonoperating income/(expenses)	125,457	(110,098)	(88,716)
Total nonoperating income	(5,566,930)	1,414,989	4,123,872
Change in Net Position	\$ (9,559,458)	\$ (12,106,607)	\$ 7,058,842

Condensed Comparative Financial Highlights

- Reserve for unpaid claims increased by \$2,027,000 in 2022 from 2021 and increased by \$2,777,000 in 2021 from 2020. The increase in both 2022 and 2021 was primarily due to an increase in estimated incurred medical claims and an increase in lives covered with the addition of member counties.
- Overall, CEBCO's net position decreased by \$9,559,458 between 2021 and 2022 and decreased by \$12,106,607 between 2020 and 2021. The decrease in 2022 was mainly due to unrealized losses in the market value of CEBCO's investment portfolio, brought on by the rapid increase in interest rates and market volatility. The decrease in 2021 was mainly due to the planned use of member equity to reduce rates by \$10 million, which resulted in \$10 million less in premiums received to cover claims in 2021.
- Operating revenue, which represents premiums net of reinsurance premium expense, increased by \$17,183,203 in 2022 and \$15,286,089 in 2021. The increase in both years was mainly due to an increase in covered lives with the addition of new member counties, as well as medical, prescription drug, dental, and vision trend increases.

- Claims expenses were \$208,688,473, \$203,550,290, and \$171,529,640 for the years ended December 31, 2022, 2021, and 2020, respectively. The increases were the result of changes in membership and the number of covered lives in the program during those years, as well as inflation in health care costs.
- Nonoperating revenue decreased \$6,981,918 from 2021 to 2022 and decreased \$2,708,883 from 2020 to 2021. In both years, the decreases were due to interest rates rising rapidly, creating unrealized losses in fixed income securities and an overall decrease in investment returns.

Economic Factors and Trends

2022 was a return to a more stable claims environment in comparison to the previous two years. The CEBCO Board of Director's allocated \$10M in Member Equity for the year and the actual claims paid were almost \$10M less than premium collected. However, we received a significantly higher amount of Prescription rebates, which lowered our Operating Loss to a lower than expected number. However, due to the unexpected and unique Financial Market results for 2022, CEBCO had a significant loss of the Realized and Unrealized Investment Portfolio. Overall, our Net Position was slightly below target.

CEBCO added two new counties at the beginning of 2022 and will add four new counties in 2023. Three counties will join 1/1/23 and an additional county will join on 7/1/23, bringing total membership to 46 counties by the end of 2023. With the increased membership, CEBCO will serve over 14,000 employees and over 31,000 members. CEBCO continues to bring stable rates and excellent benefits to member counties.

With a return to a more stable claims environment, the CEBCO Board of Director's allocated a little over \$3M for the 2023 renewal, resulting in an overall increase of 6.7%. As the consortium grows larger, member equity's ability to lower rates for the pool diminishes and the board will monitor the amount used. There will be one new Pilot Program that the board approved for 2023. CEBCO will enter a partnership with Garner Health, an analytics company that gathers data and provides members with recommendation for providers that have a proven track record of lowering health care cost by the treatment plans and expertise that these providers use. If members use the recommended providers, they receive reimbursement for deductibles and out-of-pocket expenses. We will closely monitor this program before expanding to additional counties.

For 2023, we will monitor the impact of the overall U.S. inflation rate, as it should impact our claim experience.

Contacting CEBCO's Management

This financial report is designed to provide the users of CEBCO's services, governments, taxpayers and creditors with a general overview of the organization's finances. If you have questions about this report or need additional information, we welcome you to contact the Managing Director of Health and Wellness – 209 E State Street, Columbus, Ohio 43215.

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.

STATEMENT OF NET POSITION

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,835,630	\$ 24,638,299
Investments	12,437,086	13,669,895
Prepaid expenses	9,375	-
Interest receivable	231,492	229,052
Premiums receivable	1,051,240	470,014
Rebate receivable	9,008,234	5,584,649
Stop loss recovery receivable	132,023	104,343
Other receivable	<u>929,317</u>	<u>651,389</u>
Total current assets	42,634,397	45,347,641
Noncurrent assets:		
Funds on deposit	109,150	109,150
Investments	41,034,402	49,047,688
Investment in joint venture	995,697	1,009,356
Capital assets - Net of depreciation	<u>135,266</u>	<u>116,203</u>
Total noncurrent assets	<u>42,274,515</u>	<u>50,282,397</u>
Total assets	84,908,912	95,630,038
 Liabilities - Current		
Accounts payable	4,670,632	7,859,300
Reserve for unpaid claims	<u>21,624,000</u>	<u>19,597,000</u>
Total liabilities	<u><u>26,294,632</u></u>	<u><u>27,456,300</u></u>
 Equity - Net position		
Net investment in capital assets	135,266	116,203
Unrestricted	<u>58,479,014</u>	<u>68,057,535</u>
Total net position	<u><u>\$ 58,614,280</u></u>	<u><u>\$ 68,173,738</u></u>

Please see Notes to the Financial Statements.

