

VERMONT EDUCATION HEALTH INITIATIVE, INC.

AUDIT REPORT

JUNE 30, 2020 AND 2019

VERMONT EDUCATION HEALTH INITIATIVE, INC.
AUDIT REPORT
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JUNE 30, 2020 AND 2019

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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, 2020 and 2019 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, 2020 and 2019 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

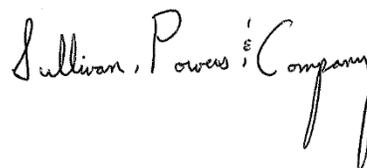
Required Supplementary Information

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 28, 2020
Montpelier, Vermont
VT Lic. #92-000180



VERMONT EDUCATION HEALTH INITIATIVE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended June 30, 2020

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 2020 Highlights and Overall Financial Position

During the year ending June 30, 2020, VEHI, partnered with Blue Cross Blue Shield of Vermont and Northeast Delta Dental to provide health insurance to 147 and dental insurance coverage to 105 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 \$273,650,384 in 2020 and earned \$1,566,181 in net investment activity. VEHI holds \$1.2 million in contribution receivable and \$17.1 million in claims liabilities as of June 30, 2020.

VEHI's overall net position increased by \$2,889,687 in 2020: from \$41.4 to \$44.2 million. The Health Program's net position increased by \$2 million. The Dental Program's net position increased by \$859 thousand. This follows a \$6 million decrease in overall net position in 2019.

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>2020</u>	<u>2019</u>
Operating Revenues:	<u>\$273,650,384</u>	<u>\$247,335,448</u>
Operating Expenses:		
Net Change in Health/Dental Claims Paid and Reserved	243,243,617	227,701,782
Capitation-Health	2,251,701	2,261,562
Reinsurance & Administration-Health/Dental	18,031,713	17,164,495
Assessments	4,394,902	4,343,346
Other Expenses	<u>4,404,945</u>	<u>3,857,406</u>
Total Operating Expenses	<u>272,326,878</u>	<u>255,328,591</u>
Operating Income/(Loss)	<u>1,323,506</u>	<u>(7,993,143)</u>
Non-operating Revenue		
Total Investment Activity	<u>1,566,181</u>	<u>1,932,117</u>
Change in Net Position	2,889,687	(6,061,026)
Net Position - Beginning of Year	<u>41,357,495</u>	<u>47,418,521</u>
Net Position - End of Year	<u>\$ 44,247,182</u>	<u>\$ 41,357,495</u>

Revenues

VEHI's fiscal 2020 operations resulted in an increase in net position of \$2.9 million following the 2019 decrease of \$6.1 million. VEHI raised the health rates between 3.2%-11.8% for 2020 depending on the plan chosen. The majority of the subscribers elect the Gold CDHP plan. The rate increase for this plan was 11.8%. VEHI replaced its health plan offerings for active employees with four plan choices on January 1, 2018; half way through FY18. Dental rates for 2020 were the same as 2019 following a 2.2% decrease on average in for 2019. All revenues are considered operating revenues except for investment income. VEHI earned \$273.6 million in revenues versus \$272.3 million in total expenses in 2020. All 2020 operating revenues come primarily from program contributions which increased \$26 million for health in 2020. Dental contributions increased \$298,584.

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 \$759 thousand in interest and dividends in 2020, down from \$1.2 million in 2019. This change is attributable to reduced earnings on money market fund at Peoples United Bank. VEHI recorded positive market change of \$807,371 following a gain of \$806,811 in 2019. VEHI began investing in a total stock market index fund during 2019. This expansion of investments beyond bond funds and money market accounts resulted in these 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 \$243.2 million in 2020, \$15.5 million over the 2019 claims expense. Capitation expense was relatively flat, decreasing by \$9,861.

Reinsurance and administrative expenses paid to Blue Cross Blue Shield of Vermont and Northeast Delta Dental make up \$18 million of total expenses in 2020, an increase of \$867 thousand from 2019.

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 2020, assessments total \$4.4 million. This is mostly paid to the State of Vermont with only \$109 thousand paid for Federal PCOR, and \$21 thousand for out of state assessments. This compares to \$4.3 million for 2019; \$4.2 million for State of Vermont, \$104 thousand for Federal PCOR, and \$19 thousand for out of state assessments.

VEHI incurred other expenses in the amount of \$4.4 million, an increase of \$547,539 from 2019.

