NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION

FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION

JUNE 30, 2017 AND 2016

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
New Hampshire School Health Care Coalition

Report on the Financial Statements

We have audited the accompanying financial statements of the New Hampshire School Health Care Coalition (the Coalition), which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Coalition'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 Coalition'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 above present fairly, in all material respects, the financial position of the New Hampshire School Health Care Coalition as of June 30, 2017 and 2016 and the changes in its net position and its cash flows for the years then ended in conformity 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 and the accompanying financial information in schedules 1 and 2 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Reporting on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017 on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Hampshire School Health Care Coalition internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Simsbury, Connecticut
October 20, 2017

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The New Hampshire School Health Care Coalition (the Coalition), a public entity risk pool, presents the following overview and analysis of its financial operations for the fiscal year ended June 30, 2017, to be reviewed and considered in conjunction with the more detailed statements, schedules, and notes in this report.

Financial Highlights:

- Assets exceeded liabilities and deferred inflows of resources by $23,515,554 at June 30, 2017; this net position consisted of the Coalition's investment in property and equipment of $480,554 and the unrestricted amounts for the medical contingent reserve of $22,393,000 and the dental contingent reserve of $642,000. The Coalition did not retain any unrestricted or undesignated surplus.

- The Coalition has reported a liability at June 30, 2017 of $10,402,210 described as a premium holiday payable in accordance with guidance from the New Hampshire Secretary of State, Bureau of Securities Regulation (BSR). Premium holiday credits totaling $4,273,819 were applied to member contribution invoices as of July 1, 2017. The remaining premium holiday payable, $6,128,691 represents the surplus at June 30, 2017 to be applied to member contribution invoices as of July 1, 2018.

- The Coalition has adopted additional reporting guidance of the Governmental Accounting Standards Board (GASB), including this management discussion and analysis; expanded note disclosure for investments; and separate sections on the Statement of Net Position for any deferred outflows or deferred inflows of resources.

Overview of the Financial Statements:

The Coalition's fiscal year is July 1 through June 30.

The annual financial report consists of three parts:

- Management's Discussion and Analysis
- Financial Statements and Note Disclosures
- Required Supplementary Information

Management's discussion and analysis provides a narrative overview of the statements and comments on significant developments during the reporting period. The intention is to present a financial summary of operations for the past fiscal year and discuss the outlook for the ensuing year.

The Statements of Net Position contain information regarding the assets and liabilities of the Coalition. The Coalition reports in accordance with GASB Statement No. 65 which requires deferred outflows of resources and deferred inflows of resources to be reported in separate sections of the Statement of Net Position. The Coalition has not reported any deferred outflows, but does report deferred revenue as a deferred inflow.

The Statements of Revenues, Expenses and Changes in Net Position show the operating activities for the year, revenues and expenses. As required by the GASB, investment income is considered non-operating revenue. The net result of operations for the fiscal year is the change in net position from year to year.

The Statements of Cash Flows report the cash flow resulting from operating, investing and financing activities of the Coalition showing how the financial resources were used during the course of the year.

Notes to the Financial Statements provide explanations of the accounting principles followed and of key items in the financial statements. They include tables with more detailed analysis of certain accounts.

The Required Supplementary Information includes the ten-year schedule of claims development and a two-year comparative reconciliation of claims liabilities.

Analysis of Financial Information Presented in the Statements:

Statements of Net Position:

The following table summarizes the Statements of Net Position:

	June 30, 2017	June 30, 2016	Percentage Change	June 30, 2015	Percentage Change
Cash and cash equivalents	$ 14,433,584	$ 15,544,773	-7%	$ 14,525,316	7%
Investments	31,917,489	26,674,135	20%	27,910,979	-4%
Other assets	3,136,488	3,754,411	-16%	3,315,570	13%
Total assets	49,487,560	45,973,319	8%	45,751,865	0%
Claims payable	1,687,065	2,662,441	-37%	1,951,088	36%
Claims reserves	11,854,357	11,935,008	-1%	12,217,117	-2%
Premium holiday payable	10,402,210	5,845,197	78%	5,509,171	6%
Other liabilities	1,272,284	1,500,953	-15%	1,273,055	18%
Total liabilities	25,215,917	21,943,599	15%	20,950,431	5%
Deferred inflows of resources	756,089	551,555	37%	429,766	28%
Net position:					
Invested in capital assets	480,554	516,165	-7%	699,668	-26%
Unrestricted	23,035,000	22,962,000	0%	23,672,000	-3%
Total net position	$ 23,515,554	$ 23,478,165	0%	$ 24,371,668	-4%

Total assets for FY2017, FY2016 and FY2015 are $49,487,560, $45,973,319 and $45,751,865, respectively. The increase in assets from FY 2016 to FY 2017 is largely due to an increased investments balance. The increase in assets from FY2015 to FY 2016 is largely due to an increased cash and cash equivalents balance as well as other assets increasing due to Rx consideration from Cigna.

Total liabilities for FY2017, FY2016 and FY2015 are $25,215,917, $21,943,599 and $20,950,431, respectively. The increase in liabilities from FY 2016 to FY 2017 is due to a larger premium holiday payable. The increase in liabilities from FY2015 to FY2016 is also due to an increased premium holiday payable as well as an increase in accounts payable due to higher wellness program utilization.

Unrestricted net position has increased marginally over the prior year by $67,000 in the medical contingent reserve and increased by $6,000 in the dental contingent reserve mostly due to stable membership and trend.

Statements of Revenues, Expenses and Changes in Net Position:

The following table summarizes the Statements of Revenues, Expenses and Changes in Net Position:

	June 30, 2017	June 30, 2016	Percentage Change	June 30, 2015	Percentage Change
Operating revenues:					
Member contributions	$ 172,729,353	$ 172,891,675	0%	$ 168,862,262	2%
Premium holiday credits	(6,128,691)	(4,636,390)	32%	(1,221,079)	280%
Other	4,040,146	3,200,398	26%	994,466	222%
Total operating revenues	170,640,807	171,455,683	0%	168,635,649	2%
Operating expenses:					
Claims expense	146,698,282	149,188,684	-2%	143,438,801	4%
Insurance	14,035,571	12,740,985	10%	11,630,973	10%
Claims administration	4,168,734	5,026,781	-17%	5,227,151	-4%
Health and wellness benefits	3,646,993	3,295,351	11%	2,162,001	52%
Administration	2,403,748	2,328,616	3%	1,710,538	36%
Other	176,567	751,296	-76%	1,137,265	-34%
Total operating expenses	171,129,895	173,331,712	-1%	165,306,729	5%
Operating gain (loss)	(489,088)	(1,876,029)	-74%	3,328,920	-156%
Nonoperating revenues:					
Earnings on investments	526,477	982,527	-46%	683,055	44%
Change in net position	37,389	(893,503)	-104%	4,011,975	-122%
Beginning net position, July 1	23,478,165	24,371,668	-4%	20,359,693	20%
Ending net position, June 30	$ 23,515,554	$ 23,478,165	0%	$ 24,371,668	-4%

Revenues - Total operating revenues of FY2017, FY2016 and FY2015 were $170,640,807, $171,455,682 and $168,635,649, respectively. The decrease in member contributions from FY 2016 to FY 2017 was due to increased enrollment in lower cost Consumer Driven Health Plans coupled with a larger premium holiday payable. The increase in other revenues is largely due to an increase in pharmacy rebates year over year due to renegotiated terms with Cigna.