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	Period Ending	
	December 31, 2022	December 31, 2021
Operating Revenue		
Premiums	\$ 221,381,351	\$ 203,563,389
Reinsurance premium expense	(3,803,970)	(3,169,211)
Total operating revenue	217,577,381	200,394,178
Operating Expenses		
Provision for claims		
Paid	206,661,473	200,773,290
Change in reserve for unpaid claims	2,027,000	2,777,000
Total claims expenses	208,688,473	203,550,290
Claims administration	7,690,866	5,991,171
General and administrative	2,355,461	1,940,248
Consulting and actuarial	856,538	669,143
Wellness program and grants	1,141,797	928,148
Commissions	796,304	806,427
Depreciation	40,470	30,347
Total operating expenses	221,569,909	213,915,774
Operating Gain/(Loss)	(3,992,528)	(13,521,596)
Nonoperating Revenue (Expenses)		
Interest and dividend income	1,726,973	1,416,795
Realized and unrealized (loss)/gain on investments	(7,419,360)	108,292
Other income	248,520	9,000
(Loss)/Gain on ownership interest in joint venture	(13,659)	(5,099)
Investment fees	(109,404)	(113,999)
Total nonoperating revenue/(expense)	(5,566,930)	1,414,989
Change in Net Position	(9,559,458)	(12,106,607)
Net Position - Beginning of year	68,173,738	80,280,345
Net Position - End of year	\$ 58,614,280	\$ 68,173,738

Please see Notes to the Financial Statements.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

STATEMENT OF CASH FLOWS

	Years Ended	
	December 31, 2022	December 31, 2021
Cash Flows from Operating Activities		
Cash received for premiums and other	\$ 220,749,563	\$ 203,130,781
Cash paid for claims and claims administration	(221,201,446)	(201,018,547)
Cash paid to vendors for services and goods	(4,941,234)	(4,364,010)
Cash paid for excess insurance	(3,803,970)	(3,169,211)
	(9,197,087)	(5,420,987)
Net cash provided by operating activities	(9,197,087)	(5,420,987)
Cash Flows from Capital Activities		
Cash paid for capital asset	(64,530)	(37,657)
Cash received on sale of capital asset	26,700	9,000
	(37,830)	(28,657)
Net cash provided by capital activities	(37,830)	(28,657)
Cash Flows from Investment Activities		
Purchases of investment securities	(10,759,843)	(14,024,410)
Sales and maturities of investment securities	12,942,638	12,856,225
Interest income received from investments and cash equivalents	1,368,703	1,251,704
Investment fees paid	(119,250)	(105,915)
	3,432,248	(22,396)
Net cash provided by investing activities	3,432,248	(22,396)
Net Increase in Cash and Cash Equivalents	(5,802,669)	(5,472,040)
Cash and Cash Equivalents - Beginning of year	24,638,299	30,110,339
Cash and Cash Equivalents - End of year	\$ 18,835,630	\$ 24,638,299
A reconciliation of operating income/(loss) to net cash provided by operating activities is as follows:		
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating Gain/(Loss)	(3,992,528)	(13,521,595)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	40,470	30,347
Changes in assets and liabilities:		
Reserve for unpaid claims	2,027,000	2,777,000
Premium receivable	(581,226)	(415,313)
Other receivable	(3,502,606)	(948,437)
Unearned premiums	-	(17,295)
Accounts payable	(3,188,197)	6,674,306
	(9,197,087)	(5,420,987)
Net cash provided by operating activities	\$ (9,197,087)	\$ (5,420,987)
Noncash Investing Activities - Net unrealized gains/(losses) and amortization on investments	\$ (5,233,041)	\$ (134,442)

Please see Notes to the Financial Statements.

NOTE 1 – NATURE OF BUSINESS

The County Employee Benefits Consortium of Ohio, Inc. (CEBCO) is an Ohio non-profit organization formed by the County Commissioners Association of Ohio (CCAO) to provide cost effective employee benefit programs for Ohio county governments. CEBCO is a self-funded, group purchasing consortium that offers medical, dental, vision, and prescription drug coverage. Various plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit copays, and out-of-pocket maximums. CEBCO is governed by a Board of Directors comprised mainly of representatives of counties that participate in the program. CEBCO was incorporated as a governmental health insurance pool on October 28, 2003. Operations and plan coverage officially began on January 1, 2004.

