

VERMONT EDUCATION HEALTH INITIATIVE, INC.

AUDIT REPORT

JUNE 30, 2021 AND 2020

VERMONT EDUCATION HEALTH INITIATIVE, INC.
AUDIT REPORT
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JUNE 30, 2021 AND 2020

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Independent Auditor's Report

Board of Directors
Vermont Education Health
Initiative, Inc.
52 Pike Drive
Berlin, Vermont 05602

Report on the Financial Statements

We have audited the accompanying financial statements of the Vermont Education Health Initiative, Inc., as of and for the years ended June 30, 2021 and 2020 as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Vermont Education Health Initiative, Inc. as of June 30, 2021 and 2020 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

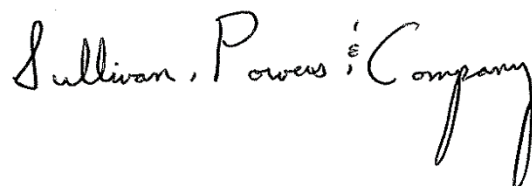
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 and the financial information listed as Tables 1 and 2 in the table of contents be presented to supplement the basic financial statements. Such information, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

September 29, 2021
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized 'S' and 'C'.

VERMONT EDUCATION HEALTH INITIATIVE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended June 30, 2021

The Vermont Education Health Initiative (VEHI) is a self-funded Intermunicipal Insurance Association, operating under the authority of the Vermont Department of Financial Regulation since 2013. VEHI's mission is to offer high-quality employee benefit options and related services in a cost effective manner on behalf of its member municipalities and Vermont State Teacher Retirement System (VSTRS). As a member organization, VEHI provides a range of benefit plans for Vermont school district employees and VSTRS retirees. VEHI plays an active role in all areas of health care as well as related medical and dental benefit plan designs, financing, marketing, risk management, wellness, consumer education and customer service.

VEHI was incorporated on July 1, 1996 under the Nonprofit Corporation Act and as such all revenue is exempt from Federal and State income taxes under Internal Revenue Code Section 115.

As of October 1, 2018 VEHI is governed by the Vermont School Boards Association (VSBA) and the Vermont National Education Association (VT-NEA). VEHI has no staff, but has a service agreement with both the Vermont School Boards Insurance Trust (VSBIT) and the VT-NEA to manage the organization.

Fiscal 2021 Highlights and Overall Financial Position

During the year ending June 30, 2021, VEHI, partnered with Blue Cross Blue Shield of Vermont and Northeast Delta Dental to provide health insurance to 148 and dental insurance coverage to 106 school districts and related organizations. As a result of many district mergers, VEHI's member count is decreasing, however, the actual population covered by VEHI plans has not changed.

VEHI's program contributions totaled \$297,608,057 in 2021 and earned \$2,720,167 in net investment activity. VEHI holds \$900 thousand in contributions receivable and \$16.9 million in claims liabilities as of June 30, 2021.

VEHI's overall net position increased by \$590,059 in 2021: from \$44.2 to \$44.8 million. The Health Program's net position increased by \$975,750. The Dental Program's net position decreased by \$385,691.

The Financial Statements

VEHI's financial statements are a series of reports that detail financial information using enterprise fund accounting and financial reporting. They are prepared in accordance with GASB 34 and GASB 37. VEHI uses the accrual basis method of accounting in preparing its financial statements.

The statement of revenues, expenses, and changes in net position presents the results of VEHI's operations. The statement reports all revenues and expenses, and reconciles the beginning and end of year net position balances.

The statement of net position includes all the Corporation's assets and liabilities. The statement also presents the balance of assets in excess of liabilities, or net position.

The statement of cash flows supplements these statements providing relevant information about cash receipts and payments to the Corporation.

FINANCIAL INFORMATION

SUMMARY OF REVENUE AND EXPENSES

	<u>2021</u>	<u>2020</u>
Operating Revenues:	<u>\$297,619,557</u>	<u>\$273,650,384</u>
Operating Expenses:		
Net Change in Health/Dental Claims Paid and Reserved	269,796,321	243,243,617
Capitation-Health	2,166,337	2,251,701
Reinsurance & Administration-Health/Dental	18,892,064	18,031,713
Assessments	4,668,893	4,394,902
Other Expenses	<u>4,226,050</u>	<u>4,404,945</u>
Total Operating Expenses	<u>299,749,665</u>	<u>272,326,878</u>
Operating Income/(Loss)	<u>(2,130,108)</u>	<u>1,323,506</u>
Non-operating Revenue		
Total Investment Activity	<u>2,720,167</u>	<u>1,566,181</u>
Change in Net Position	590,059	2,889,687
Net Position - Beginning of Year	<u>44,247,182</u>	<u>41,357,495</u>
Net Position - End of Year	<u>\$ 44,837,241</u>	<u>\$ 44,247,182</u>

Revenues

VEHI's fiscal 2021 operations resulted in an increase in net position of \$590 thousand following the 2020 increase of \$2.9 million. VEHI raised the health rates between 12.9%-14.7% for 2021 depending on the plan chosen. The majority of the subscribers elect the Gold CDHP plan. The rate increase for this plan was 12.9%. VEHI replaced its health plan offerings for active employees with four plan choices on January 1, 2018; half way through FY18. Dental rates for 2021 remained unchanged from 2020. All revenues are considered operating revenues except for investment income. VEHI earned \$297.6 million in operating revenues versus \$299.7 million in total expenses in 2021. All 2021 operating revenues come primarily from program contributions which increased \$24.5 million for health in 2021. Dental contributions decreased \$566 thousand.