Expenses - Total operating expenses for FY2017, FY2016 and FY2015 were $171,129,895, $173,331,712 and $165,306,729, respectively. The decrease in claims expense from FY 2016 to FY 2017 is due to increased enrollment in Consumer Driven Health Plan with a greater participant cost share along with a slight decrease in utilization. The increase in health and wellness benefits is due to increased participation and payouts.

Other matters:

Investment Portfolio

The Coalition's investment portfolio on June 30, 2017 was valued at $31,917,489. The June 30, 2016 value of the investment portfolio was $26,674,135. The June 30, 2015 value of the investment portfolio was $27,910,979. The Coalition's Risk Pool Practices Agreement with the NH Secretary of State required that investments be compliant with the requirements imposed upon municipalities pursuant to NH RSA 35:9, allowing for certain exceptions, by April 25, 2014. In the Agreement, the NH Secretary of State consents to the Coalition temporarily retaining the investment in Real Estate Investment Trusts (REITs) on the following conditions: (a) SCHOOLCARE shall liquidate the REIT investments as soon as it is practicable to do so without incurring penalties or breakage fees; (b) SCHOOLCARE shall limit its investment in these REITs by requiring any dividends paid by the REIT investments be paid to SCHOOLCARE in cash and not reinvested in the REIT; (c) the SCHOOLCARE REITs shall not be considered as part of the allowable percentage of the non-complaint investments and (d) SCHOOLCARE shall provide the BSR with annual updates on the status of the REIT investments and with more frequent updates should unexpected events occur with respect to the REIT investments. The Coalition is also permitted to include investments that are non-compliant with NH RSA 35:9 in an aggregate amount not to exceed 8% of the Coalition's cash, cash equivalents, and other non-REIT investments provided such non-compliant investments are specifically approved for investment by a non-life insurer pursuant to RSA 402:28, I with the exception of 402:28, I, o. As management reviewed the June 30, 2017 investment statements, they determined that approximately 2.3% of the Coalition's investments were non-compliant with the regulatory requirements. This is within the 8% limit set by the Risk Pool Practices Agreement. During the 2017 fiscal year, two (2) additional REITS were sold. In August 2017, a third REIT was sold, leaving one (1) remaining REIT in the Coalitions portfolio as of August 2017. The REIT balances were $523,481 at June 30, 2017, $1,582,493 at June 30, 2016, and $1,731,394 at June 30, 2015. The Coalition held securities that were non-complaint with NH RSA 35:9 in the amount of $1,051,705 at June 30, 2017, $2,340,310 at June 30, 2016, and $5,179,088 at June 30, 2015. In addition, the Coalition held certain securities that were non-compliant with both NH RSA 35:9, NH RSA 402:28, I as well as the Agreement in the amount $201,905 as of June 30, 2015. These securities were sold as of April 15, 2016. The Risk Pool Practices Agreement expired as of April 25, 2017. Although the Agreement is no longer in effect, the Coalition has no plans to change operations or policies adopted as a result of its execution.

On May 25, 2016, the Coalition entered into an agreement with Strategic Asset Alliance (SAA) as an investment consultant to the Board and organization. SAA replaced Eagle Point Investment Advisors as the Board's advisor. The Board also authorized agreements with US Bank on August 10, 2016 for custodial services as well as Asset Allocation and Management Company (AAM) on August 15, 2016 for investment management and accounting services. US Bank replaced LPL Financial as the custodian of Coalition funds as of September 1, 2016.

Capital Assets and Debt

The Coalition's property and equipment at June 30, 2017 was valued at $480,554 compared to $516,165 on June 30, 2016 and $699,668 on June 30, 2015. The changes at June 30, 2017 are due to a depreciation amount of $35,611. The Coalition has no long-term debt.

Outlook / Economic Factors:

The Coalition and its Board of Directors remain focused on the organization's mission statement to provide education and training for employees and employers to become informed health consumers with healthier life styles, and enable the purchase of quality health care in a cost-effective manner.

The SCHOOLCARE medical and dental plans provide comprehensive benefits to support this endeavor. Health care is evolving rapidly due to rising health care trends as a result of the Patient Protection and Affordable Care Act (PPACA) and particularly in the area of specialty prescription drugs. The PPACA Excise Tax on high cost plans was delayed from 2018 to 2020. This delay has allowed more time for Member groups to consider and transition to products with deductibles and coinsurance that encourage greater consumer accountability in care as well as promotion of cost sharing between employers and employees. To assist in these efforts, the Coalition continues to develop next generation products that offer a variety of options through cost sharing and various tax-advantaged financial accounts. These include health reimbursement accounts, health savings accounts and flexible spending accounts. The Coalition will further develop these plans and educate Membership in order to assist with mitigating or eliminating Excise Tax on SCHOOLCARE medical plans. Coalition Staff has also closely monitored proposed legislative changes throughout 2017. The future of health care is an important discussion item and will remain at the forefront of the organization's focus.

In conjunction with next generation plans, the Coalition believes that wellness plays an integral role in one's health. As such, Staff has continued to update and develop the Coalition's comprehensive ***Good For You***! wellness programs to promote consumer awareness and accountability of one's own health. These programs echo the Coalition's mission of promoting healthier lifestyles while making wellness fun and easy to participate in. The Coalition partnered with Viverae in 2015, a leader in workplace wellness offerings, to utilize their wellness portal. This portal works to educate on a holistic level, while allowing for technological advancements like participation through device integration. Development of these programs will continue as the Coalition integrates both membership feedback as well as best practices in health and wellness. In 2017, 45.9% of eligible individuals participated in the wellness program compared to 43.3% in 2016. Staff expects that number to continue to grow as communication, awareness and utilization expands.