Members sign a three-year commitment to CEBCO. Premiums are paid on a monthly basis. Pursuant to participation agreements with CEBCO, each member agrees to pay all funding rates associated with the coverage it elects; as such funding rates are set and billed to the members by CEBCO. The assigned funding rates consist of the following components: administrative fees, stop loss fees, expected claim costs, and reserves. Reserves are actuarially determined and allocated based on expected claim activity. Rates are calculated to cover the administrative expenses and expected claims costs of the program.

CEBCO utilizes claims administration services through Anthem Blue Cross and Blue Shield for medical and prescription coverage, Delta Dental for dental coverage, and VSP for vision coverage.

As of December 31, 2022, 42 Ohio counties were members of CEBCO as medical coverage participants. During 2022, two new counties joined CEBCO and no counties withdrew from CEBCO. As of December 31, 2021, 40 Ohio counties were members of CEBCO as medical coverage participants, and one member subscribed to dental and vision coverage only. During 2021, one new county joined CEBCO and no counties withdrew from CEBCO. In both years, CCAO's employees were also covered under CEBCO's medical, prescription, dental, and vision coverage.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - CEBCO follows all applicable GASB pronouncements. The accompanying financial statements are presented using the accrual method of accounting.

CEBCO distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with CEBCO's principal ongoing operations. The principal operating revenue relates to premiums. Operating expenses include the provision for claims, cost of services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents - CEBCO considers all investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of funds in interest-bearing checking accounts and short-term money market securities.

Investments - Investments consist of bonds, mutual funds and equities which are stated at fair value. Investment income, including changes in the fair value of investments, is recognized as nonoperating revenue in the statement of revenue, expenses, and changes in net position.

Premium Revenue and Unearned Premiums - Premiums are paid monthly by participating entities and are recognized as revenue over the policy period. Receivables are recorded when earned. Premiums collected in advance of applicable coverage periods are classified as unearned premiums.

CEBCO applied a flat amount of \$10,000,000 from net position in 2022 and 2021 to lower the medical and prescription premium rates. The amount used in each year was determined by approval of the board of directors.

Rebates – Prescription rebates are recorded as a reduction in claims expense in the year that they are earned. The amount of rebates earned in 2022 that reduced the claims expense in that year was \$20,230,897. The amount of rebates earned in 2021 that reduced the claims expense in that year was \$12,609,770.

Reserve for Unpaid Claims - CEBCO's reserve for unpaid claims is determined using actuarial analysis and is computed in accordance with accepted loss reserving standards. The reserve represents an estimate of the ultimate net cost of all claims incurred which were unpaid at December 31, 2022 and 2021. This includes an estimate of claims incurred but not yet paid as of December 31, 2022 and 2021.

Although CEBCO considers its experience and industry data in determining such reserves, assumptions and projections as to future events are necessary and ultimate losses may differ significantly from amounts projected. The effects of changes in reserve estimates are included in the statements of revenue, expenses, and changes in net position in the period in which estimates are changed. Reserves are not discounted.

Capital Assets - CEBCO's capital assets, which consist of automobiles and furniture and equipment, are reported at cost net of depreciation. All capital assets are depreciated using the straight-line method of depreciation. Furniture and equipment are depreciated over three to five years and vehicles are depreciated over five years. Costs of maintenance and repairs are charged to expense when incurred.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Risk Management - CEBCO is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The County Risk Sharing Authority (CORSA), a property and liability risk sharing pool sponsored by CCAO, provides general liability, errors and omissions liability, property, and crime coverage to CEBCO. CEBCO also utilizes outside Directors and Officer coverage through Certain Underwriters at Lloyds, London. Since CCAO, along with its related corporations, are members of CEBCO, the medical and dental coverage for CCAO employees is provided by CEBCO. Settled claims relating to the above insurance coverages have not exceeded the amount of insurance coverage for each of the last three years.

Net Position - Net position represents the difference between assets and liabilities in the statement of net position. Net position is reported as unrestricted, net investment in capital assets, or restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws, or regulations of other governments. At the discretion of the board of directors, net position may be designated for CEBCO's contingency reserve fund. The contingency reserve fund is to be used only in cases of unexpected and unusually high claims payments, or when claims are such that a deficit is created in the claims fund. The contingency reserve fund is not to be used for wellness initiatives or to reduce premiums. The value of the contingency reserve fund will fluctuate based on changes in the fair market value of the investments held within the contingency reserve investment accounts. At December 31, 2022 and 2021, the net position designated for the contingency reserve fund totaled \$14,259,518 and \$14,862,182, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates exist relating to the valuation of investments and the reserve for unpaid claims as described in Notes 3 and 4, respectively.

Tax Status - CEBCO's income is exempt from taxation under Internal Revenue Code Section 115. Accordingly, no provision for income taxes is reflected in the financial statements.

Premium Deficiency - Anticipated investment income is considered in determining if a premium deficiency exists. No premium deficiency reserve was required at December 31, 2022 or 2021.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events - CEBCO has evaluated events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is May 26, 2022.