Investments are held at the Peoples United Bank and with the Vanguard Group in the form of money market accounts, government and corporate bonds, and mutual funds. VEHI earned \$376 thousand in interest and dividends in 2021, down from \$759 thousand in 2020. This change is primarily attributable to reduced earnings on the money market fund at Peoples United Bank. VEHI recorded positive market change of \$2,381,410 following a gain of \$807,371 in 2020. VEHI began investing in a total stock market index fund during 2019. This expansion of investments beyond bond funds and money market accounts have resulted in increased returns.

Expenses

VEHI's largest expense is the actual claims paid by Blue Cross Blue Shield of Vermont and Northeast Delta Dental. These are reimbursed directly by VEHI and totaled \$269.8 million in 2021, \$26.6 million over the 2020 claims expense. Capitation expense was relatively flat, decreasing by \$85,364.

Reinsurance and administrative expenses paid to Blue Cross Blue Shield of Vermont and Northeast Delta Dental make up \$18.9 million of total expenses in 2021, an increase of \$860 thousand from 2020.

In 2013, both the State and Federal governments began assessing health and dental plans in order to pay for initiatives in health care reform. For 2021 assessments total \$4.67 million; \$4.5 million to the State of Vermont, \$114 thousand for Federal PCOR, and \$24 thousand for out of state assessments. This compares to \$4.4 million for 2020; \$4.26 million for State of Vermont, \$109 thousand for Federal PCOR, and \$21 thousand for out of state assessments.

VEHI incurred other expenses in the amount of \$4.2 million, a decrease of \$178,895 from 2020. VEHI offers the PATH (Planned Action Toward Health) Program to all members. This expense, in the amount of \$2.2 million, makes up the majority of other expenses. PATH expenses decreased \$123,575 from 2020 and makes up the majority of the decrease in other expenses. VEHI's primary objective is to control related claims costs while helping members to obtain health and dental care in the most effective manner. PATH, VEHI's wellness program, facilitates this objective. Participation in PATH programs increased from 10,442 participants in 2020 to 10,522 in 2021. Other expenses also include administrative services provided to VEHI by VSBIT and the VT-NEA. For the year ending June 30, 2021, VEHI incurred expenses of \$1.3 million in accordance with administrative services contracts with these entities. VEHI also contracts with Remedy Analytics for \$525 thousand per year to bring additional expertise and analytical tools to the pharmacy arena. The remaining \$176 thousand of other expenses was paid directly to vendors by VEHI.

CONDENSED FINANCIAL INFORMATION
SUMMARY OF NET POSITION

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and investments	\$57,773,460	\$56,700,125
Other Assets	<u>7,582,847</u>	<u>6,599,643</u>
Total Assets	<u>65,356,307</u>	<u>63,299,768</u>
Liabilities:		
Deferred Revenue	1,065,178	559,066
Other Payables	<u>19,453,888</u>	<u>18,493,520</u>
Total Liabilities	<u>20,519,066</u>	<u>19,052,586</u>
Net Position:		
Unrestricted Net Position	<u>44,837,241</u>	<u>44,247,182</u>
Total Net Position	<u>44,837,241</u>	<u>44,247,182</u>
Total Liabilities and Net Position	<u>\$65,356,307</u>	<u>\$63,299,768</u>

Assets

Cash and investments are held at the Peoples United Bank and at the Vanguard Group in the form of money market accounts and government and corporate bonds.

Other assets totaling \$7.6 million consists mainly of a working fund deposit in the amount of \$4.9 million maintained by Blue Cross Blue Shield of Vermont. This account is a non interest bearing cash account used to pay claims and is estimated to be one week's claims payable. VEHI also held \$890 thousand in contribution receivable as of June 30, 2021; down from \$1.2 million as of June 30, 2020.

Liabilities

VEHI collected \$1,065,178 in contributions for fiscal year 2021 prior to June 30, 2020 due to payment timing by our member schools.

Other payables of \$19.5 million consist primarily of claims payable to Blue Cross Blue Shield of Vermont and Northeast Delta Dental in the amount of \$16.9 million. Also included; \$811 thousand due for state and federal assessments, \$15,073 in accrued administration fees to process the claims payable, \$576,000 due to other vendors, and a cash overdraft of \$1.17 million due to timing of transferring funds between financial institutions.

Economic Factors

On January 1, 2018, VEHI discontinued its existing selection of health plans for active employees. Four new plans were offered to VEHI's active employee membership with lower premiums and higher out of pocket exposure. VSTRS plan offerings continue unchanged.

For fiscal year 2021, the Department of Financial Regulation approved rate increases ranging from 12.9% to 14.7% for the four plan offerings for active employees. This was an overall increase of 12.9% for active school employees. VSTRS received an overall decrease of 4.0%, with a 5.0% decrease for Medicare-primary retirees and a 0.0% increase (no rate change) for pre-Medicare retirees.

For fiscal year 2022, the Department of Financial Regulation approved rate increases ranging from 8.3% to 18.5% for the four plan offerings for active employees. This was an overall increase of 9.8% for active school employees. VSTRS received an overall increase of 8.1%, with a 6.9% increase for Medicare-primary retirees and a 17% increase for pre-Medicare retirees.

