

HEALTH TRANSIT POOL OF OHIO
MEDINA COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Health Transit Pool of Ohio
1 Park Center Drive #300
Wadsworth, Ohio 44281

We have reviewed the *Independent Auditor's Report* of the Health Transit Pool of Ohio, Medina County, prepared by Rea & Associates, Inc., for the audit period January 1, 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 Health Transit Pool of Ohio 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 25, 2023

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

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Health Transit Pool of Ohio, Medina County, Ohio, (Health TP) as of and for the fiscal years ended December 31, 2021 and 2022, and the related notes to the financial statements, which collectively comprise OTRP's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 Health TP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplemental information as listed in the table of contents, to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2023 on our consideration of the Health TP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health TP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health TP's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
June 21, 2023

Health Transit Pool of Ohio
Medina County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2022 and 2021

This section of Health Transit Pool of Ohio's (Health TP) annual financial report presents management's overview discussion and analysis of Health TP's financial performance during the years ended December 31, 2022 and 2021. Please read it in conjunction with Health TP's financial statements, which immediately follow this section.

Introduction

In 2013, the Health TP set out to establish a health benefits program with eligibility for any Public Transit operating under Ohio statutory authority. The purpose of the Health TP is to offer a cost-effective alternative to the commercial market for medical, dental, vision, life and prescription drug coverage in addition to providing the corresponding risk management services. Health TP achieves these goals through group purchasing, self-insurance and the pooling of risk. Membership in Health TP is comprised exclusively of Ohio Political Subdivisions, Regional Transit Authorities, County Transit Boards, and other Ohio County Transit operations.

Health TP executed by-laws effective November 1, 2013, and is an Ohio Nonprofit Corporation authorized and governed pursuant to Section 9.833 of the Ohio Revised Code. The formation of Health TP was funded by the three founding members, METRO Regional Transit Authority (Akron), Stark Area Regional Transit Authority (Canton) and Toledo Area Regional Transit Authority (Toledo). In 2016, two additional members joined the pool; Portage Area Regional Transportation Authority (PARTA) and Western Reserve Transit Authority (Youngstown). LAKETRAN joined the pool in 2018. In 2021, Butler County Regional Transit Authority (BCRTA) joined the pool as part of the new small member group. METRO Regional Transit Authority (Akron) voted to withdraw from the Pool effective January 1, 2022.

Using this Annual Report

Health TP operates as a proprietary enterprise fund and as such uses full accrual accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recognized when incurred. Health TP is not legally required to adopt a budget; however, under the by-laws the Health TP Board adopts a budget each year to monitor all expenses of the pool. Budget comparisons are not required for Health TP and therefore are not presented as required supplementary information in this report.

Financial Overview

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

The three basic financial statements presented are as follows:

Statements of Net Position – This statement represents Health TP's position as of the periods ending December 31, 2022 and 2021. Information is presented about assets and liabilities with net position presented as the difference between the two. More detailed information is available in the accompanying financial statements.

Health Transit Pool of Ohio
Medina County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2022 and 2021

Statements of Revenue, Expenses, and Changes in Net Position - This statement reflects the operating and nonoperating revenue and expenses for the periods ending December 31, 2022 and 2021. Operating revenue consists primarily of member contributions, with the major sources of operating expenses being IBNR and claims/loss expense.

Statements of Cash Flows - This statement is presented on the direct method of reporting and reflects cash flows from operating activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the periods ended December 31, 2022 and 2021.

Condensed Financial Information

The following tables present the summarized financial position for Health TP on December 31, 2022 and 2021. In addition to net position, when assessing the overall health of Health TP, the reader needs to consider other nonfinancial factors such as the legal climate in the state, the general state of the financial markets, and the level of risk prevention undertaken by Health TP and its members. Summarized financial information is as follows:

Condensed Statement of Net Position

	2022	2021	2020
Assets			
Cash	\$ 4,888,085	\$ 4,542,205	\$ 4,398,583
Other Current Assets	1,148,350	1,319,355	1,936,628
Total Assets	6,036,435	5,861,560	6,335,211
 Liabilities	 6,454,549	 6,224,543	 7,779,454
 Net Position			
Unrestricted	\$ (418,114)	\$ (362,983)	\$ (1,444,243)

Currently Health TP holds no investments other than cash. Other assets include accounts receivable and prepaids which decreased significantly from 2021 and 2022 largely due to a members' outstanding balance owed for claims.

