

---

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

***FINANCIAL STATEMENTS***

***FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND 2018***

---

## INDEX TO FINANCIAL STATEMENTS

Independent Auditors Report.....	1-2
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets .....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6-15

## 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 Not-for-Profit Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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, 2019 and 2018, 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

June 17, 2020

**NEW HAMPSHIRE INDIVIDUAL HEALTH  
PLAN BENEFIT ASSOCIATION**  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018

<b>ASSETS</b>		
	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 2,524,171	\$ 2,021,237
Assessments Receivable	2,590,807	3,540,527
Prepaid Expenses, See Note B	5,274,156	1,364,164
<b>TOTAL CURRENT ASSETS</b>	<b>10,389,134</b>	<b>6,925,928</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,389,134</b>	<b>\$ 6,925,928</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 6,180	\$ -
Accrued Expenses	38,930	15,257
Deferred Assessments	10,344,024	-
Assessment Collections Received in Advance, See Note B	-	854,508
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,389,134</b>	<b>869,765</b>
<b>NET ASSETS</b>		
With Donor Restriction	-	6,056,163
<b>TOTAL NET ASSETS</b>	<b>-</b>	<b>6,056,163</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,389,134</b>	<b>\$ 6,925,928</b>

**NEW HAMPSHIRE INDIVIDUAL HEALTH  
PLAN BENEFIT ASSOCIATION**  
STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES  
AND OTHER CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>ASSESSMENTS</b>		
Assessment Receipts and Receivables	\$ 106,927	\$ 15,147,849
Subsidy Mechanism	-	(854,508)
<b>Total Assessments</b>	<u>106,927</u>	<u>14,293,341</u>
<b>OTHER SUPPORT</b>		
Interest Income	86,466	4,481
Miscellaneous Income	2,249	3,017
<b>Total Other Support</b>	<u>88,715</u>	<u>7,498</u>
<b>TOTAL ASSESSMENTS &amp; OTHER SUPPORT</b>	<u>195,642</u>	<u>14,300,839</u>
<b>EXPENSES AND OTHER DEDUCTIONS</b>		
<b>PROGRAM EXPENSES</b>		
Administrative Services	75,648	73,800
Administrative Services - Reinsurance	65,765	-
NH Health Protection Program Fund	5,970,163	9,515,268
Professional Fees	15,505	35,719
Professional Fees - Reinsurance	15,120	-
Public Information	298	316
Telephone - Reinsurance	17	-
<b>Total Program Expenses</b>	<u>6,142,516</u>	<u>9,625,103</u>
<b>MANAGEMENT &amp; GENERAL</b>		
Administrative Services	75,648	73,800
Bank Fees	552	621
Board Meetings	820	289
Insurance	9,000	8,353
Postage and Shipping	25	-
Printing	168	583
Professional Fees	22,824	12,542
Telephone	131	136
Travel	122	-
<b>Total Management &amp; General</b>	<u>109,290</u>	<u>96,324</u>
<b>TOTAL EXPENSES AND OTHER DEDUCTIONS</b>	<u>6,251,806</u>	<u>9,721,427</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(6,056,163)</u>	<u>4,579,412</u>
<b>Net Assets, Beginning of Year</b>	<u>6,056,163</u>	<u>1,476,751</u>
<b>Net Assets, End of Year</b>	<u>\$ -</u>	<u>\$ 6,056,163</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**NEW HAMPSHIRE INDIVIDUAL HEALTH  
PLAN BENEFIT ASSOCIATION**  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (6,056,163)	\$ 4,579,412
(Increase) Decrease in Operating Assets		
Assessments Receivable	949,720	(1,011,149)
Prepaid Expenses	(3,909,993)	240,298
Increase (Decrease) in Operating Liabilities		
Accounts Payable	6,180	(12,633)
Accrued Expenses	23,673	(1,725)
Deferred Assessments	10,344,024	-
Assessment Collections Received in Advance	(854,508)	(2,593,131)
Total Adjustments	<u>6,559,096</u>	<u>(3,378,340)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>502,933</u>	<u>1,201,072</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	502,933	1,201,072
<i>Cash and Equivalents, Beginning of Year</i>	<u>2,021,237</u>	<u>820,165</u>
<i>Cash and Equivalents, End of Year</i>	<u>\$ 2,524,171</u>	<u>\$ 2,021,237</u>

**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 required 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 Associations 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 Amended Plan has been further amended as disclosed in Note A under “New Hampshire Granite Advantage Health Care Program Support.”

