

***PUBLIC HEALTH CARE INITIATIVE
BENEFIT COUNCIL***

FRANKLIN COUNTY

Regular Audit

For the Year Ended December 31, 2019





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Columbus, Ohio 43215
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Members of the Board
Public Health Care Initiative Benefit Council
4230 Tuller Road, Suite 101B
Dublin, Ohio 43017

We have reviewed the *Independent Auditor's Report* of the Public Health Care Initiative Benefit Council, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Public Health Care Initiative Benefit Council is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 25, 2020

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PUBLIC HEALTH CARE INITIATIVE BENEFIT COUNCIL
FRANKLIN COUNTY
REGULAR AUDIT
For the Year Ended December 31, 2019

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Public Health Care Initiative Benefit Council
Franklin County
4230 Tuller Road Ste 101B
Dublin, Ohio 43017

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Public Health Care Initiative Benefit Council, Franklin County, Ohio (the Council), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Council'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 Council'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 Public Health Care Initiative Benefit Council, Franklin County, Ohio, as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the Council. We did not modify our opinion regarding this matter.

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 4–7 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.

The Council has not presented the revenue and claims development information that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement although not required to be part of the basic financial statements. Management has omitted the supplementary claim information that the GASB requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the GASB who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements was not modified due to this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2020, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
August 28, 2020

MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

The management's discussion and analysis of the Public Healthcare Initiative Benefit Council (the "Council") financial performance provides an overall review of the Council's financial activities for the fiscal year ended December 31, 2019. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, the Council's Net Position was \$(249,830) for December 31, 2019. The Council's Net loss was \$282,401 for fiscal year 2019.
- The Council had operating revenues of \$3,075,628 and operating expenses of \$3,358,029 for fiscal year 2019.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council's financial activities. The *statement of net position* and *statement of revenues, expenses, and changes in net position* provide information about the activities of the Council, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about cash provided by or used in various activities of the Council.

Reporting the Council's Financial Activities

Statement of net position, statement of revenues, expenses, and changes in net position and the statement of cash flows

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2019?" The statement of net position and the statement of revenues, expenses, and changes in net position answer this question.

PUBLIC HEALTHCARE INITIATIVE BENEFIT COUNCIL

FRANKLIN COUNTY OHIO

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED DECEMBER 31, 2019

(UNAUDITED)

These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and the statement of revenues, expenses and changes in net position report the Council's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Council as a whole, the *financial position* of the Council has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Council's statement of net position and statement of revenues, expenses, and changes in net position can be found on pages 8-9 of this report.

Program administration fees are similar Per Employee Per Month (PEPM) for 2018 and 2019. The only changes that have occurred is that PHI discontinued Teledoc service which was \$2.75 PEPM, and the stop loss fees and PreCert-UR-CM fees are different. Another difference is in the membership. One of the Council's 2018 members withdrew from the Council on January 1, 2019. The lower number of members in the program explains the lower participant contributions, claims and admin fees for 2019 compared to 2018.

The statement of cash flows provides information about how the Council's finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 10 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-16 of this report.

Net Position and Changes in Net Position

The table below provides a summary of the Council's net position at December 31, 2019.

PUBLIC HEALTHCARE INITIATIVE BENEFIT COUNCIL

FRANKLIN COUNTY OHIO

Net Position

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents with fiscal agent	\$ 70,333	\$ 307,707
Receivables:		
Member Contribution	<u>280,997</u>	<u>342,882</u>
Total assets	<u>351,330</u>	<u>650,589</u>
Liabilities:		
Accounts payable	137,677	18,018
Claims payable	<u>463,483</u>	<u>600,000</u>
Total liabilities	<u>601,160</u>	<u>618,018</u>
Net position:		
Unrestricted	<u>(249,830)</u>	<u>32,571</u>
Total net position	<u>\$ (249,830)</u>	<u>\$ 35,571</u>

The table below shows the changes in net position for fiscal year 2019.

