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*NEW HAMPSHIRE INDIVIDUAL  
HEALTH PLAN BENEFIT  
ASSOCIATION*

*FINANCIAL STATEMENTS*

*FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017*

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## 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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets 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. 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years 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 15, 2019

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

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 AND 2017

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ASSETS		
	2018	2017
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,021,237	\$ 820,165
Assessments Receivable, Net	3,540,527	2,529,378
Prepaid Expenses, See Note B	<u>1,364,164</u>	<u>1,604,462</u>
<b>TOTAL CURRENT ASSETS</b>	<u>6,925,928</u>	<u>4,954,005</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,925,928</u></u>	<u><u>\$ 4,954,005</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ -	\$ 12,633
Accrued Expenses	15,257	16,982
Assesment Collections Received in Advance, See Note B	<u>854,508</u>	<u>3,447,639</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>869,765</u>	<u>3,477,254</u>
<b>NET ASSETS</b>		
With Donor Restriction	<u>6,056,163</u>	<u>1,476,751</u>
<b>TOTAL NET ASSETS</b>	<u>6,056,163</u>	<u>1,476,751</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 6,925,928</u></u>	<u><u>\$ 4,954,005</u></u>



**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN  
BENEFIT ASSOCIATION**

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
<b>ASSESSMENTS</b>		
Assessment Receipts and Receivables	\$ 15,147,849	\$ 14,167,840
Less Special Limited Advanced Assessment Collections	(854,508)	(3,447,639)
<b>Total Assessments</b>	<u>14,293,341</u>	<u>10,720,201</u>
<b>OTHER SUPPORT</b>		
Interest	4,481	2,472
Miscellaneous Income	3,017	1,590
<b>Total Other Support</b>	<u>7,498</u>	<u>4,062</u>
<b>TOTAL ASSESSMENTS &amp; OTHER SUPPORT</b>	<u>14,300,839</u>	<u>10,724,263</u>
<b>EXPENSES AND OTHER DEDUCTIONS</b>		
<b>PROGRAM EXPENSES</b>		
Administrative Services	73,800	126,450
Bad Debt	-	32,414
NH Health Protection Program Fund	9,515,268	11,542,141
Professional Fees	35,719	68,138
Public Information	316	1,264
<b>Total Program Expenses</b>	<u>9,625,103</u>	<u>11,770,407</u>
<b>MANAGEMENT &amp; GENERAL</b>		
Administrative Services	73,800	72,450
Bank Fees	621	355
Board Meetings	289	716
Insurance	8,353	8,355
Office Supplies	-	754
Postage and Shipping	-	79
Printing	583	141
Professional Fees	12,542	19,421
Telephone	136	119
<b>Total Management &amp; General</b>	<u>96,324</u>	<u>102,390</u>
<b>TOTAL EXPENSES AND OTHER DEDUCTIONS</b>	<u>9,721,427</u>	<u>11,872,797</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	4,579,412	(1,148,534)
<b>Net Assets, Beginning of Year</b>	<u>1,476,751</u>	<u>2,625,285</u>
<b>Net Assets, End of Year</b>	<u>\$ 6,056,163</u>	<u>\$ 1,476,751</u>

**NEW HAMPSHIRE INDIVIDUAL HEALTH PLAN  
BENEFIT ASSOCIATION**

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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	2018	2017
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>		
Increase (Decrease) in Net Assets	\$ 4,579,412	\$ (1,148,534)
(Increase) Decrease in Operating Assets:		
Assessments Receivable	(1,011,149)	(2,618,245)
Prepaid Expenses	240,298	99,670
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(12,633)	11,560
Accrued Expenses	(1,725)	(1,371)
Assesment Collections Received in Advance	(2,593,131)	3,536,506
Total Adjustments	(3,378,340)	1,028,120
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>1,201,072</u>	<u>(120,414)</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 1,201,072	 (120,414)
 <i>Cash and Equivalents, Beginning of Year</i>	 <u>820,165</u>	 <u>940,579</u>
 <i>Cash and Equivalents, End of Year</i>	 <u><u>\$ 2,021,237</u></u>	 <u><u>\$ 820,165</u></u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **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 "Health Protection 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 Health Protection Program for deposit into the New Hampshire Health Protection Trust Fund. The "remainder amount" is defined as the total cost of the Health Protection 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 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 which has been amended as disclosed in Note A under "New Hampshire Granite Advantage Health Care Program Support."

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

## **NOTES TO THE FINANCIAL STATEMENTS**

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### ***New Hampshire Granite Advantage Health Care Program Support***

In its 2018 session, the New Hampshire legislature passed a law, known as Senate Bill 313 (SB 313), which was signed by the Governor and became effective (in relevant part) on December 31, 2018. SB 313 amended various existing statutes, including RSA 404-G (the “2018 Statutory Amendments”). The 2018 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 Granite Advantage Health Care Program (the “Granite Advantage Program”) established under New Hampshire RSA 126-AA, which replaces the Marketplace Premium Assistance Program established under New Hampshire RSA 126-A:5(XXV).