Effective January 1, 2022 approximately 7,600 members will move out of VEHI as the Vermont State Teachers' Retirement System has chosen to move all Medicare eligible members to a Medicare Advantage Plan with Vermont Blue Advantage. VEHI will continue to provide them with administrative support and the PATH wellness benefit for a monthly per member charge. VEHI expects a decrease of \$22 million in revenue for FY22 as a result of this change.

Dental insurance contributions remained unchanged for fiscal year 2022 for the third year in a row.

While the COVID-19 pandemic had a decisive impact on VEHI's health and dental programs in the fourth quarter of fiscal year 2020, the claims have returned to a more normal state in FY 21. The pandemic also generated a significant increase in telemedicine utilization (telephonic and video appointments); these benefits were expanded during the health emergency to permit additional services that were previously not available to employees, such as telemedicine treatments for preventive care. All COVID-19 related testing and services have been covered by VEHI at 100% beginning March 13, 2020, and has continued to be covered through FY 21.

Requests for Information

The financial report is designed to provide a general overview of VEHI's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Vermont Education Health Initiative, Inc., 52 Pike Drive, Berlin, VT 05602.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
STATEMENT OF NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current Assets:		
Cash - Note 2	\$ 0	\$ 495,478
Investments - Note 2	57,773,460	56,204,647
Accrued Interest Receivable	714	2,477
Contributions Receivable	889,852	1,196,380
Working Fund Deposit - Note 3	4,931,103	4,624,230
Other Receivables - Note 4	1,689,592	620,369
Prepaid Expenses - Note 5	<u>71,586</u>	<u>156,187</u>
Total Current Assets	<u>65,356,307</u>	<u>63,299,768</u>
TOTAL ASSETS	<u>\$ 65,356,307</u>	<u>\$ 63,299,768</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current Liabilities:		
Cash Overdraft - Note 2	\$ 1,173,578	\$ 0
Accounts Payable	576,191	624,221
Assessments Payable	810,648	766,558
Unearned Revenue - Note 6	1,065,178	559,066
Claims Payable - Note 7	5,960,224	7,464,229
Claims to be Paid - Note 8	10,918,174	9,627,317
Reserve for Unallocated Loss Adjustment Expenses	<u>15,073</u>	<u>11,195</u>
Total Current Liabilities	<u>20,519,066</u>	<u>19,052,586</u>
Total Liabilities	<u>20,519,066</u>	<u>19,052,586</u>
Net Position:		
Unrestricted Net Position	<u>44,837,241</u>	<u>44,247,182</u>
Total Net Position - Note 9	<u>44,837,241</u>	<u>44,247,182</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 65,356,307</u>	<u>\$ 63,299,768</u>

The accompanying notes are an integral part of this financial statement.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Health Contributions	\$ 290,661,919	\$ 266,127,474
Dental Contributions	6,946,138	7,512,160
Administrative Performance Revenue - Note 10	<u>11,500</u>	<u>10,750</u>
Total Operating Revenues	<u>297,619,557</u>	<u>273,650,384</u>
Operating Expenses:		
Net Change in Health Claims Paid and Reserved - Note 11	262,811,972	237,322,151
Net Change in Dental Claims Paid and Reserved - Note 11	6,984,349	5,921,466
Reinsurance - Health - Note 12	3,445,639	3,148,339
Capitation - Health	2,166,337	2,251,701
Assessments - Note 13	4,668,893	4,394,902
Program Administration - Health	14,941,428	14,330,818
Program Administration - Dental	504,997	552,555
General and Administrative Expenses - Note 14	2,004,722	2,028,188
Wellness Grants and Expenses	<u>2,221,328</u>	<u>2,344,904</u>
Total Operating Expenses	<u>299,749,665</u>	<u>272,295,024</u>
Operating Income/(Loss)	<u>(2,130,108)</u>	<u>1,355,360</u>
Nonoperating Revenues/(Expenses):		
Investment Income	2,757,099	1,566,181
Investment Fees	<u>(36,932)</u>	<u>(31,854)</u>
Total Nonoperating Revenues/(Expenses)	<u>2,720,167</u>	<u>1,534,327</u>
Change in Net Position	590,059	2,889,687
Net Position - Beginning of Year	<u>44,247,182</u>	<u>41,357,495</u>
Net Position - End of Year	<u>\$ 44,837,241</u>	<u>\$ 44,247,182</u>

