
***NEW HAMPSHIRE INDIVIDUAL
HEALTH PLAN BENEFIT
ASSOCIATION***

FINANCIAL STATEMENTS

***FOR THE YEAR ENDED
DECEMBER 31, 2017***

INDEX TO FINANCIAL STATEMENTS

Independent Auditors Report.....	1-2
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6-11

INDEPENDENT AUDITORS REPORT

To the Board of Directors
New Hampshire Individual Health Plan Benefit Association
Concord, New Hampshire

We have audited the accompanying financial statements of New Hampshire Individual Health Plan Benefit Association (a Non-Profit Organization), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities and changes in net assets and cash flows for the year 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 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 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 entity'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 entity'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 New Hampshire Individual Health Plan Benefit Association as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mason + Rich, P.A.

MASON + RICH PROFESSIONAL ASSOCIATION
Certified Public Accountants

May 17, 2018

NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN
BENEFIT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 820,165
Assessments Receivable, Net	2,529,378
Prepaid Expenses, See Note B	<u>1,604,462</u>

TOTAL CURRENT ASSETS	<u><u>4,954,005</u></u>
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TOTAL ASSETS	<u><u>\$ 4,954,005</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 12,633
Accrued Expenses	16,982
Assessment Collections Received in Advance, See Note B	<u>3,447,639</u>

TOTAL CURRENT LIABILITIES	<u>3,477,254</u>
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NET ASSETS

Temporarily Restricted	<u>1,476,751</u>
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TOTAL NET ASSETS	<u>1,476,751</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,954,005</u></u>
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**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN
BENEFIT ASSOCIATION**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

ASSESSMENTS

Assessment Receipts and Receivables	\$ 14,167,840
Less Special Limited Advanced Assessment Collections	<u>(3,447,639)</u>
Total Assessments	<u>10,720,201</u>

OTHER SUPPORT

Interest	2,472
Miscellaneous Income	<u>1,590</u>
Total Other Support	<u>4,062</u>

TOTAL ASSESSMENTS & OTHER SUPPORT	<u>10,724,263</u>
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EXPENSES AND OTHER DEDUCTIONS

PROGRAM EXPENSES

NH Health Protection Program Fund	11,542,141
Bad Debt	32,414
Public Information	<u>1,264</u>
Total Program Disbursements	<u>11,575,819</u>

OFFICE

Office Supplies	754
Bank Fees	355
Postage and Shipping	79
Printing	141
Telephone	<u>119</u>
Total Office	<u>1,448</u>

ADMINISTRATION

Administrative Services - Premium Assistance	144,900
Administrative Services - Reinsurance	54,000
Professional Fees	<u>87,559</u>
Total Administration	<u>286,459</u>

BOARD

Insurance	8,355
Board Meetings	<u>716</u>
Total Board	<u>9,071</u>

TOTAL EXPENSES AND OTHER DEDUCTIONS	<u>11,872,797</u>
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DECREASE IN NET ASSETS	(1,148,534)
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<i>Net Assets, Beginning of Year, As Restated, See Note C</i>	<u>2,625,285</u>
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<i>Net Assets, End of Year</i>	<u><u>\$ 1,476,751</u></u>
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**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN
BENEFIT ASSOCIATION**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in Net Assets	\$ (1,148,534)
(Increase) Decrease in Operating Assets:	
Assessments Receivable	(2,618,245)
Prepaid Expenses	99,670
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	11,560
Accrued Expenses	(1,371)
Assesment Collections Received in Advance	<u>3,536,506</u>
Total Adjustments	<u>1,028,120</u>
<i>Net Cash Used in Operating Activities</i>	<u>(120,414)</u>

**NET DECREASE IN CASH
AND CASH EQUIVALENTS**

(120,414)

Cash and Equivalents, Beginning of Year

940,579

Cash and Equivalents, End of Year

\$ 820,165

NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

A | NATURE OF BUSINESS

New Hampshire Individual Health Plan Benefit Association (the Association) is a not-for-profit organization established by the State of New Hampshire under Chapter 404-G of the New Hampshire Revised Statutes Annotated ("RSA 404-G"). The Association has made available individual health insurance to New Hampshire residents who are considered medically uninsurable or who otherwise qualify based on federal and state guidelines.

The Association's membership consists, by statute, of all insurers licensed to transact health insurance in the state that offer policies for major medical coverage on an expense-incurred basis and all licensed hospitals, medical service corporations, or other organizations, if any, in the state that offer subscriber contracts for major medical coverage.

New Hampshire Marketplace Premium Assistance Program Support

In its 2016 session, the New Hampshire legislature passed a law, known as House Bill 1696 (HB 1696), which was signed by the Governor and became effective April 5, 2016. HB 1696 amended various existing statutes, including RSA 404-G (the "2016 Statutory Amendments"). The 2016 Statutory Amendments essentially require the Association to continue in existence for the sole and limited purpose of collecting assessments on behalf of the State of New Hampshire in support of the New Hampshire Marketplace Premium Assistance Program established under New Hampshire RSA 126-A:5(XXV).