NOTE 3 – DEPOSITS AND INVESTMENTS

CEBCO's investment policy authorizes CEBCO to make investments in the following allowable assets: cash equivalents (U.S. Treasury Bills, money market funds, commercial paper, repurchase agreements, and certificates of deposit), fixed income securities of all investment grade quality (including U.S. government and agency securities, mortgage-related obligations, U.S. corporate debt securities, and asset backed securities), real estate investments which include ownership interests in office property or in companies whose sole asset is office property, risk assets (U.S. listed stocks, U.S. high yield bonds, international equities, and bank loans), and mutual funds and/or exchange traded funds.

CEBCO's investments are held in CEBCO's name. CEBCO has designated Huntington Bank, Principal, and Vanguard for deposit of its funds. Asset Allocation and Management Company, LLC acts as the fixed-income portfolio manager.

CEBCO's cash and investments are subject to several types of risk, which are examined in more detail below:

Deposits - Cash and cash equivalents include operating and claims checking accounts, money market accounts and funds and an insured cash sweep fund. Cash and cash equivalents totaled \$18,835,630 and \$24,638,299 at December 31, 2022 and 2021, respectively.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, CEBCO's deposits may not be returned to it. CEBCO does not have a deposit policy for custodial credit risk. At year end, CEBCO had bank deposits of \$18,835,630. Of this amount, \$11,164,411 was insured by the Federal Depository Insurance Corporation (FDIC). CEBCO believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, CEBCO evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments - Investments are reported at fair value. On December 31, 2022 and 2021, CEBCO had the following investments:

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

	Fair Value	
	2022	2021
Fixed-income securities	\$ 39,515,966	\$ 47,039,347
Equities	9,759,135	11,217,531
Mutual Funds	4,196,387	4,460,705
Total Investments	\$ 53,471,488	\$ 62,717,583

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. Interest rate risk is primarily managed by establishing guidelines for portfolio duration and average maturity. CEBCO's investment policy stipulates that CEBCO's bond portfolio must have an average maturity of 10 years or less.

At December 31, 2022, CEBCO had the following average maturities of fixed-income securities:

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury securities	\$ 4,431,091	3.94
Asset-backed securities	3,719,862	1.40
Corporate bonds	15,784,299	5.66
Mutual Funds - High yield bonds	2,120,751	5.60
Mutual Funds - Bank loans	2,075,636	4.69
Mortgage-backed/Collateralized mortgage-backed securities	10,537,831	4.54
Municipal bonds	5,042,882	4.81
Total	<u>\$ 43,712,352</u>	

At December 31, 2021, CEBCO had the following average maturities of fixed-income securities:

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury securities	\$ 4,880,090	5.02
Asset-backed securities	3,307,397	1.68
Corporate bonds	20,032,447	5.72
Mutual Funds - High yield bonds	2,329,792	4.80
Mutual Funds - Bank loans	2,130,913	5.15
Mortgage-backed/Collateralized mortgage-backed securities	13,652,786	3.88
Municipal bonds	5,166,627	4.67
Total	<u>\$ 51,500,052</u>	

Credit Risk - Credit risk is the risk that an issuer to an investment will not fulfill its obligations.

At December 31, 2022, the credit quality ratings of fixed-income securities by type are as follows:

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Investment	Fair Value	Rating	Rating Organization
Asset-backed securities	\$ 2,084,890	Aaa	Moody's
	88,987	A2	Moody's
	1,545,985	AAA	S&P
Total	<u>\$ 3,719,862</u>		
Corporate bonds	\$ 357,376	Aaa	Moody's
	897,607	Aa3	Moody's
	1,591,671	A1	Moody's
	2,396,557	A2	Moody's
	2,947,989	A3	Moody's
	161,962	Ba1	Moody's
	2,842,073	Baa1	Moody's
	2,563,862	Baa2	Moody's
	1,716,672	Baa3	Moody's
	72,628	BBB	Fitch
	235,902	BBB	Kroll
	-		
Total	<u>\$ 15,784,299</u>		
U.S. Treasury securities	<u>\$ 4,431,091</u>	Aaa	Moody's
Mortgage-backed/collateralized mortgage-backed securities	\$ 415,645	AAA	S&P
	9,854,940	Aaa	Moody's
	267,246	NA	
Total	<u>\$ 10,537,831</u>		
Municipal bonds	\$ 1,068,181	Aaa	Moody's
	1,591,739	Aa1	Moody's
	656,383	Aa2	Moody's
	214,472	Aa3	Moody's
	253,493	A1	Moody's
	239,793	AA	S&P
	411,364	AAA	S&P
	607,457	AA+	S&P
Total	<u>\$ 5,042,882</u>		
Mutual Funds - High yield bonds	<u>\$ 2,120,751</u>	BB	Moody's
Mutual Funds - Bank loans	<u>\$ 2,075,636</u>	B	S&P