The accompanying notes are an integral part of this financial statement.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities:		
Cash Received from Health and Dental Contributions	\$ 298,420,697	\$ 276,938,816
Cash Received from Administrative Performance Revenue	11,500	10,750
Cash Paid for Health and Dental Claims	(271,078,692)	(237,511,771)
Cash Paid for Reinsurance, Capitation and Administration	(21,054,523)	(21,218,287)
Cash Paid for Assessments	(4,624,803)	(4,300,838)
Cash Paid for General and Administrative Expenses	(1,968,151)	(1,417,203)
Cash Paid for Wellness Grants and Expenses	(2,221,328)	(2,413,830)
	(2,515,300)	10,087,637
Cash Flows from Noncapital Related Financing Activities:	0	0
Cash Flows from Capital and Related Financing Activities:	0	0
Cash Flows from Investing Activities:		
Net (Increase) Decrease in Investments	812,597	(11,553,937)
(Increase) Decrease in Working Fund Deposit	(306,873)	(118,265)
Cash Received from Interest and Dividends	377,452	1,617,998
Cash Paid for Investment Fees	(36,932)	(31,854)
	846,244	(10,086,058)
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,669,056)	1,579
Cash and Cash Equivalents, Beginning of Year	495,478	493,899
Cash and Cash Equivalents, End of Year	\$ (1,173,578)	\$ 495,478
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Operating Income/(Loss)	\$ (2,130,108)	\$ 1,355,360
Changes in Operating Assets and Liabilities:		
Decrease/(Increase) in Contributions Receivable	306,528	2,741,645
Decrease/(Increase) in Other Receivables	(1,069,223)	(317,456)
Decrease/(Increase) in Prepaid Expenses	84,601	(117,289)
Increase/(Decrease) in Accounts Payable	(48,030)	150,274
Increase/(Decrease) in Assessments Payable	44,090	94,064
Increase/(Decrease) in Other Liabilities	0	(68,926)
Increase/(Decrease) in Unearned Revenue	506,112	557,537
Increase/(Decrease) in Claims Payable/Claims to be Paid	(213,148)	5,696,355
Increase/(Decrease) in Reserve for Unallocated Loss		
Adjustment Expenses	3,878	(3,927)
	(2,515,300)	10,087,637
Net Cash Provided/(Used) by Operating Activities	\$ (2,515,300)	\$ 10,087,637

The accompanying notes are an integral part of this financial statement.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Vermont Education Health Initiative, Inc. (herein, “VEHI”) was established in 1996 by the Vermont National Education Association (VT-NEA) and the Vermont School Boards Insurance Trust (VSBIT) to provide schools and related organizations with health insurance and other related coverage.

VEHI is considered an Intermunicipal Insurance Association under Vermont law and is regulated by the Vermont Department of Financial Regulation. Membership in VEHI is limited to municipal school districts and their instrumentalities and agencies.

School Districts joining VEHI must remain members for a minimum of one year. A member may withdraw from VEHI after that time by giving ninety (90) day notice. In 2016, the Board added a twenty-four (24) month waiting period for a member to rejoin after leaving either program. VEHI currently provides health coverage to 148 schools and related organizations and dental coverage to 106 schools and related organizations.

The major accounting policies followed by VEHI are presented below to assist the reader in evaluating the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by VEHI conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

VEHI reports itself as a business-type activity as defined in GASB 34. Business-type activities are financed in whole or in part by fees charged to external parties. Business-type activities distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with VEHI’s principal ongoing operations. The principal operating revenues of VEHI includes health contributions and fees received from providing services. Operating expenses include health claims paid and the costs of providing services and operating all programs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements of VEHI are reported using the accrual basis of accounting. Revenues are recognized in the period in which the applicable coverage is provided and expenses are recognized in the period in which they are incurred, regardless of when the related cash flow takes place.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1:
(Cont'd)

The financial statements of VEHI are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of VEHI (whether current or noncurrent) are included on the balance sheet (or statement of net position). Fund equity (i.e., total net position) is segregated into net investment in capital assets (if applicable); restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The presentation 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

VEHI incorporated as a Nonprofit Corporation under the Nonprofit Corporation Act. All their revenue is exempt from Federal and State income taxes under Internal Revenue Code Section 115 which pertains to political subdivisions.

Health and Dental contributions and other fees are recognized in the period of coverage.

Health insurance contributions are determined by VEHI with analysis from Blue Cross and Blue Shield of Vermont and approved by the Vermont Department of Financial Regulation. Blue Cross and Blue Shield pays the actual health claims filed by members of VEHI and requests reimbursement by VEHI. The agreement provides for stop loss coverage of \$750,000 per individual for 2021 and 2020. VEHI discontinued its aggregate coverage in 2019.

Dental insurance contributions for participating school districts are individually determined by VEHI with analysis from an independent actuarial consultant. Rates are approved by the Vermont Department of Financial Regulation. Northeast Delta Dental pays the actual dental claims filed by members of VEHI and requests reimbursement by VEHI.

Cash includes amounts in demand deposits. Cash does not include cash equivalents in the investment accounts.

Investments with readily determinable fair values are reported at their fair values. Unrealized gains and losses are included in revenue.

VEHI 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.

VEHI uses the allowance method for uncollectible accounts. The allowance for doubtful accounts as of June 30, 2021 and 2020 is \$0.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1:
(Cont'd)

The liability for claims to be paid include estimates by management of incurred losses not yet paid by Blue Cross and Blue Shield of Vermont and Northeast Delta Dental on behalf of VEHI. The liability is based upon the available data of the amount necessary to cover the ultimate cost of losses, however, actual loss experience may not conform to the actuarial and statistical assumptions used in determining the estimated amounts for such liability. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Note 2: CASH AND INVESTMENTS

Cash and Investments as of June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Cash – Deposits (Overdraft) with Financial Institutions	\$ <u>(1,173,578)</u>	\$ <u>495,478</u>
Investments:		
Investments - Mutual Funds *	<u>57,773,460</u>	<u>56,204,647</u>
Total Investments	<u>57,773,460</u>	<u>56,204,647</u>
Total Cash and Investments	<u>\$56,599,882</u>	<u>\$56,700,125</u>

At June 30, 2021, VEHI's operating account had a book balance of \$(1,173,578) and a bank balance of \$563,207. At June 30, 2020, the book balance was \$495,478 and bank balance was \$497,725.