In 2016, VEHI contracted with Remedy Analytics, currently for \$525 thousand per year, to bring additional expertise and analytical tools to the pharmacy arena. With support from Remedy, BCBSVT negotiated a three year contract with Express Scripts for FY16-FY18 and again for FY19-FY21, resulting in increased cost savings for both BCBSVT and VEHI members. Savings resulting from the improved pharmacy contracts with Express Scripts totals \$30.6 million dollars from FY16 through FY20. With additional data on pharmacy utilization and pricing available from Remedy's technology, VEHI will work with BCBSVT to further reduce pharmacy spend without negatively impacting membership.

VEHI offers the PATH (Planned Action Toward Health) Program to all members. This expense, in the amount of \$2.34 million, makes up the majority of other expenses. PATH expenses increased \$388,349 from 2019 and makes up the majority of the increase 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 8903 participants in 2019 to 10,442 in 2020, a 17% increase. Administrative services are provided to VEHI by VSBIT and the VT-NEA. For the year ending June 30, 2020, VEHI incurred expenses of \$1.3 million in accordance with administrative services contracts with these entities. The remaining \$762 thousand of other expenses was paid directly to vendors by VEHI.

CONDENSED FINANCIAL INFORMATION
SUMMARY OF NET POSITION

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and investments	\$56,700,125	\$45,144,609
Other Assets	<u>6,599,643</u>	<u>8,840,095</u>
Total Assets	<u>63,299,768</u>	<u>53,984,704</u>
Liabilities:		
Deferred Revenue	559,066	1,529
Other Payables	<u>18,493,520</u>	<u>12,625,680</u>
Total Liabilities	<u>19,052,586</u>	<u>12,627,209</u>
Net Position:		
Unrestricted Net Position	<u>44,247,182</u>	<u>41,357,495</u>
Total Net Position	<u>44,247,182</u>	<u>41,357,495</u>
Total Liabilities and Net Position	<u>\$63,299,768</u>	<u>\$53,984,704</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 \$6.6 million consists mainly of a working fund deposit in the amount of \$4.6 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 \$1.2 million in contribution receivable as of June 30, 2020. This is down considerably from \$3.9 million as of June 30, 2019 as the billing was sent later in 2019 than in 2020.

Liabilities

VEHI collected \$559,066 in contribution for fiscal year 2021 prior to June 30, 2020 due to payment timing by our member schools.

Other payables of \$18.5 million consist primarily of claims payable to Blue Cross Blue Shield of Vermont and Northeast Delta Dental in the amount of \$17.1 million. Also included; \$767 thousand due for state and federal assessments, \$11,195 in accrued administration fees to process the claims payable, and \$624 thousand due to other vendors.

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 offering continue unchanged.

For fiscal year 2020, the Department of Financial Regulation approved rate increases ranging from 3.2% to 11.8% for the four new plan offerings for active employees. This was an overall increase of 10.9%. VSTRS received an overall increase of 7.9%, with a 7.2% for Medicare-primary retirees and a 10.0% increase for pre-Medicare retirees.

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.

Dental insurance contributions remained unchanged for fiscal year 2021 for the second year in a row.

The COVID-19 pandemic had a decisive impact on VEHI's health and dental programs, most notably in a reduction in dental care services and elective or non-urgent medical services, largely in the fourth quarter of fiscal year 2020. 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. There is no end date as yet to the cost waivers for COVID-19 care and telemedicine coverage. Despite the increase in telemedicine and the 100% coverage of COVID-related services, the health program ended fiscal year 2020 with a gain of \$9.4 million before taking into account adverse prior year development. This includes \$1.2 million investment gain. Given the program was expected to end the year with a four million dollar loss prior to the pandemic, it appears the reduction in elective and non-urgent services may have reduced claims by \$12 million dollars in the final quarter of fiscal year 2020.

With an approximate 90% reduction in dental claims over April and May, the VEHI Board approved a month of premium relief for the month of July, 2020 for all school districts with VEHI Dental Plans. This is estimated at \$635,000 in unbilled premium.