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

Accounts payable increased from 2021 to 2022 due to the timing of payments. The Health TP's reserves for unpaid claims is based on actuarial data and fluctuates with claims experience. The timing of member collections at year-end explains the volatility of unearned revenue over the three year period, which also contributed to the increase in cash as 2023 premiums were received before December 31 and are being held for future claims.

Health Transit Pool of Ohio
Medina County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2022 and 2021

Reserves for Claims

Health TP utilized United Health Care to adjust and pay medical claims. Reserves are established for the estimated amount that will be paid at some future date to settle the loss. Reserves are also established for claims that have occurred, but are not yet known to Health TP and for reported claims that are expected to develop (IBNR). Risk Management Associates (RMA) conducts an independent actuarial analysis to determine a funding rate and the adequacy and reasonableness of these reserves.

Condensed Statement of Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues			
Membership Contributions	\$ 16,591,987	\$ 24,381,595	\$ 20,070,710
Member Claims Expense	(12,501,828)	(18,412,856)	(16,524,312)
Reinsurance/Stop-Loss Insurance Premiums	<u>(1,982,323)</u>	<u>(2,255,777)</u>	<u>(1,749,100)</u>
Total Net Operating Revenues	<u>2,107,836</u>	<u>3,712,962</u>	<u>1,797,298</u>
Operating Expenses			
IBNR and Claims/Loss Expense	1,943,321	2,272,015	2,517,650
General and Administrative Expenses	<u>219,646</u>	<u>359,687</u>	<u>324,618</u>
Total Operating Expenses	<u>2,162,967</u>	<u>2,631,702</u>	<u>2,842,268</u>
Operating Income / (Loss)	(55,131)	1,081,260	(1,044,970)
Net Position at Beginning of Year	<u>(362,983)</u>	<u>(1,444,243)</u>	<u>(399,273)</u>
Net Position at End of Year	<u>\$ (418,114)</u>	<u>\$ (362,983)</u>	<u>\$ (1,444,243)</u>

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

The retentions for the pool are determined at renewal each year by the Board of Trustees with analysis considered from the commercial costs as contrasted with the actuarial expense associated with raising or lower the retained risk.

Member contributions to Health TP fluctuate with number of members and contribution rates set by Health TP. The significant decrease in operating revenues is largely due to the withdrawal of one of its founding members, METRO Regional Transit Authority effective January 1, 2022. Their withdrawal created decreases in all operating revenues and expenses during 2022 when compared to 2021. Change in membership contributions (premiums) from 2020 to 2021 was due to a normal fluctuation in paid claims, changes in expenses and credits.

Health Transit Pool of Ohio
Medina County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2022 and 2021

Financial Highlights and Future Planning

Health TP was designed to provide budget stability in an uncertain volatile health benefits market. With this purpose in mind, Health TP will continue to adjust with market conditions allowing the maximum benefits of the members. The Board will continually review the attachment point of purchased commercial insurance as it relates to the cost of self-insurance as a group.

Significant savings were seen by Health TP members through the sharing of group purchased fixed costs. By using industry standard purchasing methods, the group is able to control costs through the transparent purchasing process.

Health TP will be moving toward providing group wellness and other risk management services as a pool to help control the overall cost of the incurred claims.

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

Contacting Health TP's Management

This financial report is designed to provide a general overview of Health TP's finances. Questions concerning any of the data contained herein or requests for additional financial information should be directed to the Executive Director of Health TP, 1 Park Center Drive, #300, Wadsworth, OH 44281.