The 2018 Statutory Amendments require the Association to collect from its members and deposit into the Granite Advantage Health Care Trust Fund an amount not to exceed the lesser of the “remainder amount” defined in New Hampshire RSA 126-AA:1(V) or the amount of revenue transferred from the alcohol abuse prevention and treatment fund pursuant to New Hampshire RSA 176-A:1(IV) and taxes attributable to premiums written for medical and other medical-related services for the newly eligible Medicaid population. To reflect the changes imposed by the 2018 Statutory Amendments, the Association adopted a First Amendment to its Restated Plan (the “First Amendment”), which First Amendment was approved by the Commissioners. Among other matters, the First Amendment authorizes the Association to transfer any monies not needed for the support of the Marketplace Premium Assistance Program and the Association’s related expenses to a reserve fund held by the Association for contingencies which may arise under its support of the Granite Advantage Program.

The 2018 Statutory Amendments state that the Granite Advantage Program will terminate on December 31, 2023 unless extended by future legislation. If no extension is enacted, then the Association will make its final distribution of assessment proceeds to the Granite Advantage Health Care Trust Fund by February 15, 2024. The Commissioner of the New Hampshire Department of Health and Human Services then will determine the final remainder amount under the Granite Advantage Program and report it to the Association by February 15, 2025. If the true-up reveals that the Association’s assessments resulted in an underpayment of the final remainder amount, then the Association will remit the underpayment from its reserves or, if the reserves are not sufficient, from a special assessment of the Association’s members. If the Association has overpaid the final remainder amount, that overpayment will be remitted to the Association within 45 days of the Commissioner’s report. Thereafter, absent further legislation, the Association will wind down its affairs and dissolve.

## **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.

### ***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.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

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### ***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.

### ***Member Assessments – State's Marketplace Premium Assistance Program***

The 2016 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 1<sup>st</sup> 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, 2017 for the 2018 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 \$3,540,527 and \$2,529,378 at December 31, 2018 and 2017, respectively. 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, 2018 and 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.

### ***Assessment Collections Received in Advance***

During 2017, three (3) insurance carriers made payments in advance of their regularly scheduled quarterly assessments. The Association entered into agreements with these three (3) insurance carriers entitling these insurance carriers to receive credit to offset amounts they owe to the Association on February 15, 2019 for the 4<sup>th</sup> Quarter 2018 assessments and to be repaid any remaining balance by the Association within 30 days following the final assessment due date of February 15, 2019. The Commissioner of New Hampshire's Department of Health and Human Services informed the Association that the monies to be collected in its assessments due November 15, 2018 and February 15, 2019 would not be needed to fund the remainder amount, and the First Amendment authorizes the Association to retain these assessment monies for its obligations and to establish a reserve fund for the Granite Advantage Health Care Program. Therefore, the Association repaid in full before December 31, 2018, for the advance payments made by two (2) of the insurance carriers, and the third carrier elected to have the repayment credited against its February 15, 2019 assessment as originally agreed. The total assessment collections received in advance were \$854,508 and \$3,447,639 at December 31, 2018 and 2017, respectively.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

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### ***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged to each program based on the direct expenses incurred or estimated usage based on time spent on each program by the subcontracted management company.

### ***Prepaid Expenses***

As noted above, the Association is required to pay fifty percent (50%) of the so-called "remainder amount" due under the Health Protection Program for deposit into the New Hampshire Health Protection Trust Fund. Under the First Amendment (defined above), the Association has authorized and directed the Commissioner of the New Hampshire Department of Health and Human Services to transfer any excess funds paid into the Health Protection Trust Fund to the Granite Advantage Health Care Trust Fund as a credit against the remainder amount due under the Granite Advantage Program. As a result, 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 Granite Advantage Health Care Trust Fund. The total amount of the prepaid assessments made to the New Hampshire Health Protection Trust Fund were \$1,357,066 and \$1,597,334 at December 31, 2018 and 2017, respectively, which are included in prepaid expenses on the Statement of Financial Position.

### ***Net Assets***

The Association reports its net assets as required by Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14 the Organization is required to report information regarding its financial position and activities according to the following classes: net assets without donor restrictions and net assets with donor restrictions. Descriptions of the net asset categories included in the Association's financial statements are as follows:

Net assets without donor restrictions include revenues and expenses and contributions which are not subject to any donor imposed restrictions. Unrestricted net assets can be board designated by the Executive Board for special projects and expenditures, however, there were no such designations at December 31, 2018 and 2017.