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets:		
Cash - Note 2	\$ 495,478	\$ 493,899
Investments - Note 2	56,204,647	44,650,710
Accrued Interest Receivable	2,477	54,294
Contributions Receivable	1,196,380	3,938,025
Working Fund Deposit - Note 3	4,624,230	4,505,965
Other Receivables - Note 4	620,369	302,913
Prepaid Expenses - Note 5	<u>156,187</u>	<u>38,898</u>
Total Current Assets	<u>63,299,768</u>	<u>53,984,704</u>
TOTAL ASSETS	<u>\$ 63,299,768</u>	<u>\$ 53,984,704</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current Liabilities:		
Accounts Payable	\$ 624,221	\$ 473,947
Assessments Payable	766,558	672,494
Other Liabilities	0	68,926
Unearned Revenue - Note 6	559,066	1,529
Claims Payable - Note 7	7,464,229	6,972,767
Claims to be Paid - Note 8	9,627,317	4,422,424
Reserve for Unallocated Loss Adjustment Expenses	<u>11,195</u>	<u>15,122</u>
Total Current Liabilities	<u>19,052,586</u>	<u>12,627,209</u>
Total Liabilities	<u>19,052,586</u>	<u>12,627,209</u>
Net Position:		
Unrestricted Net Position	<u>44,247,182</u>	<u>41,357,495</u>
Total Net Position - Note 9	<u>44,247,182</u>	<u>41,357,495</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 63,299,768</u>	<u>\$ 53,984,704</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Health Contributions	\$ 266,127,474	\$ 240,101,872
Dental Contributions	7,512,160	7,213,576
Administrative Performance Revenue - Note 10	<u>10,750</u>	<u>20,000</u>
Total Operating Revenues	<u>273,650,384</u>	<u>247,335,448</u>
Operating Expenses:		
Net Change in Health Claims Paid and Reserved - Note 11	237,322,151	221,016,470
Net Change in Dental Claims Paid and Reserved - Note 11	5,921,466	6,685,312
Reinsurance - Health	3,148,339	2,869,723
Capitation - Health	2,251,701	2,261,562
Assessments - Note 12	4,394,902	4,343,346
Program Administration - Health	14,330,818	13,758,652
Program Administration - Dental	552,555	536,120
General and Administrative Expenses - Note 13	2,028,188	1,900,851
Wellness Grants and Expenses	<u>2,344,904</u>	<u>1,956,555</u>
Total Operating Expenses	<u>272,295,024</u>	<u>255,328,591</u>
Operating Income/(Loss)	<u>1,355,360</u>	<u>(7,993,143)</u>
Nonoperating Revenues/(Expenses):		
Investment Income	1,566,181	1,967,961
Investment Fees	<u>(31,854)</u>	<u>(35,844)</u>
Total Nonoperating Revenues/(Expenses)	<u>1,534,327</u>	<u>1,932,117</u>
Change in Net Position	2,889,687	(6,061,026)
Net Position - Beginning of Year	<u>41,357,495</u>	<u>47,418,521</u>
Net Position - End of Year	<u>\$ 44,247,182</u>	<u>\$ 41,357,495</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, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Cash Received from Health and Dental Contributions	\$ 276,938,816	\$ 242,691,789
Cash Received from Value Payment/Performance Revenue	10,750	18,250
Cash Paid for Health and Dental Claims	(237,511,771)	(227,812,502)
Cash Paid for Reinsurance, Capitation and Administration	(21,218,287)	(19,458,899)
Cash Paid for Assessments	(4,300,838)	(4,395,600)
Cash Paid for General and Administrative Expenses	(1,417,203)	(1,948,907)
Cash Paid for Wellness Grants and Expenses	(2,413,830)	(1,914,130)
	10,087,637	(12,819,999)
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	(11,553,937)	9,639,222
(Increase) Decrease in Working Fund Deposit	(118,265)	676,115
Cash Received from Interest and Dividends	1,617,998	1,913,667
Cash Paid for Investment Fees	(31,854)	(36,392)
	(10,086,058)	12,192,612
Net Increase/(Decrease) in Cash and Cash Equivalents	1,579	(627,387)
Cash and Cash Equivalents, Beginning of Year	493,899	1,121,286
Cash and Cash Equivalents, End of Year	\$ 495,478	\$ 493,899
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Operating Income/(Loss)	\$ 1,355,360	\$ (7,993,143)
Changes in Operating Assets and Liabilities:		
Decrease/(Increase) in Contributions Receivable	2,741,645	(2,130,358)
Decrease/(Increase) in Other Receivables	(317,456)	(298,363)
Decrease/(Increase) in Prepaid Expenses	(117,289)	524
Increase/(Decrease) in Accounts Payable	150,274	(106,539)
Increase/(Decrease) in Assessments Payable	94,064	(52,254)
Increase/(Decrease) in Other Liabilities	(68,926)	68,926
Increase/(Decrease) in Unearned Revenue	557,537	(2,498,072)
Increase/(Decrease) in Claims Payable/Claims to be Paid	5,696,355	178,761
Increase/(Decrease) in Reserve for Unallocated Loss		
Adjustment Expenses	(3,927)	10,519
	10,087,637	(12,819,999)
Net Cash Provided/(Used) by Operating Activities	\$ 10,087,637	\$ (12,819,999)