Change in Net Position

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Participant contributions	\$ <u>3,075,628</u>	\$ <u>3,668,260</u>
Total operating revenues	<u>3,075,628</u>	<u>3,668,260</u>
Operating expenses:		
Claims	2,949,941	3,138,318
Administration fees	386,772	486,952
Legal and professional services	14,724	7,810
Taxes & Licenses	3,871	0
Other	<u>2,721</u>	<u>2,609</u>
Total operating expenses	<u>3,358,029</u>	<u>3,635,689</u>
Change in net position	(282,401)	32,571
Net position at beginning of year	<u>32,571</u>	<u>0</u>
Net position at end of period	<u>\$ (249,830)</u>	<u>32,571</u>

PUBLIC HEALTHCARE INITIATIVE BENEFIT COUNCIL

FRANKLIN COUNTY OHIO

Current Financial Related Activities

The Council is comprised of 17 members for 2019.

The most significant challenge facing the Council's members is the current trend of increasing health care costs. Members joined to form the Council in hopes of benefiting from economies of scale by pooling their assets to obtain lower costs. The membership will continue to monitor rising costs and will adjust the premiums charged to the members in future years to offset these costs. Membership growth has been identified as a key focus and opportunity for the Council.

Contacting the Council's Financial Management

This financial report is designed to provide our members, potential members, investors, and creditors with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact benefits@phicouncil.org.

**PUBLIC HEALTH CARE INITIATIVE
BENEFIT COUNCIL
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2019

Assets:

Cash and cash equivalents with fiscal agent	\$ 70,333
Receivables:	
Member Contribution.	<u>280,997</u>
Total assets.	<u>351,330</u>

Liabilities:

Accounts payable.	137,677
Claims payable	<u>463,483</u>
Total liabilities	601,160

Net position:

Unrestricted.	<u>(249,830)</u>
Total net position.	<u>\$ (249,830)</u>

See accompanying notes to the financial statements

**PUBLIC HEALTH CARE INITIATIVE
BENEFIT COUNCIL
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Operating revenues:	
Participant contributions	<u>\$ 3,075,628</u>
Total operating revenues	<u>3,075,628</u>
Operating expenses:	
Claims	2,949,941
Administration fees	386,772
Legal and professional services	14,724
Taxes & Licenses	3,871
Other	<u>2,721</u>
Total operating expenses	<u>3,358,029</u>
Change in net position	(282,401)
Net position at beginning of year	<u>32,571</u>
Net position at end of period	<u><u>\$ (249,830)</u></u>

See accompanying notes to the financial statements

**PUBLIC HEALTH CARE INITIATIVE
BENEFIT COUNCIL
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities

Cash Received from Members	\$3,164,226
Cash Payments to Suppliers for Services	(420,239)
Cash Payment for Claims	(2,953,890)
Cash Payments for Misc Expenses	(27,471)
Net cash provided by operating activities	<u>(237,374)</u>

Cash and cash equivalents with fiscal agent at beginning of year	<u>307,707</u>
Cash and cash equivalents with fiscal agent at end of year	<u><u>\$70,333</u></u>

Reconciliation of operating income to net cash provided by operating activities

Operating Income	\$ (282,401)
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Accounts Receivable (A/R)	61,885
IBNR	(136,517)
Accounts Payable (A/P)	119,659
Net cash provided by operating activities	<u><u>\$ (237,374)</u></u>

See accompanying notes to the financial statements

PUBLIC HEALTHCARE INITIATIVE BENEFIT COUNCIL

FRANKLIN COUNTY OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Public Healthcare Initiative Benefit Council (the "Council") is a legally separate entity organized under Ohio Revised Code Section 9.833. The Council was established on January 1, 2018. The Council was formed by several public entities in Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, prescription, life, dental, vision and/or other insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees.

A. Board of Directors

The Board of Directors shall be the legislative and managerial body of the Council. The Board of Directors shall be composed of the representatives of the Members who have been elected by the respective governing bodies of the members. All Directors shall serve without compensation.