In addition to this, the Coalition's Board of Directors, Staff and Key Stakeholders are continuing to execute on a Strategic Objective Plan for 2016 - 2020. This plan encompasses the education of Members while developing products and technology that further meets their needs and objectives. In a rapidly changing world, the Coalition must be nimble and responsive over the years to come and this new Strategic Plan will aid and assist in that task. Coalition Staff and leadership continue to make progress on this plan each quarter.

Membership

The exceptional service to our existing Membership is a cornerstone of the Coalition's mission. In more recent years, the Coalition's Membership has remained relatively flat with most changes in enrollment occurring as a result of its population retiring. This slower period of growth is mostly attributable to PPACA changes and collective bargaining agreements holding until the effect of the Excise Tax is known. As part of the Strategic Plan for 2016 - 2020, the Coalition's Board of Directors has indicated a desire for growth in the program of approximately 20% from 2016 to 2020. This will be achieved by servicing current Members to the highest standard possible while marketing to prospective clients through educational opportunities and events.

Patient Protection and Affordable Care Act (PPACA)

The Patient Protection and Affordable Care Act also referred to as health care reform continues to affect both the Coalition's operations and its membership. Staff regularly monitors, educates and assists members with the implementation of changes required by PPACA. All SCHOOLCARE medical plans are in compliance with health care reform provisions.

In addition to this, SCHOOLCARE staff continues to assist Members with various reporting requirements under PPACA including 6055 and 6056 reporting. Staff has also continued to educate Members on potential Excise Tax implications. As such, the Coalition has developed various spreadsheets to estimate how much each Member would pay in Excise Tax by plan option. Staff will also continue to develop next generation, lower cost, products to assist in Excise Tax avoidance for the year 2020 and beyond.

From an administrative perspective, SCHOOLCARE paid two PPACA fees on its Members behalf during the fiscal year, the Comparative Effectiveness Research Fee and the Traditional Reinsurance Fee. The Transitional Reinsurance Fee continued through December 31, 2016 with final payment sent in January 2017 while the Comparative Effectiveness Research fee will continue through June 30, 2019 for SCHOOLCARE with a final payment date of July 31, 2020.

Medical Costs

Medical cost trends have stabilized in recent years mostly as a result of a large membership move to Consumer Driven Plan products. As a result of many conversations at the local level, consumer driven plan design enrollment has climbed to 65% in 2017. As the Coalition looks to 2018, it is anticipated that employers and employees alike will continue considering alternative plan designs to reduce health care rates. The Coalition strives to support such joint management/labor initiatives through existing SCHOOLCARE plans with higher copays/cost sharing and lower cost plans with deductibles/coinsurance. Staff has proactively reached out to many of its Member groups to start these discussions when appropriate.

In addition to outreach, Staff has been working to develop materials and content to assist in education of Membership. As part of the Coalition's mission statement, the organization believes that education of its Member groups is of the utmost importance in order to train and inform Members of cost saving alternatives and options. With the large shift to Consumer Driven Plans, the Coalition believes that education must continue each year in order to empower each participant to be their own health advocate. As such, Staff continues to deliver quality materials via webinars and podcasts while supporting cost containment measures at the local level whenever possible.

Regulatory environment

The Coalition is a pooled risk management program under RSA 5-B and as such is regulated by the New Hampshire Secretary of State, Bureau of Securities (BSR). As stated previously, the Coalition entered into a five (5) year Risk Pool Practices Agreement in April 2012. The Coalition complied with the Agreement and will continue to closely monitor any legislative changes that may affect the Coalition and its membership. The Agreement was effective through April 25, 2017. Although the Agreement is no longer in effect, the Coalition has no plans to change operations or policies adopted as a result of its execution.

Requests for Information:

For additional information, please contact the New Hampshire School Health Care Coalition, 370 Harvey Road, Manchester, NH 03103; telephone 603-836-5031 or 800-562-5254.

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
STATEMENTS OF NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017	June 30, 2016
ASSETS:		
Cash and cash equivalents	$ 14,433,584	$ 15,544,773
Investments	31,917,489	26,674,135
Member receivables	1,381,191	2,121,395
Accounts receivable	1,114,596	877,234
Accrued interest receivable	123,324	171,606
Prepaid expenses	36,823	68,012
Total current assets	49,007,006	45,457,154
Property and equipment, net	480,554	516,165
Total assets	$ 49,487,560	$ 45,973,319
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES:		
Accounts payable	$ 1,055,497	$ 1,011,742
Accrued expenses	216,787	489,211
Claims payable	1,687,065	2,662,441
Claims reserves	11,854,357	11,935,008
Premium holiday payable	10,402,210	5,845,197
Total current liabilities	25,215,917	21,943,599
DEFERRED INFLOWS OF RESOURCES:		
Deferred revenue	756,089	551,555
NET POSITION:		
Invested in capital assets	480,554	516,165
Unrestricted	23,035,000	22,962,000
Total net position	23,515,554	23,478,165
Total liabilities, deferred inflows of resources and net position	$ 49,487,560	$ 45,973,319

The accompanying notes are an integral part of these financial statements

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
STATEMENTS OF REVENUE, EXPENESES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017	June 30, 2016
Operating revenues:		
Member contributions	$ 172,729,353	$ 172,891,675
Premium holiday credits	(6,128,691)	(4,636,390)
Medicare drug subsidy	-	37,491
Other income	4,040,146	3,162,907
Total operating revenues	170,640,807	171,455,682
Operating expenses:		
Claims expense	146,698,282	149,188,684
Insurance stop-loss	1,608,270	1,460,836
Insurance premiums	12,427,301	11,280,149
Claims administration	4,168,734	5,026,781
Contractual services	627,821	637,330
Affordable Care Act fees	176,567	751,296
Administration	1,760,645	1,670,237
Health and wellness benefits	3,646,993	3,295,351
Conference expenses	15,283	21,048
Total operating expenses	171,129,896	173,331,711
Operating (loss) gain	(489,089)	(1,876,029)
Nonoperating revenues:		
Earnings on investments	526,477	982,527
Change in net position	37,388	(893,503)
Beginning net position, July 1	23,478,165	24,371,668
Ending net position, June 30	$ 23,515,554	$ 23,478,165