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

At December 31, 2021, the credit quality ratings of fixed-income securities by type are as follows:

Investment	Fair Value	Rating	Rating Organization
Asset-backed securities	\$ 2,048,076	Aaa	Moody's
	1,259,321	AAA	S&P
Total	<u>\$ 3,307,397</u>		
Corporate bonds	\$ 150,994	Aaa	Moody's
	101,506	Aa2	Moody's
	2,083,083	Aa3	Moody's
	1,428,852	A1	Moody's
	2,777,871	A2	Moody's
	4,008,419	A3	Moody's
	3,383,874	Baa1	Moody's
	4,182,563	Baa2	Moody's
	1,586,323	Baa3	Moody's
	86,637	BBB	Fitch
	180,375	BBB	Kroll
	61,950	BBB+	Kroll
Total	<u>\$ 20,032,447</u>		
U.S. Treasury securities	<u>\$ 4,880,090</u>	Aaa	Moody's
Mortgage-backed/collateralized mortgage-backed securities	\$ 846,096	AAA	S&P
	12,806,690	Aaa	Moody's
Total	<u>\$ 13,652,786</u>		
Municipal bonds	\$ 897,913	Aaa	Moody's
	1,543,169	Aa1	Moody's
	1,075,443	Aa2	Moody's
	548,335	A1	Moody's
	88,335	AA	S&P
	488,043	AAA	S&P
	525,389	AA+	S&P
Total	<u>\$ 5,166,627</u>		
Mutual Funds - High yield bonds	<u>\$ 2,329,792</u>	Ba	Moody's
Mutual Funds - Bank loans	<u>\$ 2,130,913</u>	B	S&P

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk - Excluding investments issued or guaranteed by the U.S. government, there were no investments that individually exceeded 5 percent of CEBCO's total investments at December 31, 2022 and 2021, respectively.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. CEBCO's investment policy does not address foreign currency risk. CEBCO has no investments subject to foreign currency risk.

NOTE 4 – RESERVE FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

The reserve for claims incurred but not reported is estimated by an independent actuary based upon CEBCO's historical experience of claims incurred prior to December 31, 2022.

The estimates reflect the best judgment as to the potential for claims to increase beyond the amounts already paid. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments to these amounts will affect the reported results of future periods.

The following table represents changes in the reserve for unpaid claims for CEBCO for the years ended December 31, 2022, 2021, and 2020, respectively:

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

**NOTE 4 – RESERVE FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES
(continued)**

	2022	2021	2020 As Restated
Reserves for Unpaid Claims and Claim Adjustment Expenses - Beginning of year	\$ 19,597,000	\$ 16,820,000	\$ 15,996,000
Incurred Claims and Claim Adjustment Expenses			
Provision for claims incurred in current year	210,537,112	205,174,852	169,707,541
Change in provision for claims incurred in prior years	(1,848,639)	(1,624,562)	1,822,099
Total incurred claims and claim adjustment expenses	208,688,473	203,550,290	171,529,640
Payments			
Claims and claim adjustment expenses paid for claims incurred in current year	188,913,112	185,577,852	152,887,541
Claims and claim adjustment expenses paid for claims incurred in prior years	17,748,361	15,195,438	17,818,099
Total payments	206,661,473	200,773,290	170,705,640
Reserves for Unpaid Claims and Claim Adjustment Expenses - End of year	\$ 21,624,000	\$ 19,597,000	\$ 16,820,000

Reserves for unpaid claims and claim adjustment expenses attributable to insured events in prior years changed as a result of re-estimation of unpaid claims and claim adjustment expenses. This change is generally a result of ongoing analysis of claims paid for prior year incurred events. Original estimates are increased or decreased as additional information becomes known regarding claims payments.

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2022 and 2021

NOTE 5 – EXCESS INSURANCE COVERAGE

CEBCO has obtained specific excess insurance coverage from a reinsurer to reduce its exposure to large specific losses. The excess insurance contract permits recovery of a portion of losses from the excess insurance carrier, although it does not discharge the primary liability of CEBCO as direct insurer of the risks reinsured. For the years ended December 31, 2022 and 2021, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of \$700,000 per subscriber, with the exception in 2021 of one subscriber whose specific stop loss deductible amount was \$2,000,000, with no specific stop loss maximum. Premiums under this contract during the years ended December 31, 2022 and 2021 totaled \$3,803,970 and \$3,169,211, respectively.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2022 and 2021 was as follows:

	Balance January 1, 2022	Additions	Retirements	Balance December 31, 2022
Furniture and equipment	\$ 20,795	\$ -	\$ -	\$ 20,795
Vehicles	190,670	74,530	(63,582)	201,618
Subtotal	211,465	74,530	(63,582)	222,413
Less Accumulated Depreciation:				
Furniture and equipment	20,795	-	-	20,795
Vehicles	74,467	40,470	(48,585)	66,352
Subtotal	95,262	40,470	(48,585)	87,147
Net capital assets	<u>\$ 116,203</u>	<u>\$ 34,060</u>	<u>\$ (14,997)</u>	<u>\$ 135,266</u>