---

*(Continued on next page)*



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

---

***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 require the Association to continue in existence for the 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 or other authorized operations (see New Hampshire Reinsurance Program below), the Association will wind down its affairs and dissolve.

***New Hampshire Reinsurance Program***

In its 2019 Session, the New Hampshire General Court passed House Bill 4 which was signed into law by the Governor and amends Section 12 of the Statute effective July 1, 2019 (the “2019 Statutory Amendments”). As amended by the 2019 Statutory Amendments, the Statute permits the Insurance Commissioner, if supported by the recommendation of actuarial experts, to request that the Association propose a plan of operation for a risk sharing program, reinsurance program or other program that will best support the availability and affordability of the individual insurance market in the state. The 2019 Statutory Amendments also provide that the Association’s proposal may include a recommendation that the New Hampshire Department of Insurance (the “Insurance Department”), on behalf of the State of New Hampshire (the “State”), apply for and obtain a State Innovation Waiver (n/k/a State Relief and Empowerment Waiver) under Section 1332 of the Affordable Care Act (the “Section 1332 Waiver”). During the year ending December 31, 2019 the Association’s only operating activity under this reinsurance program were expenses incurred for administrative services

*(Continued on next page)*

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

---

for \$65,765 and professional fees for \$15,120. The Association did not recognize any revenue under this program for the year ending December 31, 2019.

Pursuant to the 2019 Statutory Amendments, the Insurance Commissioner engaged actuarial experts whose analysis and report supports the development and operation in the State of a reinsurance program similar to the program operated by the federal government in the initial years following the enactment of the Affordable Care Act, but only with the support of federal funding in the form of shared savings under a Section 1332 Waiver. Therefore, in 2019 the Insurance Commissioner requested that the Association assess and develop a proposal for a reinsurance program if it determined that such a program would best serve the purposes of the Association as set forth in Section 1(I) of the Statute.

In response to the Insurance Commissioner's request, the Association engaged its management team, in consultation with experts and legal counsel and the Insurance Commissioner, to review the actuarial analysis and determine the components of a proposed State market stabilization program and its anticipated costs and operational procedures and to develop a related Section 1332 Waiver application. See Note J for more information.

## **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.

### ***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.

### ***Contributions***

Prior to the adoption of ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (See Note C for more information): Contributions received were recorded as support increasing either net assets without donor restrictions or net assets with donor restrictions depending on the existence of any donor restrictions. Time and purpose restricted contributions are reported as donor-restricted support and are then reclassified to net assets without donor restrictions upon expiration of the time restriction or fulfillment of the purpose restriction.

---

*(Continued on next page)*

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

---

After the adoption of ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (See Note C for more information): Substantially all of the Association's support result from assessments from insurance carriers – see the note disclosure “*Member Assessments – State’s Marketplace Premium Assistance Program*” under Note B for more information. The assessments include donor-imposed conditions or barriers that must be overcome before the Association is entitled to the assets transferred. The barriers include limited discretion over how the resources are spent and the contributor retains a right of return to the resources provided. The assessments are transferred from the contributor in advance of the Association overcoming either of the barriers. As a result of these conditions, contributions are recognized as liabilities until the conditions have been substantially met or explicitly waived by the donor. The total deferred assessments were \$10,344,024 at December 31, 2019. At the point the conditions have been substantially met, the contributions are recognized immediately and classified as net assets without donor restrictions.

***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 rates that insurance carriers pay.

Following the end of each calendar quarter in 2018 and 2019, 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 \$2,590,807 and \$3,540,527 at December 31, 2019 and 2018, 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 had provided an allowance for uncollectible accounts of \$32,414 at December 31, 2018, which was extinguished by a member’s bankruptcy proceeding and written off in 2019. 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.