Specifically, the Statutory Amendments made the following changes to RSA 404-G. First, they expanded the Association's corporate purpose to include support of the State's Marketplace Premium Assistance Program, a component of the New Hampshire Health Protection Program which expands Medicaid coverage (the "Program"). Second, to fulfill this purpose, the Statutory Amendments require the Association to collect from its members for the period from January 1, 2017 through December 31, 2018 fifty percent (50%) of the so-called "remainder amount" due under the Program for deposit into the New Hampshire Health Protection Trust Fund. The "remainder amount" is defined as the total cost of the Program less federal reimbursements. Third, the Statutory Amendments required the Association to amend its Plan of Operation and Termination by October 1, 2016 to continue the Association for the limited purpose of collecting and remitting the above-described assessments for the State's Program. Fourth, the Statutory Amendments required that any excess funds remaining from prior activities, after satisfaction of all the Association's liabilities, be used for the New Hampshire Health Protection Program and for the Association's reasonable costs for collecting its share of the "remainder amount."

As required by the 2016 Statutory Amendments, the Association adopted an Amended and Restated Plan of Operation and Termination (the "Amended Plan") which was approved by the Commissioner of the New Hampshire Department of Health and Human Services and by the Commissioner of the New Hampshire Insurance Department (sometimes collectively referred to as the "Commissioners"). The Amended Plan guides and governs the remainder of the Association's operations and the winding down of the corporation.

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

B | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Basis of Presentation

The accompanying financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed or permitted by the New Hampshire Insurance Department, which differ from statutory accounting practices prescribed or permitted by the National Association of Insurance Commissioners Statutory Accounting Practices (NAIC SAP). A reconciliation of the Association's GAAP equity and NAIC SAP statutory surplus is not included within these financial statements due to the immateriality of differences.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less when purchased.

Member Assessments – State's Marketplace Premium Assistance Program

The Statutory Amendments require that each year the Commissioner of the New Hampshire Department of Health and Human Services, after consultation with the Commissioner of the New Hampshire Insurance Department, will report the "remainder amount" for the next calendar year to the Association (and others). Further, the Association is required to calculate and report, by November 1st of the year preceding the assessment year, an assessment rate per member per month utilizing carrier's prior experience and seeking to collect fifty percent of the remainder amount plus the Association's expenses. The Association obtained the approval of the New Hampshire Insurance Commissioner for the assessment rate established as of November 1, 2016 for the 2017 assessments.

Following the end of each calendar quarter in 2017 and 2018, the Association's members are required to report their Covered Lives for each month and remit assessments due. The total net member assessments receivable was \$2,529,378 at December 31, 2017. Management evaluates the collectability of assessment receivables by considering factors such as historical experience and current economic conditions that may affect the insurance carrier's ability to pay in order to establish an allowance for doubtful accounts. When management determines an assessment receivable is uncollectible, the receivable is charged to the allowance. The Company has provided an allowance for uncollectible accounts of \$32,414 at December 31, 2017. Interest is charged to members on assessments not paid within 45 days after each calendar quarter.

If necessary, the Board may establish one or more special assessment rates to satisfy all debts and liabilities of the Association, including the collection of 50% of the "remainder amount" due to the New Hampshire Health Protection Trust Fund. No special assessments have been charged to the insurance carriers.

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Assessment Collections Received in Advance

During 2017, four (3) insurance carriers made payments in advance of their regularly scheduled quarterly assessments. The Association entered into agreements with these four (3) insurance carriers, whereby, these insurance carriers will receive credit to offset amounts they owe to the Association on February 15, 2019 for the 4th Quarter 2018 assessments and will be repaid any remaining balance by the Association within 30 days following the final assessment due date of February 15, 2019. The total assessment collections received in advance were \$3,447,639 at December 31, 2017.

Prepaid Expenses

As noted above, the Association is required to pay fifty percent (50%) of the so-called "remainder amount" due under the Program for deposit into the New Hampshire Health Protection Trust Fund. Any payments made in excess of fifty percent (50%) of the remainder amount are recorded as prepaid expenses which will be used as credits to reduce amounts owed into the New Hampshire Health Protection Trust Fund for 2018. The total amount of the prepaid assessments made to the New Hampshire Health Protection Trust Fund were \$1,597,334 at December 31, 2017 which are included in prepaid expenses on the Statement of Financial Position.

Net Assets

The Organization is required to report information regarding its financial position and activities according to classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Descriptions of the net asset categories included in the Organization's financial statements are as follows:

Unrestricted net assets include revenues and expenses and contributions which are not subject to any donor or statutory imposed restrictions.

Temporarily restricted net assets include contributions for which time restrictions, statutory restrictions or donor-imposed restrictions have not yet been met. As disclosed below, all of the Organizations net assets were temporarily restricted at December 31, 2017.

Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof (excluding capital gains restricted by State statute) be made available for program operations in accordance with donor restrictions. The Organization had no permanently restricted net assets at December 31, 2017.