	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021
Furniture and equipment	\$ 20,795	\$ -	\$ -	\$ 20,795
Vehicles	182,228	37,657	(29,215)	190,670
Subtotal	203,023	37,657	(29,215)	211,465
Less Accumulated Depreciation:				
Furniture and equipment	20,795	-	-	20,795
Vehicles	73,335	30,347	(29,215)	74,467
Subtotal	94,130	30,347	(29,215)	95,262
Net capital assets	<u>\$ 108,893</u>	<u>\$ 7,310</u>	<u>\$ -</u>	<u>\$ 116,203</u>

Depreciation expense was \$40,470 and \$30,347 in the years ended December 31, 2022 and 2021, respectively.

NOTE 7 – JOINT VENTURE

During 2008, CEBCO entered into a joint venture with CORSA and CCAO to form County Governance Facility, LLC. CEBCO owns 33.3 percent of this joint venture. County Governance Facility, LLC, was formed to improve, operate, and otherwise manage the company property located at 209 East State Street, Columbus, Ohio 42315. During 2008, CEBCO contributed \$1,000,000 to fund their portion of the joint venture. During 2012, CEBCO contributed an additional \$58,291 to County Governance Facility, LLC, for capital improvements on the property. During 2020, CEBCO contributed an additional \$100,000 to County Governance Facility, LLC for capital improvements of the property. CEBCO's interest in the County Governance Facility, LLC at December 31, 2022 and 2021 was \$995,697 and \$1,009,356, respectively. CEBCO accounts for the investment under the equity method.

NOTE 8 – RELATED PARTY TRANSACTIONS

CEBCO and its property and liability counterpart, CORSA, were created by the County Commissioners Association of Ohio (CCAO) to provide insurance for county employees. The three entities share office space, services, and operating expenses, which include salaries, telephone service, internet service, supplies, postage, and subscriptions. CCAO pays for most of these services, and CORSA and CEBCO pay CCAO for their portion based on an allocation approved by all three boards of directors. All staff who work on behalf of CEBCO are employed by CCAO. Other shared services include health care coverage provided by CEBCO, property and liability coverage provided by CORSA, and additional external directors and officers coverage. Investment consulting and management services are shared between CEBCO and CORSA. The amount paid to CCAO by CEBCO for shared services and reimbursements was \$1,425,832 and \$1,347,935 for December 31, 2022 and 2021, respectively. The amount paid for investment and insurance expenses by CEBCO to CORSA was \$129,971 and \$113,830 for December 31, 2022 and 2021, respectively.

NOTE 9 – FAIR VALUE MEASUREMENT

CEBCO 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. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 9 – FAIR VALUE MEASUREMENT (continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. CEBCO’s assessment of the significance of the particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 are as follows:

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance at December 31, 2021
Debt securities:				
Mutual Funds - High yield bonds	\$ 2,120,751	\$ -	\$ -	\$ 2,120,751
Mutual Funds - Bank loans	2,075,636			2,075,636
Asset-backed securities	-	3,719,862	-	3,719,862
Corporate bonds	-	15,784,299	-	15,784,299
U.S. Treasury securities	4,431,091	-	-	4,431,091
Mortgage-backed/collateralized mortgage securities	-	10,537,831	-	10,537,831
Municipal bonds	-	5,042,882	-	5,042,882
Total debt securities	\$ 8,627,479	\$ 35,084,874	\$ -	\$ 43,712,353
Equity securities	9,759,135	-	-	9,759,135
Total	\$ 18,386,614	\$ 35,084,874	\$ -	\$ 53,471,488

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 are as follows:

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance at December 31, 2021
Debt securities:				
Mutual Funds - High yield bonds	\$ 2,329,792	\$ -	\$ -	\$ 2,329,792
Mutual Funds - Bank loans	2,130,913			2,130,913
Asset-backed securities	-	3,307,397	-	3,307,397
Corporate bonds	-	20,032,447	-	20,032,447
U.S. Treasury securities	4,880,090	-	-	4,880,090
Mortgage-backed/collateralized mortgage securities	-	13,652,786	-	13,652,786
Municipal bonds	-	5,166,627	-	5,166,627
Total debt securities	\$ 9,340,795	\$ 42,159,257	\$ -	\$ 51,500,052
Equity securities	11,217,531	-	-	11,217,531
Total	\$ 20,558,326	\$ 42,159,257	\$ -	\$ 62,717,583

NOTE 9 – FAIR VALUE MEASUREMENT (continued)

The fair value of U.S. Treasury securities and mutual funds are determined primarily using prices quoted in active markets and are classified as Level 1.