* At June 30, 2021, \$31,225,482 was invested in the Dreyfus Government Cash Management Institutional Fund and \$17,797,878 was invested in the Vanguard Short-Term Bond Index Fund which includes bonds by various issuers and \$8,750,100 was invested in the Vanguard Total Stock Market Index Fund which includes stocks by various issuers.

* At June 30, 2020, \$32,402,905 was invested in the Dreyfus Government Cash Management Institutional Fund and \$17,739,380 was invested in the Vanguard Short-Term Bond Index Fund which includes bonds by various issuers and \$6,062,362 was invested in the Vanguard Total Stock Market Index Fund which includes stocks by various issuers.

The cash account is linked with the Dreyfus Government Cash Management Institutional Fund investment such that excess balances are swept daily to maximize interest earned. Because the cash balance is kept at a minimum, at June 30, 2021, outstanding checks caused the cash account to be in an overdraft position. This was resolved the next day with bank deposits and transfers from the investment account.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 2:
(Cont'd)

VEHI's Board of Directors has established an investment policy which indicates which types of investments VEHI can own. VEHI has two classes of investments, Class A and Class B. Class A funds can only be invested in cash equivalents that have a maturity that will meet the projected cash flow needs on a month to month basis. Class B funds can be invested in near cash equivalents having a maturity of five (5) years or less at the time of purchase, money market mutual funds and/or equity investments that mirror, to the extent possible, the performance of the entire market.

Investments of operating funds shall be limited to insured bank deposits, repurchase agreements, U.S. Treasury or agency securities, money market funds, and commercial paper rated A-1 or P-1 or better by Standard & Poor's and Moody's, respectively, or funds which invest in similar instruments. Additionally, with respect to fixed income investments, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB; Moody's Baa) or higher. No one issuer, except the U.S Treasury or a sponsored agency, can exceed 10% of the market value of the portfolio. No one debt issue, except those of the U.S. Treasury or a sponsored agency, can exceed 5% of the market value of the portfolio.

Effective June 7, 2013, VEHI re-organized as an Intermunicipal Insurance Association under Regulation I-90-1. This statute limits how operating funds may be invested. VEHI's investment policy is in compliance with these restrictions.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, VEHI will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, VEHI will not be able to recover the value of its investments or collateral securities that are in possession of another party.

The account with the People's United Bank requires minimum daily balances and the residual amounts are transferred to People's United Bank Investment Services and are invested in cash equivalents.

VEHI's mutual funds are open-ended and are not exposed to custodial credit risk.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 2:
(Cont'd)

The custodial credit risk for cash deposits is as follows:

	2021		2020	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Insured/(FDIC)	\$ 0	\$ 250,000	\$ 250,000	\$ 250,000
Uninsured, Uncollateralized	0	313,207	245,478	247,725
Total	\$ 0	\$ 563,207	\$ 495,478	\$ 497,725

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All of the securities in the mutual funds, except the Vanguard Total Stock Market Index Fund, mature in one (1) year or less.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The mutual funds are not rated.

Concentration of Credit Risk

The limitations on the amount that can be invested in any one issuer are disclosed previously in the investment policy. No investments, other than mutual funds, represented more than 5% of total investments at June 30, 2021 and June 30, 2020.

Fair Value

VEHI has the following recurring fair value measurements as of June 30, 2021 and 2020:

	2021	2020
Quoted Market Prices (Level 1 Inputs):		
Mutual Funds	\$ <u>57,773,460</u>	\$ <u>56,204,647</u>
Investments at Fair Value	\$ <u>57,773,460</u>	\$ <u>56,204,647</u>

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 3: WORKING FUND DEPOSIT

The Working Fund Deposit consists of a non-interest bearing cash account in the amount of \$4,931,103 and \$4,624,230 at June 30, 2021 and 2020, respectively, that is maintained at Blue Cross and Blue Shield. This imprest account is used to pay claims by VEHI's claims processors. These are estimated to be one week's claims payable.

Note 4: OTHER RECEIVABLES

Other Receivables at June 30, 2021 consists primarily of \$1,689,577 of Medicare Part D rebates earned and paid to the Vermont State Teachers Retirement System in June, 2021 but not credited to VEHI by Blue Cross and Blue Shield of Vermont until July, 2021.

Other Receivables at June 30, 2020 consists primarily of \$618,162 of estimated recoveries of rebates resulting from a review of the pharmacy rebate program by Blue Cross and Blue Shield of Vermont.

Note 5: PREPAID EXPENSES

Prepaid expenses of \$71,586 and \$156,187 as of June 30, 2021 and 2020, respectively, represents payments made during the current fiscal year for products and services to be provided during the following fiscal year.

Note 6: UNEARNED REVENUE

Unearned revenue of \$1,065,178 as of June 30, 2021 represents health and dental insurance contributions received in advance for fiscal year 2022.

Unearned revenue of \$559,066 as of June 30, 2020 represents health insurance contributions received in advance for fiscal year 2021.

Note 7: CLAIMS PAYABLE

The claims payable of \$5,960,224 as of June 30, 2021 represents \$5,740,408 of health claims and \$219,816 of dental claims due to Blue Cross and Blue Shield of Vermont and Northeast Delta Dental for benefits actually paid by them as of June 30, 2021 but not reimbursed by VEHI as of that date.