B. Fiscal Agent

The Fiscal Agent is responsible for administering the financial transactions of the Council. For 2019, Brian Savage of Waypoint Benefit Solutions, PHI's consulting, marketing, and servicing firm (the "CMS") served as Fiscal Agent for the Council. The Fiscal Agent shall be appointed by the Board of Directors. The Council shall pay a reasonable management fee to the Fiscal Agent. The Fiscal Agent will reflect the financial records of the Council in its own records.

C. Council Funds

The Council's Funds shall be established and maintained by the Fiscal Agent of the Council separate and apart from all other funds which may be under the custody of the Fiscal Agent.

D. Estimated Council Costs: Payments by Members

The Board shall: (a) compile and generate a written estimate of the costs of operating the Council and its programs for the next Fiscal Year (b) provide each Member with an estimate of each Member's share of those costs. The estimates shall be presented in enough detail so that the Members can determine their sufficiency.

PUBLIC HEALTHCARE INITIATIVE BENEFIT COUNCIL

FRANKLIN COUNTY OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Council's significant accounting policies are described below.

A. Fund Accounting

The Council maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Council uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

B. Basis of Accounting/Measurement Focus

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.

For financial statement presentation purposes, the Council utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned, and expenses are recognized when the liability is incurred.

The Council's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the Council's operations are included on the Statement of

PUBLIC HEALTHCARE INITIATIVE BENEFIT COUNCIL

FRANKLIN COUNTY OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Net Position. The cashflow statement demonstrates increases (i.e., revenues) and decreases (i.e., expenses) in cash.

c. Budgetary Process

Each member of the Council is required by Ohio law to adopt an annual budget. The Council itself is not required to follow the budgetary process and, therefore, no budgetary information is provided in these basic financial statements.

d. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS WITH FISCAL AGENT

The Council's Fiscal Agent maintains the membership's deposits.

Protection of the Council's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Fiscal Agent by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

A. Deposits with Fiscal Agent held in Financial Institutions

At December 31, 2019, the bank balance of all Council deposits was \$70,333. This amount was FDIC insured. For 2019 the Council's financial institutions were approved for a reduced collateral rate of 50% through the OPCS. Although the statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Council to a successful claim by the FDIC.

PUBLIC HEALTHCARE INITIATIVE BENEFIT COUNCIL

FRANKLIN COUNTY OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Ohio law requires that deposits be insured or protected by participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State (TOS) to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State unless a reduced rate is approved by the Treasurer of State.

In 2019, the Council had no investments.

NOTE 4 – RISK MANAGEMENT / BENEFIT OBLIGATIONS

The Council is a jointly governed organization which acts as a governmental risk pool for medical, hospitalization, and prescription drug, to all covered persons of each member for all claims incurred during membership in the Council. The risk of loss for loss transfers from the member entities to the Council upon payment of the monthly premium equivalent.

The Council employs the services of an outside consultant, Waypoint Benefit Solutions, to assist them in management the Council. ClearChain Health administers the following lines of coverage: medical, hospitalization and prescription drug.

ClearChain Health utilizes an open access provider platform along with the PHCS network. Providers filing outside of the PHCS network will be paid the greater of 125% of the corresponding procedural Medicare rate or 120% of the provider's own cost to charge filings with CMS. Balance billing may occur after providers have been paid by ClearChain Health. PHI Member groups, nor their employees are responsible for any balance billing amounts. These amounts will be disputed by ClearChain's auditing and member advocacy vendor ClaimDOC.

It is not necessary for each member entity to hold a reserve for Incurred But Not Reported (IBNR) claims. The IBNR information is presented by the Council as required by GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", and is not available on a Entity-by-Entity basis.