The fair value of asset-backed securities, corporate bonds, mortgage-backed/collateralized mortgage obligations, and municipal bonds are determined primarily by using other observable inputs, such as quoted prices for identical or similar assets in markets that are not active, contractual cash flows, credit spreads, and interest rates and yield curves that are observable at commonly quoted intervals. These fair values are classified as Level 2.

NOTE 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 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 CEBCO. The impact on CEBCO's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. CEBCO's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

REQUIRED SUPPLEMENTARY INFORMATION

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CLAIMS DEVELOPMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Required contribution and investment and other revenue										
Earned	112,861,904	139,032,206	151,284,450	172,111,301	160,812,466	161,231,171	171,030,765	192,437,716	205,092,377	215,923,825
Ceded	1,059,623	1,827,829	2,704,190	3,203,896	3,387,582	3,615,844	4,228,185	3,087,664	3,169,211	3,803,970
Net earned	<u>111,802,281</u>	<u>137,204,377</u>	<u>148,580,260</u>	<u>168,907,405</u>	<u>157,424,884</u>	<u>157,615,327</u>	<u>166,802,579</u>	<u>189,350,052</u>	<u>201,923,166</u>	<u>212,119,855</u>
2. Unallocated expenses	6,642,977	8,799,834	9,743,953	10,538,564	9,631,694	9,605,215	10,693,585	10,761,570	10,479,483	12,990,840
3. Estimated claims and expenses, end of policy year:										
Incurred	110,146,663	135,352,475	149,825,654	165,050,114	147,637,396	153,361,975	159,649,660	176,191,715	206,278,149	213,955,438
Ceded	5,163,900	3,979,604	3,491,747	2,561,815	2,827,327	8,786,916	2,329,891	6,484,174	1,103,317	3,418,326
Net incurred	<u>104,982,763</u>	<u>131,372,871</u>	<u>146,333,907</u>	<u>162,488,299</u>	<u>144,810,069</u>	<u>144,575,060</u>	<u>157,319,769</u>	<u>169,707,541</u>	<u>205,174,832</u>	<u>210,537,112</u>
4. Net paid claims as of:										
End of policy year	92,630,140	116,840,171	130,130,005	147,181,099	132,393,069	130,412,060	141,315,769	152,887,541	185,577,852	188,913,112
One year later	103,064,992	127,039,972	141,308,869	157,289,113	142,904,501	140,733,354	159,055,102	168,110,001	203,097,909	
Two years later	103,469,596	127,155,501	141,628,681	157,254,745	142,997,419	140,812,120	159,010,267	168,338,607		
Three years later	103,467,457	127,161,862	141,577,347	157,317,850	142,997,419	140,829,933	159,010,075			
Four years later	103,467,457	127,172,217	141,580,929	157,317,850	142,997,419	140,829,933				
Five years later	103,467,457	127,169,333	141,580,929	157,317,850	142,997,419					
Six years later	103,468,179	127,169,333	141,580,929	157,317,850						
Seven years later	103,468,179	127,169,333	141,580,929							
Eight years later	103,468,179	127,169,333								
Nine years later	103,468,179									
5. Re-estimated ceded claims and expenses	5,776,358	4,081,771	3,568,983	2,829,206	3,067,925	9,140,400	2,896,647	6,484,174	1,103,317	3,418,326
6. Re-estimated net incurred claims and expense, as of:										
End of policy year	104,982,763	131,372,871	146,333,907	162,488,299	144,810,069	144,575,060	157,311,769	169,707,541	205,174,832	210,537,112
One year later	103,064,992	127,039,971	141,308,869	157,289,113	142,904,501	140,733,354	159,055,102	168,110,001	203,097,909	
Two years later	103,469,596	127,155,501	141,628,681	157,254,745	142,997,419	140,812,120	159,010,267	168,338,607		
Three years later	103,467,457	127,161,862	141,577,347	157,317,850	142,997,419	140,829,933	159,010,075			
Four years later	103,467,457	127,172,217	141,580,929	157,317,850	142,997,419	140,829,933				
Five years later	103,467,457	127,169,333	141,580,929	157,317,850	142,997,419					
Six years later	103,468,179	127,169,333	141,580,929	157,317,850						
Seven years later	103,468,179	127,169,333	141,580,929							
Eight years later	103,468,179	127,169,333								
Nine years later	103,468,179									
7. Increase (decrease) in estimated incurred claims from original estimate	(1,514,584)	(4,203,538)	(4,752,978)	(5,170,449)	(1,812,650)	(3,745,127)	1,698,306	(1,368,934)	(2,076,923)	0

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
REQUIRED SUPPLEMENTARY INFORMATION
RECONCILIATION OF RESERVE FOR UNPAID CLAIMS BY TYPE OF CONTRACT
FOR THE YEAR ENDED DECEMBER 31, 2022**

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2022: employee medical, pharmacy, dental, and vision benefits.