Net assets with donor restrictions include contributions for which time restrictions or donor-imposed restrictions have not yet been met. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Net assets with donor restrictions also 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 net asset balance represents an excess of assessments and other support over expenses and other deductions. Under the 2016 and 2018 Statutory Amendments, the Amended Plan and the First Amendment to the Amended Plan, all of the Association's funds are classified as net assets with donor restrictions 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 net assets with donor restrictions.

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

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***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 \$316 and \$1,264 for the years ended December 31, 2018 and 2017, respectively.

***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 | 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 \$14,293,339 and \$10,720,201 for years ending December 31, 2018 and 2017, respectively.

**D | 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, 2018 and 2017. As of December 31, 2018 and 2017 the Association's uninsured cash balance totaled \$1,771,246 and \$612,388, respectively. 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 between 24% and 32% of the assessment receivables for the years ended December 31, 2018 and 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.

**E | 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, Granite Advantage Program, and for unanticipated financial issues. The cash reserves required for this purpose at December 31, 2018 and 2017 was \$1,161,675 and \$475,500, respectively. See Note I for information regarding the Association's liquidity reserve.

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

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A cash reserve account was 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. The Board of Directors determined that this reserve was not needed at December 31, 2018 for reasons disclosed in Note B, subsection "*Assessment Collections Received in Advance*."

**F | 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.

**G | 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 years ended December 31, 2018 and 2017 the Association collected restitution totaling \$3,017 and \$1,590, respectively. The Association has collected an accumulated \$11,541 and \$8,524 as of December 31, 2018 and 2017, respectively, since the judgement of restitution was awarded to the Association. The Association is still owed \$59,107 and \$62,124 as of December 31, 2018 and 2017, respectively, 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.

**H | BOARD DESIGNATED NET ASSETS**

All of the Organization's net assets were classified as with donor restrictions at December 31, 2018 and 2017. As a result, there were no board designated net assets at December 31, 2018 and 2017.

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

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**I | LIQUIDITY DISCLOSURE**

The Association's financial assets available within one year from the statement of financial position date for general operating expenses are as follows:

Cash and cash equivalents	\$ 2,021,237
Member Receivables	3,540,527
Prepaid Expenses	1,364,164
Cash Reserves	<u>(1,161,675)</u>
	<u>\$ 5,764,253</u>

As disclosed in Note A under "New Hampshire Granite Advantage Health Care Program," the Association is required to continue in existence for the sole limited purpose of collecting assessments on behalf of the State of New Hampshire in support of the Granite Advantage Program. Furthermore, the Association is only scheduled to operate the Granite Advantage Program through 2025. As a result of the Association's limited function and finite operating period, Management has specifically budgeted for its obligations owed to the New Hampshire Health Protection Trust Fund for the "remainder amount" and other operating expenses and believes its liquid financial assets are sufficient to fund these operations. The Board of Directors may designate a portion of any operating surplus to its cash reserves, as outlined in the Associations First Amendment to its Restated Plan of Operation, which totaled \$1,161,675 at December 31, 2018. The Board of Directors believes the cash reserves are sufficient to fund unanticipated liquidity needs that may arise, see Note E for more information. Finally, the Board of Directors may establish one or more special assessment rates to satisfy all debts and liabilities of the Association, including the "remainder amount" due to the New Hampshire Health Protection Trust Fund. As of December 31, 2018, no special assessments were deemed necessary or have been charged to the insurance carriers.

**J | RECLASSIFICATIONS**

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

**K | SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 15, 2019, 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.



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

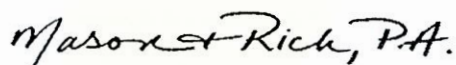
In planning and performing our audit of the financial statements of New Hampshire Individual Health Plan Benefit Association as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered New Hampshire Individual Health Plan Benefit Association's internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, the board of directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



MASON + RICH PROFESSIONAL ASSOCIATION  
Certified Public Accountants

May 15, 2019



May 15, 2019

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

We have audited the financial statements of New Hampshire Individual Health Plan Benefit Association for the year ended December 31, 2018, and have issued our report thereon dated May 15, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 29, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by New Hampshire Individual Health Plan Benefit Association are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the assessment receivable balance is based on historical experience and evaluation of covered lives reported by the insurance carriers which is the basis of the assessment receivable. We evaluated the key factors and assumptions used to develop the assessment receivable balance in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in performing and completing our audit.

*Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no material adjustments proposed during the course of the audit.



***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated May 15, 2019.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

This information is intended solely for the use of board of directors and management of New Hampshire Individual Health Plan Benefit Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Mason & Rich, P.A.*

MASON + RICH PROFESSIONAL ASSOCIATION  
Certified Public Accountants