The accompanying notes are an integral part of these financial statements

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017	June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members	$ 172,102,413	$ 167,697,477
Subsidies and refund received	3,833,973	3,478,370
Payments to suppliers	(23,689,673)	(22,876,209)
Payments of claims	(147,754,309)	(148,601,443)
Payments to employees	(934,997)	(857,948)
Net cash provided by (used in) operating activities	3,557,407	(1,159,752)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and sales, net of purchases	(5,288,426)	1,051,706
Interest and dividend income	619,830	1,127,503
Net cash (used in) provided by investing activities	(4,668,596)	2,179,209
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,111,189)	1,019,457
CASH AND CASH EQUIVALENTS, beginning of year	15,544,773	14,525,316
CASH AND CASH EQUIVALENTS, end of year	$ 14,433,584	$ 15,544,773
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) BY OPERATING ACTIVITIES:		
Operating loss	$ (489,088)	$ (1,876,031)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities -		
Depreciation expense	35,611	48,086
Loss on disposal of fixed assets	-	135,417
(Increase) decrease in assets:		
Member receivables	740,206	(1,015,620)
Accounts receivable	(237,362)	466,472
Prepaid expenses	31,188	(33,032)
Increase (decrease) in liabilities:		
Accounts payable	43,755	673,593
Claims payable	(975,376)	711,353
Accrued expenses	(272,424)	(445,696)
Claims reserves	(80,651)	(282,109)
Premium holiday payable	4,557,013	336,026
Increase in deferred revenue:	204,534	121,789
Total adjustments	4,046,495	716,279
Net cash provided by (used in) operating activities	$ 3,557,407	$ (1,159,752)
SUPPLEMENTAL NON-CASH DISCLOSURE		
Change in unrealized (loss)/gain on investments	$ (129,946)	$ 249,229

The accompanying notes are an integral part of these financial statements

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

1. Organization and significant accounting policies:

A. Organization and reporting entity - The New Hampshire School Health Care Coalition (the Coalition), was created in 1995 as a non-profit, tax-exempt corporation. The Coalition is a cooperative service organization of political subdivisions authorized by the New Hampshire General Court to establish and operate one or more pooled risk management programs under the requirements of New Hampshire RSA Chapter 5-B for the benefit of political subdivisions of the State of New Hampshire. Its mission is to provide education and training for public employees and employers to become informed health consumers with healthier life styles, and enable the purchase of quality health care in a cost effective manner. The Coalition was founded by the New Hampshire School Boards Association, the New Hampshire Association of School Business Officials, the New Hampshire School Administrators Association, the New Hampshire School Boards Insurance Trust, and the National Education Association-New Hampshire.

Prior to July 1, 2003, the Coalition entered into agreements with insurers to fully insure HMO, POS, indemnity, and Medicare supplement health benefit options, collectively known as the SCHOOLCARE Plan (SCHOOLCARE), and accordingly, the insurance risks were not retained by the Coalition under these plans. The Coalition provided prescription drug coverage to retired members on Medicare under a self-funded arrangement beginning on July 1, 2002.

Beginning July 1, 2003, the Coalition entered into a self-insured arrangement with Connecticut General Life for the HMO and POS health benefit options. Connecticut General provides complete claims administration services and management reports.

Beginning July 1, 2010, the Coalition entered into a fully-insured arrangement with Connecticut General Life for DPO (dental provider organization) dental benefit options. The dental program transitioned to a self-insured arrangement on July 1, 2013.

Beginning July 1, 2011, the Coalition entered into an updated self-funded arrangement with Cigna Health and Life Insurance Company (formally Connecticut General Life) for both health benefit and dental benefit options.

Beginning January 1, 2014, the Coalition transitioned its existing SCHOOLCARE 65+ prescription plan from self-funded to a fully-insured Medicare Part D Employer Group Waiver Program (EGWP) with Express Scripts.

B. Membership - Membership is limited to political subdivisions of the State of New Hampshire. Membership was 90 and 95 at June 30, 2017 and 2016.

C. Basis of accounting - The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to proprietary funds of governmental units. The Coalition meets the requirements as a public entity risk pool under Governmental Accounting Standards Board (GASB) statements, and accounts for its activities in accordance with the applicable statements.

D. Cash and cash equivalents - The Coalition considers all deposit accounts with banks and money market accounts held by the Coalition's investment advisor in the Coalition's name to be cash and cash equivalents. The Coalition's accounts are insured or collateralized at June 30, 2017 and June 30, 2016.

1. Organization and significant accounting policies (continued):

E. Investments - The Coalition accounts for its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools (Statement No. 31). Statement No. 31 establishes fair value standards on accounting for all investments held by governmental external investment pools and governmental entities. All investment income, including changes in the fair value of investments, is recognized in the statements of revenues, expenses, and changes in net position. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the costs of the investments sold. Realized gains and losses on investments that had been held for more than one year and sold in the current year were included as a change in the fair value of investments reported in the prior years and the current year. Investment purchases are recognized on the trade date. Investments are stated at fair value based on quoted market prices or through a recognized pricing service.

In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3, certain disclosures regarding deposit and investment risks have been provided in Note 2, Investments.

The Coalition measures its investments in accordance with GASB Statement No. 72, Fair Value Measurements and Application (Statement No. 72), which defines fair value, provides a framework for measuring fair value and requires certain disclosures about fair value measurements. The definition of fair value under Statement No. 72 focuses on the price that would be received to sell the asset, which is referred to as the exit price. Statement No. 72 provides guidance on how to measure fair value, when required, under existing accounting standards. Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into broad levels as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active
- Inputs other than quoted prices that are observable for the asset or liability, such as:
  (1) Interest rates and yield curves observable at commonly quoted intervals
  (2) Implied volatilities
  (3) Credit spreads
- Market-corroborated inputs.

Level 3 - Inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

The Coalition has recorded its investments at fair value, as more fully described in Note 2.

The fair values of investments are measured using quoted market prices or dealer quotations, when available. When quoted market prices are not available, fair value is measured using quoted market prices for similar securities.

1. Organization and significant accounting policies (continued):

F. Property and equipment - Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives. On January 14, 2012 the Board adopted a formal policy, Capitalization for the Acquisition, Management and Disposition of Fixed Assets. The following is the guideline on how each type of fixed asset should be depreciated:

	Minimum Capitalized Cost	Estimated Useful Life
Office furniture and equipment	$ 3,000	7 years
Computer equipment	$ 3,000	5 years
Computer software	$ 5,000	10 years
computer - other equipment	$ 3,000	5 years
Buildings and improvements	All purchase costs	30 years
Building equipment	All purchase costs	20 years
Vehicles	All purchase costs	5 years

G. Member contributions - Member contributions are based on the program experience and trends as determined by qualified actuaries and are set by the Board annually. The contributions cover all expenses of the Coalition including claims payments and administration, reserves, stop-loss insurance, health and wellness programs, and the Coalition's administration. The rates are effective through June 30, 2017.