The claims payable of \$7,464,229 as of June 30, 2020 represents \$7,327,286 of health claims and \$136,943 of dental claims due to Blue Cross and Blue Shield of Vermont and Northeast Delta Dental for benefits actually paid by them as of June 30, 2020 but not reimbursed by VEHI as of that date.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 8: CLAIMS TO BE PAID

VEHI establishes claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not paid or settled as of year end. Estimated amounts of reinsurance on unpaid claims are deducted from the unpaid claims. Claims liabilities are computed by management and actuaries using a variety of actuarial and statistical techniques. Adjustments to claims liabilities are charged or credited to expense in the periods in which they occur.

Claims to be paid of \$10,918,174 as of June 30, 2021 represents \$10,708,174 of health claims and \$210,000 of dental claims incurred as of June 30, 2021 but not paid by Blue Cross and Blue Shield of Vermont and Northeast Delta Dental as of that date.

Claims to be paid of \$9,627,317 as of June 30, 2020 represents \$9,322,317 of health claims and \$305,000 of dental claims incurred as of June 30, 2020 but not paid by Blue Cross and Blue Shield of Vermont and Northeast Delta Dental as of that date.

Note 9: NET POSITION

For the year ended June 30, 2021, VEHI has a reserve of net position which represents an operating surplus of \$44,837,241. This surplus will be used to help fund the health and dental programs to the reinsurance attachment point and to minimize future rate increases.

For the year ended June 30, 2020, VEHI has a reserve of net position which represents an operating surplus of \$44,247,182. This surplus will be used to help fund the health and dental programs to the reinsurance attachment point and to minimize future rate increases.

Note 10: ADMINISTRATIVE PERFORMANCE REVENUE

The Administrative Performance Revenue of \$11,500 and \$10,750 for 2021 and 2020, respectively, represents penalties per an agreement between Blue Cross and Blue Shield of Vermont and VEHI. Blue Cross and Blue Shield of Vermont is subject to penalties for failure to provide high levels of services as described in the agreement.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 11: CLAIMS PAID AND PAYABLE

An analysis of the net change in health and dental claims paid and payable is as follows:

	<u>2021</u>	<u>2020</u>
Health Claims Paid (Net of Recoveries)	\$ 263,012,993	\$ 231,696,652
Payable - End of Year	16,448,582	16,649,603
Less: Payable - Beginning of Year	<u>(16,649,603)</u>	<u>(11,024,104)</u>
Net Change in Health Claims Paid and Reserved	<u>\$ 262,811,972</u>	<u>\$ 237,322,151</u>
Dental Claims Paid (Net of Recoveries)	\$ 6,996,476	\$ 5,850,610
Payable - End of Year	429,816	441,943
Less Payable - Beginning of Year	<u>(441,943)</u>	<u>(371,087)</u>
Net Change in Dental Claims Paid and Reserved	<u>\$ 6,984,349</u>	<u>\$ 5,921,466</u>

Note 12: REINSURANCE

VEHI purchases reinsurance through Blue Cross Blue Shield of Vermont which limits the Trust's liability to \$750,000 per person per year thus protecting VEHI from large losses. The cost was \$3,445,639 and \$3,148,339 for 2021 and 2020 respectively. VEHI does not have aggregate reinsurance.

Note 13: ASSESSMENTS

For the year ending June 30, 2021 and 2020, assessments included \$4,488,289 and \$4,229,872, respectively, paid to Blue Cross and Blue Shield of Vermont for State mandated insurance fees. In 2021 and 2020, \$114,069 and \$108,671, respectively, was paid to the Department of the Treasury for the annual PCOR Fee. In 2021 and 2020, \$66,535 and \$56,359, respectively, was also paid to Northeast Delta Dental for the State HCCA assessment. These fees are for various State programs as follows:

VERMONT EDUCATION HEALTH INITIATIVE, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

Note 13:
 (Cont'd)

During fiscal year 2016, the State consolidated two programs, the Vermont Information Technology Leaders (VITL), and the Vermont Health Care Claims Assessment (HCCA). VITL fees of .199% were effective October 1, 2009 and HCCA fees of .8% were effective October 1, 2011 on claims paid and capitation payments for Vermont residents. As consolidated programs, the State of Vermont assesses a fee of .999%.

Vermont Blueprint for Health (Blueprint) – This is a State of Vermont program that pays providers based on performance and the amount paid to providers is determined by the National Committee for Quality Assurance ratings. The State of Vermont maintains a table that provides a per member per month equivalent for the results reported.

Patient Centered Outcomes Research (PCOR) – This is a Federal fee on all memberships of \$2 per member per year for policies ending in the fiscal year 2014. Thereafter, the fee will increase at the cost of medical inflation and will continue through 2029 as provided by the Further Consolidated Appropriations Act, 2020. This assessment went into effect with the Patient Protection and Affordable Care Act of 2010. The fee for fiscal year 2021 and 2020 was \$2.66 and \$2.54, respectively, per member.