Health Transit Pool of Ohio
Medina County, Ohio
Statements of Net Position
As of December 31, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 4,888,085	\$ 4,542,205
Accounts Receivable	835,245	918,391
Prepays	313,105	400,964
Total Assets	6,036,435	5,861,560
Liabilities:		
Accounts Payable	332,745	172,264
Reserves for Unpaid Claims	465,000	258,000
Members Payable - Claims	1,736,321	2,141,083
Unearned Revenue	3,920,483	3,653,196
Total Liabilities	6,454,549	6,224,543
Net Position		
Unrestricted	(418,114)	(362,983)
Total Net Position	\$ (418,114)	\$ (362,983)

See accompanying notes to the basic financial statements

Health Transit Pool of Ohio
Medina County, Ohio
Statements of Revenues, Expenses and Changes in Net Position
For The Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
Membership Contributions	\$ 16,591,987	\$ 24,381,595
Member Claims Expense	(12,501,828)	(18,412,856)
Reinsurance/Stop-Loss Insurance Premiums	(1,982,323)	(2,255,777)
Total Net Operating Revenues	2,107,836	3,712,962
Operating Expenses		
IBNR and Claims/Loss Expense	1,943,321	2,272,015
Corporate Legal Fees	3,078	13,348
Actuarial Fees	17,500	33,835
Commissions/Consulting	65,918	93,142
All Other Administrative Expenses	133,150	219,362
Total Operating Expenses	2,162,967	2,631,702
Operating Income (Loss)	(55,131)	1,081,260
Total Net Position (Deficit), Beginning of Year	(362,983)	(1,444,243)
Total Net Position (Deficit), End of Year	\$ (418,114)	\$ (362,983)

See accompanying notes to the basic financial statements

Health Transit Pool of Ohio
Medina County, Ohio
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
<u>Cash Flows From Operating Activities</u>		
Cash Received From Members	\$ 16,942,420	\$ 24,318,310
Cash Paid for Claims	(1,736,321)	(2,736,481)
Cash Paid for Members Claims	(12,906,590)	(18,372,440)
Cash Paid for Commercial Premiums & Claims Admin	(1,982,323)	(2,255,777)
Cash Paid for Administrative and General Expenses	28,694	(809,990)
Net Cash Provided By Operating Activities	<u>345,880</u>	<u>143,622</u>
Net Increase (Decrease) in Cash	345,880	143,622
Cash and Cash Equivalents, Beginning of Year	<u>4,542,205</u>	<u>4,398,583</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,888,085</u>	<u>\$ 4,542,205</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (55,131)	\$ 1,081,260
Changes in Assets and Liabilities:		
Accounts Receivable	83,146	1,012,061
Prepays	87,859	(394,788)
Accounts Payable	160,481	(55,515)
Members Payable - Claims	(404,762)	40,416
Reserve for Unpaid Claims	207,000	(464,466)
Members Funds Held On Behalf	267,287	(1,075,346)
Net Cash Flows Provided By Operating Activities	<u>\$ 345,880</u>	<u>\$ 143,622</u>

See accompanying notes to the basic financial statements

Health Transit Pool of Ohio
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 1 - ORGANIZATION OVERVIEW

The Joint Self-Insurance Act authorizes Ohio political subdivisions to enter into an agreement to establish, maintain and administer joint self-insurance pools and joint risk management programs.

In 2013, the Ohio Transit Risk Pool (OTRP) set out to establish a health benefits program with eligibility for any Public Transit operating under Ohio statutory authority. The purpose of the Health Transit Pool of Ohio (Health TP) is to offer a cost-effective alternative to the commercial market for medical, dental, vision, life and prescription drug coverage and to provide the corresponding risk management services. Health TP achieves these goals through group purchasing, self-insurance and the pooling of risk.

Health TP executed by-laws effective November 1, 2013, and is an Ohio Nonprofit Corporation authorized and governed pursuant to Section 9.833 of the Ohio Revised Code. The formation of Health TP was funded by the three founding members, METRO Regional Transit Authority (Akron), Stark Area Regional Transit Authority (Canton) and Toledo Area Regional Transit Authority (Toledo). During 2016, Health TP accepted two additional members into the pool; Portage Area Transportation Authority (Kent) and Western Reserve Transit Authority (Youngstown).