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
Reserves for unpaid claims and claims expenses - beginning of year	\$ 19,526,000	\$ -	\$ 57,000	\$ 14,000	\$ 19,597,000
Plus: Incurred claims and claims expenses					
Provision for claims incurred in the current year	180,324,867	27,111,577	2,775,841	324,827	210,537,112
Change in provision for claims incurred in prior years	<u>(1,847,235)</u>	<u>-</u>	<u>(1,055)</u>	<u>(349)</u>	<u>(1,848,639)</u>
Total Incurred	178,477,632	27,111,577	2,774,786	324,478	208,688,473
Less: Payments					
Claims and claims expenses paid for claims incurred in current year	158,779,867	27,111,577	2,718,841	302,827	188,913,112
Claims and claims expenses paid for claims incurred in prior years	<u>17,678,765</u>	<u>-</u>	<u>55,945</u>	<u>13,651</u>	<u>17,748,361</u>
Total Payments	176,458,632	27,111,577	2,774,786	316,478	206,661,473
Reserves for unpaid claims and claims expenses - end of year	<u>\$ 21,545,000</u>	<u>\$ -</u>	<u>\$ 57,000</u>	<u>\$ 22,000</u>	<u>\$ 21,624,000</u>

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2021: employee medical, pharmacy, dental, and vision benefits.

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
Reserves for unpaid claims and claims expenses - beginning of year	\$ 16,735,000	\$ -	\$ 73,000	\$ 12,000	\$ 16,820,000
Plus: Incurred claims and claims expenses					
Provision for claims incurred in the current year	167,392,062	34,869,719	2,620,143	292,928	205,174,852
Change in provision for claims incurred in prior years	<u>(1,606,992)</u>	<u>-</u>	<u>(16,620)</u>	<u>(950)</u>	<u>(1,624,562)</u>
Total Incurred	165,785,070	34,869,719	2,603,523	291,978	203,550,290
Less: Payments					
Claims and claims expenses paid for claims incurred in current year	147,866,062	34,869,719	2,563,143	278,928	185,577,852
Claims and claims expenses paid for claims incurred in prior years	<u>15,128,008</u>	<u>-</u>	<u>56,380</u>	<u>11,050</u>	<u>15,195,438</u>
Total Payments	162,994,070	34,869,719	2,619,523	289,978	200,773,290
Reserves for unpaid claims and claims expenses - end of year	<u>\$ 19,526,000</u>	<u>\$ -</u>	<u>\$ 57,000</u>	<u>\$ 14,000</u>	<u>\$ 19,597,000</u>

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2020, as restated: employee medical, pharmacy, dental, and vision benefits

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
Reserves for unpaid claims and claims expenses - beginning of year	\$ 15,386,000	\$ 538,000	\$ 61,000	\$ 11,000	\$ 15,996,000
Plus: Incurred claims and claims expenses					
Provision for claims incurred in the current year	136,819,589	30,479,443	2,167,154	241,355	169,707,541
Change in provision for claims incurred in prior years	<u>2,534,795</u>	<u>(693,417)</u>	<u>(9,830)</u>	<u>(9,449)</u>	<u>1,822,099</u>
Total Incurred	139,354,384	29,786,026	2,157,324	231,906	171,529,640
Less: Payments					
Claims and claims expenses paid for claims incurred in current year	120,084,589	30,479,443	2,094,154	229,355	152,887,541
Claims and claims expenses paid for claims incurred in prior years	<u>17,920,795</u>	<u>(155,417)</u>	<u>51,170</u>	<u>1,551</u>	<u>17,818,099</u>
Total Payments	138,005,384	30,324,026	2,145,324	230,906	170,705,640
Reserves for unpaid claims and claims expenses - end of year	<u>\$ 16,735,000</u>	<u>\$ -</u>	<u>\$ 73,000</u>	<u>\$ 12,000</u>	<u>\$ 16,820,000</u>

**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**

County Employee Benefits Consortium of Ohio, Inc.
Franklin County
209 East State Street
Columbus, Ohio 43215

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States 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 County Employee Benefits Consortium of Ohio, Inc., Franklin, (CEBCO) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise CEBCO's basic financial statements and have issued our report thereon dated May 26, 2023. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of CEBCO.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CEBCO'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CEBCO's internal control. Accordingly, we do not express an opinion on the effectiveness of CEBCO'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 CEBCO'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.

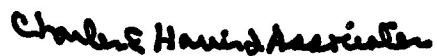
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CEBCO'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 determination of 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 CEBCO's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CEBCO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
May 26, 2023

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OHIO AUDITOR OF STATE KEITH FABER



COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO

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 7/18/2023

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