Assessment fees paid to Blue Cross and Blue Shield of Vermont and Northeast Delta Dental for State and Federal mandated insurance fees were as follows:

	<u>2021</u>	<u>2020</u>
HCCA	\$2,393,782	\$2,096,208
Blueprint	2,136,810	2,169,023
PCOR	114,069	108,671
Out of State Assessments	<u>24,232</u>	<u>21,000</u>
Totals	<u>\$4,668,893</u>	<u>\$4,394,902</u>

Note 14: GENERAL AND ADMINISTRATIVE EXPENSES

Most of the Vermont Education Health Initiative’s administrative services are provided by VSBIT and VT-NEA. For the year ending June 30, 2021 and 2020, VEHI incurred general and administrative expenses of \$1,303,815 and \$1,298,245, respectively, in accordance with an administrative service contract with both VSBIT and VT-NEA.

The remaining \$700,907 and \$729,943 for the year ending June 30, 2021 and 2020, respectively, was paid directly to vendors by VEHI.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 15: RISK MANAGEMENT

VEHI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. VEHI maintains commercial insurance coverage. Management believes such coverage is sufficient to preclude any significant uninsured losses to VEHI. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Note 16: AFFILIATED ORGANIZATIONS

The Vermont Education Health Initiative is governed by the Vermont National Education Association (VT-NEA) and the Vermont School Boards Association (VSBA).

The Vermont School Boards Insurance Trust, Inc. and the Vermont National Education Association (VT-NEA) jointly manage the Vermont Education Health Initiative (VEHI).

VEHI contracts with VSBIT to provide management, wellness and accounting services. VEHI paid VSBIT \$1,088,606 and \$1,107,245 for these services in 2021 and 2020, respectively. Furthermore, the President for VSBIT was the president for VEHI until October, 2019. Also, VEHI's Corporate Secretary is a VEHI board member. Beginning July 1, 2014, VEHI has a five (5) year contract with VSBIT for services. After the end of the initial five year term, the contract automatically renews for two (2) additional three (3) year terms. The contract can be cancelled by either party at the end of the initial term and each additional term.

VEHI contracts with VT-NEA to provide program and member services. VT-NEA was paid \$215,209 and \$191,000 for services in 2021 and 2020, respectively. The fee is subject to adjustment each year.

Note 17: SUBSEQUENT EVENT

Subsequent to year-end, VEHI has been notified by the Vermont State Teacher's Retirement System (VSTRS) that approximately 7,600 members who are Medicare eligible will move out of VEHI effective January 1, 2022 and seek coverage directly from Vermont Blue Advantage, a plan partly owned by Blue Cross and Blue Shield of Vermont. VEHI will continue to provide administrative support and wellness benefits to these members. VEHI expects a decrease of \$22,000,000 in operating revenue for fiscal year 2022. VEHI will continue to provide coverage to approximately 1,000 retired members who are not yet eligible for Medicare.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2021

This table illustrates how VEHI's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by VEHI for the last ten (10) years. The rows of the table are defined as follows: (1) This line shows the gross of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's reinsurance and capitation premiums. (3) This line shows the net of each fiscal year's earned contribution revenues and investment revenues. (4) This line shows each fiscal year's other operating costs of VEHI including overhead and claims expense not allocable to individual claims. (5) This line shows VEHI's incurred claims and allocated claims adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (6) This section of rows shows the cumulative amounts paid as of the end of successive years for each policy year. (7) This section of rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (8) This line compares the latest reestimated incurred claims amount to the amount originally established (line 5) and shows whether this latest estimate of claims cost is greater or less than originally determined.

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VERMONT EDUCATION HEALTH INITIATIVE, INC.
CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2021

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
1. Gross Contribution and Investment Revenues	\$ 235,828,317	\$ 245,024,843	\$ 267,907,885	\$ 276,177,685	\$ 285,553,035	\$ 305,885,229	\$ 267,508,230	\$ 249,283,409	\$ 275,205,815	\$ 300,365,156
2. Reinsurance and Capitation Premiums	14,393,643	14,099,987	7,197,659	7,033,506	6,796,007	6,424,168	5,190,399	5,131,285	6,330,987	5,611,976
3. Net Earned Required Contribution and Investment Revenues	221,434,674	230,924,856	260,710,226	269,144,179	278,757,028	299,461,061	262,317,831	244,152,124	268,874,828	294,753,180
4. Unallocated Expenses	20,460,172	19,257,731	20,531,034	22,783,885	22,548,115	21,590,201	21,770,389	22,511,368	23,672,471	24,366,800
5. Estimated Incurred Claim and Expense, End of Policy Year	217,723,716	224,835,668	234,301,608	247,689,300	249,855,083	264,141,456	249,083,464	229,540,314	235,866,989	271,978,150
6. Paid (cumulative) as of:										
End of Policy Year	201,055,904	205,662,095	220,227,806	230,715,254	233,633,608	245,590,504	237,867,034	218,145,123	218,775,443	255,099,752
One Year Later	217,723,716	224,283,092	234,471,434	246,425,798	250,399,022	262,827,882	247,244,932	236,916,942	233,685,160	
7. Reestimated Incurred Claims:										
End of Policy Year	217,723,716	224,835,668	234,301,608	247,689,300	249,855,083	264,141,456	249,083,464	229,540,314	235,866,989	271,978,150
One Year Later	217,723,716	224,283,092	234,471,434	246,425,798	250,399,022	262,827,882	247,244,932	236,916,942	233,685,160	
8. Increase/(Decrease) in Estimated Incurred Claims from End of Policy Year	0	(552,576)	169,826	(1,263,502)	543,939	(1,313,574)	(1,838,532)	7,376,628	(2,181,829)	N/A