H. Net position - The Coalition reports two classifications of net position, invested in capital assets and unrestricted. Unrestricted net position is defined as that portion of net position that is intended to be used by the Coalition for specific purposes as authorized by the Board of Directors. Undesignated net position would be the residual classification of net position and would include all amounts not otherwise restricted or designated. The Coalition does not report an undesignated net position. Residual amounts are reported as premium holiday payable as the Coalition is required to return any undesignated amount to members. Upon dissolution of the organization, the net position is to be distributed to members.

The following table represents the components of the net position:

	2017	2016
Invested in capital assets	$ 480,554	$ 516,165
Unrestricted - medical contingent reserve	22,393,000	22,326,000
Unrestricted - dental contingent reserve	642,000	636,000
Unrestricted net position	23,035,000	22,962,000
Total net position	$ 23,515,554	$ 23,478,165

I. Income taxes - The Coalition has been recognized as having tax exempt status under Code Section 115 by the Internal Revenue Service.

1. Organization and significant accounting policies (continued):

J. Marketing - The Coalition expenses marketing and advertising costs when incurred.

K. Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as 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.

L. Unpaid claims liabilities - The Coalition establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. The process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using the development actuarial method which assumes that past patterns of lag between the date a service is received and the date the claim is paid for the service will continue in the future and other economic factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

M. Excess insurance - The Coalition purchases an individual insurance policy in excess of predetermined levels of retained losses or self-insurance. The excess insurance program may change each coverage year to accommodate increased membership and changing insurance market conditions. Excess insurance permits recovery of a portion of losses from excess insurers, although it does not discharge the primary liability of the Coalition as direct insurer of the risks. The Coalition does not report risks covered by excess insurance as liabilities unless it is probable that those risks will not be covered by the excess insurers and is refunded by excess insurers. Premiums paid to excess insurers for the years ended June 30, 2017 and 2016, were $1,608,270 and $1,460,836, respectively. There was $623,032 and $257,907 recoverable from excess insurers and deducted from claims paid for fiscal years ended June 30, 2017 and 2016, respectively.

Third party health coverage was purchased from OptumHealth Specialty Benefits for the 2017 and 2016 program years subject to individual losses in excess of $500,000 per covered enrollee for loss years 2017 and 2016 with a deductible of $125,000. The Coalition does not currently purchase aggregate excess insurance. The Medigap portion of the Coalition's SCHOOLCARE 65+ program is fully insured through the United American Insurance Company, and the prescription drug program is fully insured through Express Scripts. The dental insurance benefit option was self-funded through Cigna beginning July 1, 2013.

1. Organization and significant accounting policies (continued):

N. Deferred revenue - Financials are presented in accordance with GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. In addition to assets and liabilities, deferred outflows of resources (previously reported as assets) and deferred inflows of resources (previously reported as liabilities), are reported as separate sections in the statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period. The Coalition does not currently report any deferred outflows of resources. The Coalition reports deferred revenue which represents members' contributions received in advance of the month of coverage as deferred inflows of resources.

O. Premium deficiency reserve - In accordance with GASB Statement No. 30, "Risk Financing Omnibus," premium deficiencies are required to be calculated and reported by public entity risk pools. A premium deficiency can result when expected costs for coverage obligations as of the financial statement date exceed expected contributions (based on rates set prior to the financial statement date) for such coverage. No premium deficiency reserve was recorded as of June 30, 2017 and 2016. Investment income was included as part of the calculation in determining if a premium deficiency existed.

P. Subsequent events - The Coalition has evaluated subsequent events through October 20, 2017, which is the date the financial statements were available to be issued.

2. Investments:

Investments are reported at fair value using quoted market prices. Net realized and unrealized gains and losses are included in the accompanying Statements of Revenues, Expenses and Changes in Net Position in earnings on investments under non-operating revenues and expenses. The Coalition's investments are subject to regulatory compliance requirements and various investment risks. The Coalition's investment policy, as approved by the Board of Directors, contains certain provisions and limitations intended to insure regulatory compliance and to mitigate the Coalition's exposure to investment risks.

2. Investments (continued):

Compliance - The Coalition's Risk Pool Practices Agreement with the NH Secretary of State required that investments be compliant with the requirements imposed upon municipalities pursuant to NH RSA 35:9, allowing for certain exceptions, by April 25, 2014. The Coalition's investment portfolio on June 30, 2017 was valued at $31,917,489. The June 30, 2016 value of the investment portfolio was $26,674,135. The June 30, 2015 value of the investment portfolio was $27,910,979. In the Agreement, the NH Secretary of State consents to the Coalition temporarily retaining the investment in Real Estate Investment Trusts (REITs) on the following conditions: (a) SCHOOLCARE shall liquidate the REIT investments as soon as it is practicable to do so without incurring penalties or breakage fees; (b) SCHOOLCARE shall limit its investment in these REITs by requiring any dividends paid by the REIT investments be paid to SCHOOLCARE in cash and not reinvested in the REIT; (c) the SCHOOLCARE REITs shall not be considered as part of the allowable percentage of the non-complaint investments and (d) SCHOOLCARE shall provide the BSR with annual updates on the status of the REIT investments and with more frequent updates should unexpected events occur with respect to the REIT investments. The Coalition is also permitted to include investments that are non-compliant with NH RSA 35:9 in an aggregate amount not to exceed 8% of the Coalition's cash, cash equivalents, and other non-REIT investments provided such non-compliant investments are specifically approved for investment by a non-life insurer pursuant to RSA 402:28, I with the exception of 402:28, I, o. As management reviewed the June 30, 2017 investment statements, they determined that approximately 2.3% of the Coalition's investments were non-compliant with the regulatory requirements. This is within the 8% limit set by the Risk Pool Practices Agreement. During the 2017 fiscal year, two (2) additional REITS were sold. In August 2017, a third REIT was sold, leaving one (1) remaining REIT in the Coalition's portfolio as of August 2017. The REIT balances were $523,481 at June 30, 2017, $1,582,493 at June 30, 2016, and $1,731,394 at June 30, 2015. The Coalition held securities that were non-complaint with NH RSA 35:9 in the amount of $1,051,705 at June 30, 2017, $2,340,310 at June 30, 2016, and $5,179,088 at June 30, 2015. In addition, the Coalition held certain securities that were non-compliant with both NH RSA 35:9, NH RSA 402:28, I as well as the Agreement in the amount of $201,905 as of June 30, 2015 and $2,219,014 as of June 30, 2014. These securities were sold as of April 15, 2016. The Risk Pool Practices Agreement expired as of April 25, 2017. Although the Agreement is no longer in effect, the Coalition has no plans to change operations or policies adopted as a result of its execution.