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

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 147 schools and related organizations and dental coverage to 105 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, 2020 AND 2019

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 2020 and 2019. 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, 2020 and 2019 is \$0.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Cash - Deposits with Financial Institutions	\$ <u>495,478</u>	\$ <u>493,899</u>
Investments:		
Investments - Mutual Funds *	<u>56,204,647</u>	<u>44,650,710</u>
Total Investments	<u>56,204,647</u>	<u>44,650,710</u>
Total Cash and Investments	<u>\$56,700,125</u>	<u>\$45,144,609</u>

At June 30, 2020, VEHI's operating account had a book balance of \$495,478 and a bank balance of \$497,725. At June 30, 2019, the book balance was \$493,899 and bank balance was \$532,798.

* 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.

* At June 30, 2019, \$22,133,910 was invested in the Dreyfus Government Cash Management Institutional Fund and \$16,823,065 was invested in the Vanguard Short-Term Bond Index Fund which includes bonds by various issuers and \$5,693,735 was invested in the Vanguard Total Stock Market Index Fund which includes stocks by various issuers.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 AND 2019

Note 2:
(Cont'd)

The custodial credit risk for cash deposits is as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Insured/(FDIC)	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Uninsured, Uncollateralized	<u>245,478</u>	<u>247,725</u>	<u>243,899</u>	<u>282,798</u>
Total	<u>\$ 495,478</u>	<u>\$ 497,725</u>	<u>\$ 493,899</u>	<u>\$ 532,798</u>

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, 2020 and June 30, 2019.

Fair Value

VEHI has the following recurring fair value measurements as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Quoted Market Prices (Level 1 Inputs):		
Mutual Funds	\$ <u>56,204,647</u>	\$ <u>44,650,710</u>
Investments at Fair Value	\$ <u>56,204,647</u>	\$ <u>44,650,710</u>

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 3: WORKING FUND DEPOSIT

The Working Fund Deposit consists of a non-interest bearing cash account in the amount of \$4,624,230 and \$4,505,965 at June 30, 2020 and 2019, 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, 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.

Other Receivables at June 30, 2019 consists primarily of \$300,000 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 \$156,187 and \$38,898 as of June 30, 2020 and 2019, 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 \$559,066 as of June 30, 2020 represents health insurance contributions received in advance for fiscal year 2021.

Unearned revenue of \$1,529 as of June 30, 2019 represents dental insurance contributions received in advance for fiscal year 2020.

Note 7: CLAIMS PAYABLE

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.

The claims payable of \$6,972,767 as of June 30, 2019 represents \$6,806,680 of health claims and \$166,087 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, 2019 but not reimbursed by VEHI as of that date.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 \$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.

Claims to be paid of \$4,422,424 as of June 30, 2019 represents \$4,217,424 of health claims and \$205,000 of dental claims incurred as of June 30, 2019 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, 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 program to the reinsurance attachment point and to minimize future rate increases.

For the year ended June 30, 2019, VEHI has a reserve of net position which represents an operating surplus of \$41,357,495. This surplus will be used to help fund the health program to the reinsurance attachment point and to minimize future rate increases.

Note 10: ADMINISTRATIVE PERFORMANCE REVENUE

The Administrative Performance Revenue of \$10,750 and \$20,000 for 2020 and 2019, 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, 2020 AND 2019

Note 11: CLAIMS PAID AND PAYABLE

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

	<u>2020</u>	<u>2019</u>
Health Claims Paid (Net of Recoveries)	\$ 231,696,652	\$ 220,871,476
Payable - End of Year	16,649,603	11,024,104
Less: Payable - Beginning of Year	<u>(11,024,104)</u>	<u>(10,879,110)</u>
Net Change in Health Claims Paid and Reserved	<u>\$ 237,322,151</u>	<u>\$ 221,016,470</u>
Dental Claims Paid (Net of Recoveries)	\$ 5,850,610	\$ 6,651,545
Payable - End of Year	441,943	371,087
Less Payable - Beginning of Year	<u>(371,087)</u>	<u>(337,320)</u>
Net Change in Dental Claims Paid and Reserved	<u>\$ 5,921,466</u>	<u>\$ 6,685,312</u>