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

Health TP is governed by and construed in accordance with the laws of the State, and it is the intention of all Health TP members that their agreements and by-laws shall comply with Section 9.833 of the Ohio Revised Code.

Health TP is governed by a Board of Trustees consists of one voting member appointed by the Board of each Health TP member. The executive committee consists of a President, Vice-President, Secretary, Treasurer and Assistant Treasurer.

Health TP uses third party administrators to process, approve, and deny claims, and to make payments to the medical providers for medical, prescriptions and optical, dental, life, short-term disability benefits and COBRA. Health TP utilizes the Ohio Transit Risk Pool (OTRP) as the managing Administrator. The financial activity for Health TP is independent and no funds are held at OTRP on behalf of Health TP. Health TP utilizes additional third-party services under contract: Accounting, Actuarial, Auditing, Brokerage, Banking and Corporate Legal.

Management believes the financial statements included in this report represent all of the financial activity of Health TP over which Health TP has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Health TP uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Health Transit Pool of Ohio
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

Cash

Health TP's assets are held in the name of Health TP in a single separate demand deposit account. There are currently no investment accounts.

Budgetary Process

The Health TP by-laws require that the Board of Health TP develop and approve and review a budget each fiscal year.

Accounts Receivable

Receivables from members are stated at net invoice amounts. Collectability of balances is reviewed periodically. Any amounts deemed to be uncollectible are written off at that time. Management has determined all amounts are collectible and no allowance for doubtful accounts is required.

Operating Revenues and Expenses

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

Member's Contribution Revenue and Unearned Revenue

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

For the years ended December 31, 2022 and 2021, Health TP held a members payable claims liability for funds due back to the members claims paid in excess of \$75,000, up to the stop-loss threshold of \$175,000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

Health TP is a not-for-profit corporation as defined under Section 115 of the Internal Revenue Code. Accordingly, Health TP is exempt from federal, state and local taxes.

Health Transit Pool of Ohio
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 3 - RISK MANAGEMENT

Health TP is exposed to various risks of loss from torts including but not limited to theft, loss of assets, business interruption; errors and omissions and directors and officers. Health TP owns no capital assets and is administered 100% by outside services. Each vendor is required under their respective agreements to carry all relevant insurance coverages with proof of coverage provided as required. OTRP provides comprehensive liability coverage to the Board of Directors.

Catastrophic loss protection is provided through the purchase of Reinsurance/Stop Loss/Excess coverage above the pooled risk. Health TP by-laws allow for a provision for special assessment in the event liabilities of the pool should exceed those amounts budgeted.

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

NOTE 4 - POOL TERMINATION

In the event of the termination of Health TP, all members of Health TP past and present are obligated for any necessary supplemental contribution attributable to years during which they were members. After all claims and related expenses have been properly paid or reserve established for the payment of any such claims, any surplus member's funds shall be distributed to members, past in present, in proportion to their interest in such surplus.

NOTE 5 - MEMBER WITHDRAW AND REMOVAL

Any Pool member wishing to withdraw from participation in Health TP shall give notification at least one hundred eighty days prior to the anniversary date of Health TP's health plan. The effective date of withdraw will be January 1. Any Pool withdrawn member shall continue to have all obligations for those loss years in which the withdrawn member participated. Funds may be returned by a withdrawn member pursuant to the agreements of Health TP.

Any Pool member which withdraws from Health TP shall not have any return of equity, if any, until the policy years during which the withdrawn or terminated member's participated in the Pool have been formally closed by vote of the Board of Trustees. Such funds will only be returned after all outstanding payments and future obligations have been met.

NOTE 6 - MEMBER ADDITION

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

NOTE 7 - DEPOSITS

Health TP has adopted a Cash and Investment policy. The policy required that all funds on deposit in banks in excess of FDIC limits be secured by some form of collateral.