Custodial credit risk - Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the Coalition will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Investments other than the real estate investment trusts were held by US Bank at June 30, 2017 and LPL Financial Services at June 30, 2016.

2. Investments (continued):

The Coalition's investments, including compliance consisted of the following as of June 30, 2017 and 2016:

June 30, 2017

Category	Amount of Investment Portfolio	Percentage of Investment Portfolio	Non-Compliant Municipal Law RSA 35:9 Investments	Percentage of Municpal Law RSA 35:9 Non-compliant Investments	Non-Compliant Insurance Law 402:28:I Investments	Percentage of Insurance Law 402:28:I Non-compliant Investments
Corporate Bonds	$ 8,220,640	17.72%	$ 1,051,705	2.27%	$ -	0.00%
Government Bonds	12,503,390	26.95%	-	0.00%	-	0.00%
Municipal Bonds	1,414,161	3.05%	-	0.00%	-	0.00%
Mutual Funds	6,460,798	13.92%	-	0.00%	-	0.00%
REITs	523,481	1.13%	523,481	1.13%	523,481	1.13%
US Treasuries	2,845,277	6.13%	-	0.00%	-	0.00%
Total Investments	31,967,747	68.89%	-	0.00%	-	0.00%
Cash and Money Markets	14,433,584	31.11%	-	0.00%	-	0.00%
Total Investment Portfolio	**$ 46,401,331**	**100%**	-	0.00%	-	0.00%
Total Out of Compliance			**$ 1,575,187**	**3.39%**	**$ 523,481**	**1.13%**

June 30, 2016

Category	Amount of Investment Portfolio	Percentage of Investment Portfolio	Non-Compliant Municipal Law RSA 35:9 Investments	Percentage of Municpal Law RSA 35:9 Non-compliant Investments	Non-Compliant Insurance Law 402:28:I Investments	Percentage of Insurance Law 402:28:I Non-compliant Investments
Corporate Bonds	$ 4,272,274	10.12%	$ 2,340,310	5.54%	$ -	0.00%
Government Bonds	7,373,953	17.47%	-	0.00%	-	0.00%
Municipal Bonds	983,017	2.33%	-	0.00%	-	0.00%
Mutual Funds	4,615,930	10.93%	-	0.00%	-	0.00%
REITs	1,582,493	3.75%	1,582,493	3.75%	1,582,493	3.75%
US Treasuries	7,846,468	18.59%	-	0.00%	-	0.00%
Total Investments	26,674,135	63.18%	-	0.00%	-	0.00%
Cash and Money Markets	15,544,773	36.82%	-	0.00%	-	0.00%
Total Investment Portfolio	**$ 42,218,908**	**100%**	-	0.00%	-	0.00%
Total Out of Compliance			**$ 3,922,803**	**9.29%**	**$ 1,582,493**	**3.75%**

2. Investments (continued):

Interest rate risk - Interest rate risk is the risk that changes in market interest 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 the market interest rates. The Coalition mitigates the risk that the market value of securities will fall due to changes in general interest rates by structuring the portfolio with allocations across asset class sectors to position the portfolio to take advantage of changes in the interest rate environment.

Maturities of interest earning investments at June 30, 2017 are as follows:

	Fair Value	Less than One Year	1 to 5 Years	6 to 10 Years	After 10 Years
US Treasuries	$ 2,845,277	$ 325,414	$ 466,205	$ 2,053,658	$ -
Government bonds	12,503,390	29,565	5,246,545	2,038,341	5,188,939
Corporate bonds	8,220,640	149,910	3,875,346	3,851,573	343,811
Municipal bonds	1,414,161	-	351,439	896,906	165,816
	$ 24,983,468	$ 504,889	$ 9,939,535	$ 8,840,478	$ 5,698,566

Maturities of interest earning investments at June 30, 2016 are as follows:

	Fair Value	Less than One Year	1 to 5 Years	6 to 10 Years	After 10 Years
US Treasuries	$ 7,846,468	$ 524,464	$ 1,397,741	$ 5,813,358	$ 110,905
Government bonds	7,373,953	609,251	1,846,456	1,865,694	3,052,552
Corporate bonds	4,272,274	-	103,838	2,876,187	1,292,249
Municipal bonds	983,017	-	-	-	983,017
	$ 20,475,712	$ 1,133,715	$ 3,348,035	$ 10,555,239	$ 5,438,723

Credit risk - Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's investment in a single issuer. Except for the concentration of investments in Mutual Funds, the Coalition investments are diversified.

2. Investments (continued):

The table below outlines third party credit ratings of the Coalition's fixed maturity securities at June 30, 2017:

	U.S. Treasuries	Government Bonds	Corporate Bonds	Municipal Bonds	Totals
AAA	$ 2,845,277	$ 6,697,070	$ 301,060	$ 318,951	$ 10,162,358
AA+	-	5,806,319	302,492	686,655	6,795,466
AA	-	-	689,555	49,521	739,076
AA-	-	-	571,926	193,218	765,144
A+	-	-	1,305,768	-	1,305,768
A	-	-	2,626,895	165,816	2,792,711
A-	-	-	1,225,693	-	1,225,693
BBB+	-	-	899,564	-	899,564
BBB	-	-	-	-	-
BBB-	-	-	201,805	-	201,805
BB+	-	-	95,883	-	95,883
	$ 2,845,277	$ 12,503,390	$ 8,220,640	$ 1,414,161	$ 24,983,468

The table below outlines the third party credit ratings of the Coalition's fixed maturity securities at June 30, 2016:

	U.S. Treasuries	Government Bonds	Corporate Bonds	Municipal Bonds	Totals
AAA	$ 7,846,468	$ 3,273,463	$ -	$ -	$ 11,119,931
AA+	-	4,100,490	157,101	-	4,257,591
AA	-	-	349,362	-	349,362
AA-	-	-	-	983,017	983,017
A+	-	-	208,427	-	208,427
A	-	-	329,859	-	329,859
A-	-	-	370,023	-	370,023
BBB+	-	-	1,359,305	-	1,359,305
BBB	-	-	571,117	-	571,117
BBB-	-	-	927,080	-	927,080
	$ 7,846,468	$ 7,373,953	$ 4,272,274	$ 983,017	$ 20,475,712

2. Investments (continued):

Marketable equity securities were recorded using Level 1 fair values based on observable quoted market prices from national securities exchanges. Corporate bonds and government bonds were recorded using Level 2 fair values are priced using standard inputs, when available, which include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers, and reference data. Inputs used also take into consideration market indicators, industry, and economic events. REITS classified as Level 3 are valued using discounted cash flow techniques.