Note 12: ASSESSMENTS

For the year ending June 30, 2020 and 2019, assessments included \$4,229,872 and \$4,175,952, respectively, paid to Blue Cross and Blue Shield of Vermont for State and Federal mandated insurance fees. In 2020 and 2019, \$108,671 and \$103,765, respectively, was paid to the Department of the Treasury for the annual PCOR Fee. In 2020 and 2019, \$56,359 and \$63,629, respectively, was also paid to Northeast Delta Dental for the State HCCA assessment. These fees are for various State programs as follows:

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.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2020 AND 2019

Note 12:
 (Cont'd)

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 2020 and 2019 was \$2.54 and \$2.45, 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>2020</u>	<u>2019</u>
HCCA	\$2,096,208	\$2,051,431
Blueprint	2,169,023	2,168,993
PCOR	108,671	103,765
Out of State Assessments	<u>21,000</u>	<u>19,157</u>
Totals	<u>\$4,394,902</u>	<u>\$4,343,346</u>

Note 13: 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, 2020 and 2019, VEHI incurred general and administrative expenses of \$1,298,245 and \$1,187,889, respectively, in accordance with an administrative service contract with both VSBIT and VT-NEA.

The remaining \$729,943 and \$712,962 for the year ending June 30, 2020 and 2019, respectively, was paid directly to vendors by VEHI.

Note 14: 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.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 15: 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 \$1,107,245 and \$996,889 for these services in 2020 and 2019, 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 \$191,000 and \$191,000 for services in 2020 and 2019, respectively. The fee is subject to adjustment each year.

Note 16: SUBSEQUENT EVENT

The COVID-19 pandemic shut down dental offices from Mid-March until early June 2020. During this time, only urgent dental procedures were performed. As school employees were unable to receive most dental services, the program saw a significant drop in dental claims during April and May. Management recognized this dynamic would result in an increase in the program's net position as of June 30. Given the strength of the program's net position, and that FY20 rates were set with the goal of lowering this position as of June 30, in June the VEHI Board authorized a month of dental premium relief. The program informed members not to pay the July monthly premium invoice, estimated at \$635,000. In addition, member districts were instructed not to deduct any employee share of premium for July from employee paychecks.

VERMONT EDUCATION HEALTH INITIATIVE, INC.
CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2020

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, 2020

	<u>2010/11</u>	<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>
1. Gross Contribution and Investment Revenues	\$ 225,812,610	\$ 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
2. Reinsurance and Capitation Premiums	14,477,657	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
3. Net Earned Required Contribution and Investment Revenues	211,334,953	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
4. Unallocated Expenses	18,305,420	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
5. Estimated Incurred Claim and Expense, End of Policy Year	201,192,844	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
6. Paid (cumulative) as of:										
End of Policy Year	185,636,051	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
One Year Later	201,192,884	217,723,716	224,283,092	234,471,434	246,425,798	250,399,022	262,827,882	247,244,932	236,916,942	
7. Reestimated Incurred Claims:										
End of Policy Year	201,192,884	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
One Year Later	201,192,844	217,723,716	224,283,092	234,471,434	246,425,798	250,399,022	262,827,882	247,244,932	236,916,942	
8. Increase/(Decrease) in Estimated Incurred Claims from End of Policy Year	0	0	(552,576)	169,826	(1,263,502)	543,939	(1,313,574)	(1,838,532)	7,376,628	N/A

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VERMONT EDUCATION HEALTH INITIATIVE, INC.
RECONCILIATION OF CLAIMS LIABILITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