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VERMONT EDUCATION HEALTH INITIATIVE, INC.
RECONCILIATION OF CLAIMS LIABILITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

The schedule below presents the changes in health and dental claims liabilities:

	<u>Health</u>		<u>Dental</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Unpaid Claims and Allocated Claim Adjustment Expenses at Beginning of the Year	\$ 16,649,603	\$ 11,024,104	\$ 441,943	\$ 371,087	\$ 17,091,546	\$ 11,395,191
Incurred Claims and Claim Adjustment Expenses:						
Provision for Insured Events of the Current Year	264,928,838	229,939,191	7,049,312	5,927,798	271,978,150	235,866,989
Increase/(Decrease) in Provision for Insured Events of Prior Years	<u>(2,116,866)</u>	<u>7,382,960</u>	<u>(64,963)</u>	<u>(6,332)</u>	<u>(2,181,829)</u>	<u>7,376,628</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>262,811,972</u>	<u>237,322,151</u>	<u>6,984,349</u>	<u>5,921,466</u>	<u>269,796,321</u>	<u>243,243,617</u>
Payments:						
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of the Current Year	248,480,256	213,289,588	6,619,496	5,485,855	255,099,752	218,775,443
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>14,532,737</u>	<u>18,407,064</u>	<u>376,980</u>	<u>364,755</u>	<u>14,909,717</u>	<u>18,771,819</u>
Total Payments	<u>263,012,993</u>	<u>231,696,652</u>	<u>6,996,476</u>	<u>5,850,610</u>	<u>270,009,469</u>	<u>237,547,262</u>
Total Unpaid Claims and Allocated Claim Adjustment Expenses at End of the Year	<u>\$ 16,448,582</u>	<u>\$ 16,649,603</u>	<u>\$ 429,816</u>	<u>\$ 441,943</u>	<u>\$ 16,878,398</u>	<u>\$ 17,091,546</u>

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VERMONT EDUCATION HEALTH INITIATIVE, INC.
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2021

	Health	Dental	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 0	\$ 0	\$ 0
Investments	49,141,379	8,632,081	57,773,460
Accrued Interest Receivable	675	39	714
Contributions Receivable	848,352	41,500	889,852
Working Fund Deposit	4,931,103	0	4,931,103
Other Receivables	1,689,592	0	1,689,592
Prepaid Expenses	71,190	396	71,586
Total Current Assets	56,682,291	8,674,016	65,356,307
TOTAL ASSETS	\$ 56,682,291	\$ 8,674,016	\$ 65,356,307
<u>LIABILITIES AND NET POSITION</u>			
Current Liabilities:			
Cash Overdraft	\$ 1,101,990	\$ 71,588	\$ 1,173,578
Accounts Payable	423,697	152,494	576,191
Assessments Payable	741,062	69,586	810,648
Unearned Revenue	1,061,058	4,120	1,065,178
Claims Payable	5,740,408	219,816	5,960,224
Claims to be Paid	10,708,174	210,000	10,918,174
Reserve for Unallocated Loss Adjustment Expenses	15,073	0	15,073
Total Current Liabilities	19,791,462	727,604	20,519,066
Total Liabilities	19,791,462	727,604	20,519,066
Net Position:			
Unrestricted Net Position	36,890,829	7,946,412	44,837,241
Total Net Position	36,890,829	7,946,412	44,837,241
TOTAL LIABILITIES AND NET POSITION	\$ 56,682,291	\$ 8,674,016	\$ 65,356,307

See Disclaimer in Accompanying Independent Auditor's Report.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2021

	Health	Dental	Total
Operating Revenues:			
Program Contributions	\$ 290,661,919	\$ 6,946,138	\$ 297,608,057
Administrative Performance Revenue	<u>11,500</u>	<u>0</u>	<u>11,500</u>
Total Operating Revenues	<u>290,673,419</u>	<u>6,946,138</u>	<u>297,619,557</u>
Operating Expenses:			
Net Change in Claims Paid and Reserved	262,811,972	6,984,349	269,796,321
Reinsurance	3,445,639	0	3,445,639
Capitation	2,166,337	0	2,166,337
Assessments	4,602,357	66,536	4,668,893
Program Administration	14,941,428	504,997	15,446,425
General and Administrative Expenses	1,641,475	363,247	2,004,722
Wellness Grants and Expenses	<u>2,114,228</u>	<u>107,100</u>	<u>2,221,328</u>
Total Operating Expenses	<u>291,723,436</u>	<u>8,026,229</u>	<u>299,749,665</u>
Operating Income/(Loss)	<u>(1,050,017)</u>	<u>(1,080,091)</u>	<u>(2,130,108)</u>
Nonoperating Revenues/(Expenses):			
Investment Income	2,060,734	696,365	2,757,099
Investment Fees	<u>(34,967)</u>	<u>(1,965)</u>	<u>(36,932)</u>
Total Nonoperating Revenues/(Expenses)	<u>2,025,767</u>	<u>694,400</u>	<u>2,720,167</u>
Change in Net Position	975,750	(385,691)	590,059
Net Position - Beginning of Year	<u>35,915,079</u>	<u>8,332,103</u>	<u>44,247,182</u>
Net Position - End of Year	<u>\$ 36,890,829</u>	<u>\$ 7,946,412</u>	<u>\$ 44,837,241</u>

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