The following table sets forth by level, within the fair value hierarchy, the Coalition's investments at fair value as of June 30, 2017 and 2016:

June 30, 2017	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Bonds	$ 8,220,640	$ -	$ -
Government Bonds	-	12,503,390	-
Municipal Bonds	-	1,414,161	-
Mutual Funds	6,460,798	-	-
REITs	-	-	523,481
US Treasuries	2,845,277	-	-
	$ 17,526,715	$ 13,917,551	$ 523,481

June 30, 2016	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Bonds	$ 4,272,274	$ -	$ -
Government Bonds	-	7,373,953	-
Municipal Bonds	-	983,017	-
Mutual Funds	4,615,930	-	-
REITs	-	-	1,582,493
US Treasuries	7,846,468	-	-
	$ 16,734,672	$ 8,356,970	$ 1,582,493

2. Investments (continued):

For the years ended June 30, 2017 and 2016, the Coalition realized a net gain of $84,874 and a net loss of $434,369 from the sale of investment securities. The calculation of the realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

3. Property and equipment:

Property and equipment consisted of the following at year end:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, being depreciated				
Buildings and improvements	$ 609,763	$ -	$ -	$ 609,763
Furniture and equipment	263,418	-	-	263,418
Total capital assets being depreciated	873,181	-	-	873,181
Less: accumulated depreciation for:				
Buildings and improvements	(138,124)	(21,877)	-	(160,001)
Furniture and equipment	(218,892)	(13,734)	-	(232,626)
Total accumulated depreciation	(357,016)	(35,611)	-	(392,627)
Total capital assets being depreciated, net	$ 516,165	$ (35,611)	$ -	$ 480,554

Depreciation expense was $35,611 and $48,086 for the years ended June 30, 2017 and 2016, respectively.

4. Unpaid claims liabilities:

As discussed in Note 1. A., the Coalition started pooling the risk for prescription drug coverage for retired members under the Express Scripts Plan on July 1, 2002 through December 31, 2013 and started pooling the risk for the health benefit options on July 1, 2003. The Coalition also started pooling the risk for the dental benefit options as of July 1, 2013. The Coalition establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated.

4. Unpaid claims liabilities (continued):

The following represents changes in those aggregate liabilities for the Coalition for the years ended June 30, 2017, 2016 and 2015:

	June 30, 2017	June 30, 2016	June 30, 2015
Unpaid claims and allocated claims adjustment expenses at beginning of the year	$ 14,597,449	$ 14,168,205	$ 13,448,731
Incurred claims and allocated claim adjustment expenses:			
Provision for insured events of current fiscal year	148,512,192	152,240,233	145,913,916
Changes in the provision for insured events of prior fiscal years	(1,813,910)	(3,051,249)	(2,475,115)
Claims administration expenses, current year	4,168,733	5,026,781	5,227,151
Total incurred claims and claim adjustment expenses	150,867,015	154,215,765	148,665,952
Claim and allocated claim adjustment expense payments:			
Attributable to insured events of current fiscal year	134,970,770	137,642,784	131,745,711
Attributable to insured events of prior fiscal years	12,783,539	11,116,956	10,973,618
Claims administration expenses, current year	4,168,733	5,026,781	5,227,149
Total payments	151,923,042	153,786,521	147,946,478
Total unpaid claims and claim adjustment expenses at end of the year	$ 13,541,422	$ 14,597,449	$ 14,168,205

5. Risk pool practices agreement:

On April 25, 2012, the Coalition entered into a Risk Pool Practices Agreement (the Agreement) with the New Hampshire Secretary of State. The Agreement was effective through April 25, 2017. The provisions of the Agreement significantly changed two areas of the Coalition's operations - return of surplus and investments.

Return of surplus - From inception in 1995 to 2013, the Coalition returned surplus to its members through rate stabilization to reduce rate increases. The BSR, during its 2012 on-site examination, noted the Coalition's documentation of rate stabilization procedures and designation of surplus for this purpose. However, the Secretary of State, as a policy matter, did not agree that the use of rate stabilization as described is compliant with NH RSA 5-B and required the Coalition to return surplus to its members through a "Premium Holiday". The below chart illustrates the amounts and returns of Premium Holiday by year.

Date of Premium Holiday	**Amount of Premium Holiday**	
December 1, 2012	$	4,250,000
December 1, 2013	$	4,250,000
July 1, 2014	$	21,673,842
July 1, 2015	$	4,288,093
July 1, 2016	$	1,208,806
July 1, 2017	$	4,273,819

This practice of return of surplus through a Premium Holiday was considered a change in accounting policy implemented in the year ended June 30, 2012.

Investments - The Board of Directors currently has an investment policy based on the "prudent person" standard whereby investments are made with judgment and care considering the probable safety of the investment as well as the expected income to be derived. This investment policy was updated in January 2017 to reflect changes in benchmarking. Both the Coalition and its investment advisors and managers review this investment policy on a yearly basis.

The Agreement required investments be compliant with the requirements imposed upon municipalities pursuant to RSA 35:9, allowing for certain exceptions, by April 25, 2014. During the 2017 fiscal year, two (2) additional REITS were sold. In August 2017, a third REIT was sold, leaving one (1) remaining REIT in the Coalition's portfolio as of August 2017. The REIT balances were $523,481 at June 30, 2017, $1,582,493 at June 30, 2016, and $1,731,394 at June 30, 2015. The Coalition held securities that were non-complaint with NH RSA 35:9 in the amount of $1,051,705 at June 30, 2017, $2,340,310 at June 30, 2016, and $5,179,088 at June 30, 2015. In addition, the Coalition held certain securities that were non-compliant with both NH RSA 35:9, NH RSA 402:28, I as well as the Agreement in the amount $201,905 as of June 30, 2015 and $2,219,014 as of June 30, 2014. These securities were sold as of April 15, 2016. The Risk Pool Practices Agreement expired as of April 25, 2017. Although the Agreement is no longer in effect, the Coalition has no plans to change operations or policies adopted as a result of its execution.

6. Net position:

Unrestricted net position - The medical contingent reserve is determined annually with advice of the Coalition's actuaries using a stochastic modeling methodology at the 95% confidence level and is held as under unrestricted net position as a designated contingent reserve for all business risks not included in loss reserves. The dental contingent reserve is also determined annually with advice of the Coalition's actuaries using two months projected claims payments. This is used instead of stochastic modeling due to both the size of the program as well as the predictability of claims payments. Under the terms of the Risk Pool Practices Agreement, the Coalition is not permitted to retain an undesignated net position.