PUBLIC HEALTHCARE INITIATIVE BENEFIT COUNCIL

FRANKLIN COUNTY OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

The Council is self-insured for member entity employee health insurance and prescription claims but maintains stop loss insurance with Houston International Insurance Group (HIIG) for \$150,000 on an individual basis. The Self Insurance Fund pays covered claims to service providers and recovers these costs from premium equivalent charges to member entities based on calculations provided with the Council's underwriting consultant HIIG in conjunction with Waypoint Benefit Solutions.

The claims liability of \$463,483 reported at December 31, 2019, is based on an actuarial estimate provided by UHAS Health Actuaries and the requirements of GASB Statement No. 10 as amended by GASB Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in the Program's benefit obligation amount were as follows:

	<u>2019</u>	<u>2018</u>
Balance, January 1	\$ 600,000	\$ 0
Current year claims	2,949,941	3,138,318
Claims paid	<u>(3,086,158)</u>	<u>(2,538,318)</u>
Balance, December 31	<u>\$ 463,783</u>	<u>\$ 600,000</u>

NOTE 5 - LITIGATION

The Council is not party to any legal proceedings which, in the opinion of Council management, would have a material effect, if any, on the financial condition of the Council.

NOTE 6 - RECEIVABLES

All receivables are shown net of an allowance for uncollectible amounts, as applicable, and are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. All receivables are expected to be collected within one year.

PUBLIC HEALTHCARE INITIATIVE BENEFIT COUNCIL

FRANKLIN COUNTY OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

NOTE 7 – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Council. The impact on the Council's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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Charles E. Harris & Associates, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Public Health Care Initiative Benefit Council
Franklin County
4230 Tuller Road Ste 101B
Dublin, Ohio 43017

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Public Health Care Initiative Benefit Council, Franklin County, Ohio (the Council), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated August 28, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Council.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item number 2019-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Council's management in a separate letter dated August 28, 2020.

Entity's Response to Finding

The Council's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Council's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
August 28, 2020

PUBLIC HEALTHCARE INITIATIVE BENEFIT COUNCIL
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2019-001

Noncompliance

Ohio Rev. Code §9.833 provides the statutory authority to political subdivisions to engage a variety of methods to secure health care benefits for their officers or employees. Among these requirements are Ohio Rev. Code §9.833(C)(1) which provides that insurance pools must prepare an actuarial report as of the last day of the fiscal year-end; and Ohio Rev. Code §9.833(C)(5) which provides that pools can charge claims and other program costs to participating subdivisions based on the subdivisions' relative experience, loss exposure or as otherwise agreed by contract so that it will be solvent.

The Council had complied with the required actuary report, with an estimated Incurred but Not Reported (IBNR) claim liability of \$601,000, including accounts payable for claims of \$137,677. However, the cash reserves of the Council, including receivable member contribution is only \$351,330, resulting in a deficit of \$249,830 of the required reserve liability.

We recommend that the Council consider changes in its fee structure to be able to appropriate sufficient funds in its reserves and to address any possible deficit fund balance in the future.

Management Response:

See Corrective Action Plan.

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**PUBLIC HEALTHCARE INITIATIVE BENEFIT COUNCIL
FRANKLIN COUNTY, OHIO**

**CORRECTIVE ACTION PLAN
December 31, 2019**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	2020 member contributions have been increased to match the total aggregate exposure, 125% of the underwriter expected claims, plus projected program costs. This results in a claims funding percentage increase of 25% in 2020 versus 2019. All members renewing with the PHI program in 2020 have been made aware of their respective carryforward shortfall obligation. This amount will be monitored through 2020 and addressed in the 2021 renewal. New members joining the program in 2021 and renewing members, will continue to fund to the aggregate attachment point, 125% of the underwriter expected claims, plus projected program costs. New members joining the PHI in 2021 will not have any liability or obligation to past carryforward shortfall amounts.	Immediately	Brian Savage, Fiscal Agent

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OHIO AUDITOR OF STATE KEITH FABER



PUBLIC HEALTH CARE INITIATIVE BENEFIT COUNCIL

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/8/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
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