	<u>Health</u>		<u>Dental</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Unpaid Claims and Allocated Claim Adjustment Expenses at Beginning of the Year	\$ 11,024,104	\$ 10,879,110	\$ 371,087	\$ 337,320	\$ 11,395,191	\$ 11,216,430
Incurred Claims and Claim Adjustment Expenses:						
Provision for Insured Events of the Current Year	229,939,191	222,845,399	5,927,798	6,694,915	235,866,989	229,540,314
Increase/(Decrease) in Provision for Insured Events of Prior Years	<u>7,382,960</u>	<u>(1,828,929)</u>	<u>(6,332)</u>	<u>(9,603)</u>	<u>7,376,628</u>	<u>(1,838,532)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>237,322,151</u>	<u>221,016,470</u>	<u>5,921,466</u>	<u>6,685,312</u>	<u>243,243,617</u>	<u>227,701,782</u>
Payments:						
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of the Current Year	213,289,588	211,821,295	5,485,855	6,323,828	218,775,443	218,145,123
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>18,407,064</u>	<u>9,050,181</u>	<u>364,755</u>	<u>327,717</u>	<u>18,771,819</u>	<u>9,377,898</u>
Total Payments	<u>231,696,652</u>	<u>220,871,476</u>	<u>5,850,610</u>	<u>6,651,545</u>	<u>237,547,262</u>	<u>227,523,021</u>
Total Unpaid Claims and Allocated Claim Adjustment Expenses at End of the Year	<u>\$ 16,649,603</u>	<u>\$ 11,024,104</u>	<u>\$ 441,943</u>	<u>\$ 371,087</u>	<u>\$ 17,091,546</u>	<u>\$ 11,395,191</u>

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

	Health	Dental	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 451,636	\$ 43,842	\$ 495,478
Investments	47,307,108	8,897,539	56,204,647
Accrued Interest Receivable	2,258	219	2,477
Contributions Receivable	1,158,477	37,903	1,196,380
Working Fund Deposit	4,624,230	0	4,624,230
Other Receivables	620,369	0	620,369
Prepaid Expenses	150,132	6,055	156,187
Total Current Assets	54,314,210	8,985,558	63,299,768
TOTAL ASSETS	\$ 54,314,210	\$ 8,985,558	\$ 63,299,768
<u>LIABILITIES AND NET POSITION</u>			
Current Liabilities:			
Accounts Payable	\$ 471,119	\$ 153,102	\$ 624,221
Assessments Payable	708,148	58,410	766,558
Unearned Revenue	559,066	0	559,066
Claims Payable	7,327,286	136,943	7,464,229
Claims to be Paid	9,322,317	305,000	9,627,317
Reserve for Unallocated Loss Adjustment Expenses	11,195	0	11,195
Total Current Liabilities	18,399,131	653,455	19,052,586
Total Liabilities	18,399,131	653,455	19,052,586
Net Position:			
Unrestricted Net Position	35,915,079	8,332,103	44,247,182
Total Net Position	35,915,079	8,332,103	44,247,182
TOTAL LIABILITIES AND NET POSITION	\$ 54,314,210	\$ 8,985,558	\$ 63,299,768

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, 2020

	Health	Dental	Total
Operating Revenues:			
Program Contributions	\$ 266,127,474	\$ 7,512,160	\$ 273,639,634
Administrative Performance Revenue	<u>10,750</u>	<u>0</u>	<u>10,750</u>
Total Operating Revenues	<u>266,138,224</u>	<u>7,512,160</u>	<u>273,650,384</u>
Operating Expenses:			
Net Change in Claims Paid and Reserved	237,322,151	5,921,466	243,243,617
Reinsurance	3,148,339	0	3,148,339
Capitation	2,251,701	0	2,251,701
Assessments	4,338,543	56,359	4,394,902
Program Administration	14,330,817	552,556	14,883,373
General and Administrative Expenses	1,667,709	360,479	2,028,188
Wellness Grants and Expenses	<u>2,237,804</u>	<u>107,100</u>	<u>2,344,904</u>
Total Operating Expenses	<u>265,297,064</u>	<u>6,997,960</u>	<u>272,295,024</u>
Operating Income	<u>841,160</u>	<u>514,200</u>	<u>1,355,360</u>
Nonoperating Revenues/(Expenses):			
Investment Income	1,218,429	347,752	1,566,181
Investment Fees	<u>(29,191)</u>	<u>(2,663)</u>	<u>(31,854)</u>
Total Nonoperating Revenues/(Expenses)	<u>1,189,238</u>	<u>345,089</u>	<u>1,534,327</u>
Change in Net Position	2,030,398	859,289	2,889,687
Net Position - Beginning of Year	<u>33,884,681</u>	<u>7,472,814</u>	<u>41,357,495</u>
Net Position - End of Year	<u>\$ 35,915,079</u>	<u>\$ 8,332,103</u>	<u>\$ 44,247,182</u>

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