As of December 31, 2022, \$4,638,154 of Health TP's bank balance was exposed to custodial risk while \$250,000 was covered by FDIC. Of the uninsured bank balance, all was collateralized with securities held by the pledging institution's trust department, but not in Health TP's name.

Health Transit Pool of Ohio
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

As of December 31, 2021, \$4,292,205 of Health TP's bank balance was exposed to custodial risk while \$250,000 was covered by FDIC. Of the uninsured bank balance, all was collateralized with securities held by the pledging institution's trust department, but not in Health TP's name.

NOTE 8 - ACTUARIAL LOSS RESERVE FOR UNPAID CLAIMS

Health TP's reserve for unpaid claims is determined using actuarial analysis and is computed in accordance with accepted loss reserving standards. The reserve represents a liability for both reported and unreported insured events and the ultimate net cost of all claims incurred which were unpaid at year-end.

Although Health TP's actuary considers both Health TP's experience and industry data in determining such reserves, assumption and projections as to future events are necessary and ultimate loss may differ significantly from amount projected. Reserves are not discounted. No reserve is posted for ancillary coverages as they are not self-insured.

A comparison of Health TP's cash to the remaining actuarially-measured liabilities as of December 31, 2022 and 2021 is as follows:

	2022	2021
Cash	\$ 4,888,085	\$ 4,542,205
Actuarial Reserve	\$ 465,000	\$ 258,000

NOTE 9 - RESERVES FOR CLAIMS

Health TP establishes reserves for claims adjustment expenses for both reported and unreported insured events. A summary of changes in the reserves for claims and claims adjustment expenses for Health TP for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
1) Reserve for unpaid claims, beginning of period	\$ 258,000	\$ 722,466	\$ 395,339
2) Incurred losses and loss adjustment expense	1,943,321	2,272,015	2,517,650
3) Payment of claims	(1,736,321)	(2,736,481)	(2,190,523)
4) Reserve for unpaid claims, end of period	\$ 465,000	\$ 258,000	\$ 722,466

NOTE 10 - SELF-INSURED RETENTION

During 2022 and 2021, All fully Self-Insured Health TP members retained the first \$75,000 per person for medical and prescription coverage with the pool retaining the loss from \$75,000 to \$175,000 per person. United Healthcare reimburses all amounts above the stop loss of \$175,000. For the smaller member product which includes BCRTA, BCRTA Self-Insures to the federally allowed Health Savings Account (HSA) limit and through a Health Reimbursement Account (HRA) arrangement, then self-insures or deductible funds the first \$5,000 of each claim and group shares from \$5,000 to the HSA limit through the Pools shared Loss Fund with all other members. All amounts in excess of the HSA are fully-insured through United Healthcare.

Health Transit Pool of Ohio
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2022 and 2021

NOTE 11 - EXCESS INSURANCE COVERAGE

Reinsurance/Stop Loss/Excess coverage is purchased above the pooled risk to protect Health TP and its members from catastrophic loss. During the 2022 and 2021 coverage year, Health TP purchased excess stop loss insurance for its Medical and Prescription plan. This coverage includes a specific stop loss limit of \$175,000 per subscriber and aggregate stop loss at 125% of expected claims to an aggregate maximum limit of reimbursement of \$1,000,000. Stop loss coverage for ancillary coverage is not considered necessary because there is a maximum benefit in place.

NOTE 12 - CLAIMS

Due to the lag in reporting paid claims from the carrier, claims liabilities including pre-paid claims and claims within the reinsurance layer are pre-paid by the Health TP members through weekly invoicing. Over the remaining period of the contract for major medical, claims will continue to develop and liabilities will continue to develop for the loss year. Future liabilities representing pre-paid claims will subsequently be identified and credits will be provided to Members as credit memos for a future time.

NOTE 14 - UNEARNED REVENUE

Due to the lag in reporting paid claims from the carrier and the nature of the timing of the self-insured claims for the members, Health TP members deposit fund on-account as a pre-payment of future liabilities. As of December 31, 2022 and 2021, Health TP held \$3,920,483 and \$3,653,196 in pre-payments, respectively.