The net asset balance represents an excess of assessments and other support over expenses and other deductions. Under the 2016 Statutory Amendments and the Amended Plan, all of the Association's funds – including but not limited to the net asset balance at the conclusion of the state high risk pool and subsidy mechanisms – are restricted for established purposes and any excess funds are required to be distributed back to the members on a pro rata basis based on the last carrier assessment. Therefore, commencing October 1, 2016, all assets of the Association will be presented as temporarily restricted.

Advertising

The Association refers to advertising expense as public information. Public information costs are expensed as incurred. Substantially all of the public information costs were incurred for website costs and focus groups. Public information expense was \$1,264 for the year ended December 31, 2017.

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

Income Taxes

As of October 1, 2016, the Association asserted exemption from federal income tax under Section 115 of the Code.

Management evaluates its tax positions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertain Tax Positions*. The Association's policy is to recognize interest and penalties related to unrecognized tax benefits as tax expense.

C | PRIOR PERIOD ADJUSTMENT

In 2017, the Association reflected on the required prepayment under House Bill (HB) 1696 in December 2016 of \$1,697,001 and concluded it more properly should have been reflected as a prepayment of support for the Marketplace Premium Assistance Program, rather than as a program expense in 2016. As a result, the prior period adjustment was recorded to increase prepaid expenses and increase temporarily restricted net assets by \$1,697,001 as of December 31, 2016.

D | RELATED PARTY TRANSACTIONS

As discussed in Note A, assessments are levied on all members based on projected cash flow. The assessments are determined by the board of directors which is comprised of representatives for the members as required by New Hampshire statute. The total assessments charged to related party insurance carriers were \$10,720,201 for year ending December 31, 2017.

E | CONCENTRATIONS OF CREDIT RISK

Cash

The Association maintains cash balances that, at times, may exceed federally insured limits. The Association also maintains a cash balance in a money market account which is insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2017. As of December 31, 2017 the Association's uninsured cash balance totaled \$612,388. Some of the Association's cash balances are collateralized by underlying investments and the Association's management believes it is not exposed to significant risk.

Assessments Receivable and Assessments

Three (3) of the Association's members accounted for approximately 54% of the total assessment revenues and 32% of the assessment receivables for the year ended December 31, 2017. The Association's management believes it is not exposed to significant risk because it can charge special assessments to satisfy all debts and liabilities of the Association, if needed.

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

F | CASH RESERVES

The Association's Board of Directors has adopted a policy whereby the Association will maintain a cash reserve balance for the administrative cost to operate the New Hampshire Marketplace Premium Assistance Program. The cash reserves required for this purpose at December 31, 2017 was \$475,500.

A cash reserve account has been established by the Association's Board of Directors for the purpose of funding the repayment of assessment collections received in advance which is disclosed in Note B, subsection "*Assessment Collections Received in Advance*." The balance in this cash reserve at December 31, 2017 was \$166,092.

G | INCOME TAXES

On January 1, 2009, the Association adopted the provisions of FASB ASC 740-10, *Accounting for Uncertain Income Tax Positions*. Differences between the amount recognized in the financial statements prior to the adoption of FASB ASC 740-10 and the amounts reported as a result of adoption would be accounted for as a cumulative effect adjustment recorded to the January 1, 2009 net assets balance. However, as there was no difference between the amount recognized in the financial statements prior to the adoption of ASC 740-10 and the amounts reported as a result of the adoption, no adjustment was required.

For the years ended December 31, 2017, management has evaluated its tax positions in accordance with FASB ASC 740-10 and does not believe that a liability for income tax associated with uncertain tax positions should be recognized. Additionally, the Association's policy is to recognize interest and penalties related to unrecognized tax benefits as tax expense. During the years ended December 31, 2017, the Association did not recognize any interest or penalties.

As disclosed in Note B, as of October 1, 2016, the Association asserts exemption from federal income tax under section 115 of the Internal Revenue Code. Prior to October 1, 2016 the Association, as a non-profit corporation, filed federal tax returns as an organization exempt from income tax through September 30, 2016. In the normal course of business, the Association will be subject to examination by taxing authorities on returns filed from December 31, 2014 through September 30, 2016.

H | CONTINGENT ASSET

The Association was awarded a judgement of restitution totaling \$70,648 for the year ending December 31, 2016. The timing and collection of the restitution payments was generally ordered by the court based on the defendants' ability to pay which management believes is not certain. For the year ended December 31, 2017 the Association collected restitution totaling \$1,590 and has collected \$8,524 since the judgement of restitution was awarded to the Association. The Association is still owed \$62,124 from the original judgement, however, receipt of these funds is not certain and, as a result, the remaining amount owed was not recorded in these financial statements.

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NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN BENEFIT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

I | SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 17, 2018, the date on which the statements were available to be issued, but has not evaluated subsequent events on or after that date. The Organization did not identify any subsequent events that would require disclosure in the financial statements.