7. Health care reform:

On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) made significant changes impacting group health plans including the SCHOOLCARE Medical Plans. Since 2010, the Coalition continues to monitor and assist members with the implementation of changes required by PPACA. In 2017, the Coalition has accrued fees of approximately $176,567 which represent the Coalition's annual assessment under the Act. The decreased accrual reflects the expiration of the Transitional Reinsurance Fee and thus no accrual for that particular expense.

Annually the SCHOOLCARE Medical Plans are amended to reflect benefit changes required by PPACA such as lifetime limits and preventive services. In addition, the Health Benefits Booklet has been updated with these benefit changes as well as other federal requirements including but not limited to eligibility criteria and the claims appeals procedures.

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NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE YEARS ENDED JUNE 30, 2017, 2016 and 2015
Schedule 1

	SchoolCare - Medical			SchoolCare - Dental		
	6/30/2017	6/30/2016	6/30/2015	6/30/2017	6/30/2016	6/30/2015
Unpaid claims and allocated claims adjustment expenses at beginning of year	$ 14,390,777	$ 13,732,633	$ 13,265,845	$ 206,673	$ 435,572	$ 182,886
Incurred claims and allocated claim adjustment expenses:						
Provision for insured events of current fiscal year	145,241,441	148,989,577	142,721,688	3,270,751	3,250,656	3,192,228
Changes in the provision for insured events of prior fiscal year	(1,783,579)	(3,010,101)	(2,450,637)	(30,331)	(41,148)	(24,478)
Claims administration expenses, current year	4,056,605	4,916,603	5,123,611	112,128	110,179	103,540
Total incurred claims and claim adjustment expenses	147,514,467	150,896,078	145,394,661	3,352,548	3,319,687	3,271,290
Claim and allocated claim adjustment expense payments:						
Attributable to insured events of current fiscal year	131,888,651	134,598,800	128,989,055	3,082,119	3,043,983	2,756,656
Attributable to insured events of prior fiscal years	12,607,197	10,722,532	10,815,207	176,342	394,424	158,408
Claims administration expenses, current year	4,056,605	4,916,603	5,123,611	112,128	110,179	103,540
Total payments	148,552,453	150,237,935	144,927,873	3,370,589	3,548,586	3,018,604
Total unpaid claims and claim adjustment expenses at the years ended June 30, 2017, 2016 and 2015	$ 13,352,791	$ 14,390,777	$ 13,732,633	$ 188,632	$ 206,673	$ 435,572

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
COMPARATIVE SCHEDULE OF CLAIM DEVELOPMENT,
EARNED ASSESSMENTS AND UNALLOCATED EXPENSES
JUNE 30, 2017
Schedule 2

The following table illustrates how the Coalition’s earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Coalition as of the end of each of the previous nine years. The rows of the table are defined as follows: (1) This line shows the total of the fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue. (2) This line shows the fiscal years other operating costs of the Coalition including overhead and claims expense not allocable to individual claims. (3) This line shows the Coalition's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years of each policy year. (5) This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year. (6) This section of ten rows shows how each policy year's net 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, and emergence of new claims not previously known.) (7) This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

NEW HAMPSHIRE SCHOOL HEALTH CARE COALITION
COMPARATIVE SCHEDULE OF CLAIM DEVELOPMENT, EARNED ASSESSMENTS AND UNALLOCATED EXPENSES
JUNE 30, 2017
Schedule 2
(Page 2 of 2)

	Fiscal and Policy Year Ended									
	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
(1) Required contribution and investment revenue:										
Earned	$ 59,397,133	$ 69,547,673	$ 78,191,834	$ 101,576,541	$ 101,685,003	$ 122,926,284	$ 145,505,569	$ 159,063,635	$ 162,438,317	$ 160,616,072
Ceded	996,952	665,574	533,577	793,399	1,126,463	1,430,523	1,974,516	2,206,484	1,460,836	1,608,270
Net earned	58,400,181	68,882,099	77,658,257	100,783,142	100,558,540	121,495,761	143,531,053	156,857,151	160,977,481	159,007,802
(2) Unallocated expenses	3,414,497	4,052,154	4,538,115	7,256,765	8,471,257	6,766,446	8,834,804	9,907,428	11,911,481	10,995,987
(3) Estimated claims and expenses, end of policy year										
Incurred	49,511,425	61,413,964	70,131,306	98,473,213	112,433,287	123,381,661	133,348,065	146,332,109	152,415,558	149,135,224
Ceded	108,927	-	-	1,032,391	-	255,417	1,045,871	418,193	175,325	623,032
Net incurred	49,402,498	61,413,964	70,131,306	97,440,822	112,433,287	123,126,244	132,302,194	145,913,916	152,240,233	148,512,192
(4) Net paid (cumulative) as of:										
End of the policy year	44,806,139	56,763,320	63,030,689	89,489,249	99,759,145	111,146,738	118,853,463	131,745,711	137,642,784	134,970,770
One year later	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	142,862,668	150,426,323	
Two years later	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	142,862,668		
Three years later	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079			
Four years later	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207	122,066,073				
Five years later	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207					
Six years later	48,283,542	61,358,425	67,415,030	95,043,861						
Seven years later	48,283,542	61,358,425	67,415,030							
Eight years later	48,283,542	61,358,425								
Nine years later	48,283,542									
(5) Re-estimated ceded claims and expenses	106,823	-	-	1,171,022	-	255,417	1,195,297	649,305	257,907	623,032
(6) Re-estimated net incurred claims and expenses:										
End of the policy year	49,402,498	61,413,964	69,313,461	97,440,822	112,433,287	123,126,244	132,302,194	145,913,916	152,240,233	148,512,192
One year later	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	142,862,667	150,426,323	
Two years later	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079	142,862,667		
Three years later	48,283,542	61,358,425	67,415,030	95,043,861	109,607,207	122,066,073	129,827,079			
Four years later	48,283,542	61,358,425	67,433,284	95,043,861	109,607,207	122,066,073				
Five years later	48,283,542	61,358,425	67,433,284	95,043,861	109,607,207					
Six years later	48,283,542	61,358,425	67,433,284	95,043,861						
Seven years later	48,283,542	61,358,425	67,433,284							
Eight years later	48,283,542	61,358,425								
Nine years later	48,283,542									
(7) Increase (decrease) in estimated net incurred claims and expenses from end of the policy year	(1,118,955)	(55,540)	(1,898,432)	(2,396,961)	(2,826,080)	(1,060,171)	(2,475,115)	(3,051,249)	(1,813,910)	-