NOTE 15 - CONTINGENCY

Due to potential claim liabilities for Loss Year (9) 2022, the Health TP Board may be required to make a supplemental special assessment to the pool members to cover any liability that may arise from claims that occurred in 2022 but paid in 2023.

REQUIRED SUPPLEMENTAL INFORMATION

Health Transit Pool of Ohio

Medina County, Ohio

*Notes to the Required Supplementary Information
For the Years Ended December 31, 2022 and 2021*

The table on the following page outlines how Health TP's earned revenues (net of reinsurance) compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by Health TP as of the end of the last two years. The columns of the table show data for successive policy years.

The following table is reported on a policy-year basis. This method assigns incurred losses and claim adjustment expenses to the year in which the event that triggered coverage under the risk pool insurance policy or participating contract occurred.

The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned contribution revenue and any investment income, contribution revenue ceded to excess insurers, and net earned contributions revenue and any reported investment revenue.
- (2) This line shows each fiscal year's other operating costs, including overhead and claims expense not allocable to individual claims.
- (3) This line shows the gross incurred claims and allocated claims adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (policy year).
- (4) This section illustrates the cumulative amounts paid as of the end of the two policy years.
- (5) This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
- (6) This line shows the increase or decrease in the previous year's estimate. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

HEALTH TRANSIT POOL OF OHIO
Medina County, Ohio
Required Supplemental Information

Statement of Reconciliation of Net Reserves for Claims and Claims Adjustment Expenses by Type of Contract

	Fiscal and Policy Years Ended December 31,								
	2022			2021			2020		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
Reserves for claims and claims adjustment expenses - Beginning of fiscal year	\$ 386,909	\$ (128,909)	\$ 258,000	\$ 748,057	\$ (25,591)	\$ 722,466	\$ 408,160	\$ (12,821)	\$ 395,339
Incurred claims and claim adjustments expenses:									
Provision for insured events of the current fiscal year	1,177,271	297,729	1,475,000	1,274,629	175,371	1,450,000	1,721,706	237,684	1,959,390
Change in provision for insured events of prior fiscal year	339,412	128,909	468,321	796,424	25,591	822,015	545,439	12,821	558,260
Total incurred claims and claim adjustments	<u>1,516,683</u>	<u>426,638</u>	<u>1,943,321</u>	<u>2,071,053</u>	<u>200,962</u>	<u>2,272,015</u>	<u>2,267,145</u>	<u>250,505</u>	<u>2,517,650</u>
Payments:									
Claims and claims adjustment expenses attributed to insured events of the current fiscal year	1,382,200	354,121	1,736,321	1,908,814	232,269	2,141,083	1,508,931	205,525	1,714,456
Claims and claims adjustment expenses attributed to insured events of the prior fiscal year	-	-	-	523,387	72,011	595,398	418,317	57,750	476,067
Total payments	<u>1,382,200</u>	<u>354,121</u>	<u>1,736,321</u>	<u>2,432,201</u>	<u>304,280</u>	<u>2,736,481</u>	<u>1,927,248</u>	<u>263,275</u>	<u>2,190,523</u>
Reserve for claims and claims adjustment expenses - End of fiscal year	<u>\$ 521,392</u>	<u>\$ (56,392)</u>	<u>\$ 465,000</u>	<u>\$ 386,909</u>	<u>\$ (128,909)</u>	<u>\$ 258,000</u>	<u>\$ 748,057</u>	<u>\$ (25,591)</u>	<u>\$ 722,466</u>

HEALTH TRANSIT POOL OF OHIO

Medina County, Ohio

Schedule of Claims Information for All Lines of Coverage

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

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

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Health Transit Pool of Ohio, Medina County, Ohio (Health TP) as of and for the years ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Health TP's basic financial statements, and have issued our report thereon dated June 21, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Rea & Associate, Inc.
Medina, Ohio
June 21, 2023

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OHIO AUDITOR OF STATE KEITH FABER



HEALTH TRANSIT POOL OF OHIO

MEDINA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/8/2023

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