---

*(Continued on next page)*

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

---

***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 the full balance for the advanced payments made by two (2) insurance carriers before December 31, 2018; the third carrier elected to have the repayment credited against its February 15, 2019 assessment. The total assessment collections received in advance was \$854,508 at December 31, 2018. The 2018 assessment collected in advance were credited against the February 2019 assessment.

***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. This program was replaced by the Granite Advantage Program effective January 1, 2019. 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 return to the Association any excess amounts held for the Health Protection Program before June 30, 2020. As of December 31, 2019, the amount of excess funds held from the Health Protection Program funding which is considered prepaid by the Association was \$3,178,117. As of December 31, 2019, the Association's funding to the Granite Advantage Program exceeded the Remainder Amount by \$2,088,786 and is reflected as prepaid assessments at December 31, 2019. The total amount of the prepaid assessments made to the New Hampshire Health Protection Trust Fund and to the Granite Advantage Program were \$5,266,903 and \$1,357,066 at December 31, 2019 and 2018, 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:

---

*(Continued on next page)*

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

---

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, 2019 and 2018.

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.

As disclosed in Note B, under the header “Contributions,” the Association receives substantially all its support from assessments which are recognized as a liability until certain barriers are overcome. As a result, beginning in 2019, the Association’s does not carry a net asset balance after the adoption ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, since the excess of assessments and other support over expenses and other deductions is reported as a liability under deferred assessments. Prior to 2019, all of the Association’s funds were classified as net assets with donor restrictions.

***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 \$298 and \$316 for the years ended December 31, 2019 and 2018, respectively.

***Income Taxes***

As of October 1, 2016, the Association has requested exemption from filing a federal income tax return under Revenue Procedure 95-48 as an affiliate of a governmental unit.

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 | ADOPTION OF NEW ACCOUNTING STANDARD**

The Association implemented ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in the current year, applying the changes using the modified prospective approach. This update clarifies and improves current guidance about whether a transfer of assets is a contribution or exchange transactions. The Association has adopted the guidance in the ASU as of December 31, 2019. The primary impact of this adoption was accounting for assessments (contributions) as a liability until certain barriers were overcome. See the note disclosure for “Contributions” and “Net Assets” under Note B for more information.

---

*(Continued on next page)*

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

---

**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 \$106,927 and \$14,293,339 for years ending December 31, 2019 and 2018, respectively.

**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, 2019 and 2018. As of December 31, 2019 and 2018 the Association's uninsured cash balance totaled \$849,186 and \$693,807, 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 assessment receivables for the years ended December 31, 2019 and 2018. 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.

**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, Granite Advantage Program, and for unanticipated financial issues. The cash reserves required for this purpose at December 31, 2019 and 2018 was \$1,102,185 and \$1,161,675, respectively. See Note I for information regarding the Association's liquidity reserve.

**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.

---

*(Continued on next page)*

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

---

For the years ended December 31, 2019 and 2018, 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, 2019 and 2018, the Association did not recognize any interest or penalties.

As disclosed in Note B, as of October 1, 2016, the Association has requested exemption from federal income tax filings under Revenue Procedure 95-48 of the Internal Revenue Code. Prior to October 1, 2016 the Association, as a not-for-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 years ended December 31, 2019 and 2018 the Association collected restitution totaling \$2,249 and \$3,017, respectively. The Association has collected an accumulated \$13,790 and \$11,541 as of December 31, 2019 and 2018, respectively, since the judgement of restitution was awarded to the Association. The Association is still owed \$56,858 and \$59,107 as of December 31, 2019 and 2018, 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.

## **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	\$ 2,524,171
Member Receivables	2,590,807
Prepaid Expenses	5,274,156
Cash Reserves	<u>(1,102,185)</u>
	<u>\$ 9,286,949</u>

As disclosed in Note A under "New Hampshire Granite Advantage Health Care Program," the Association is required to continue in existence for the purpose of collecting assessments on behalf of the State of New Hampshire in support of the Granite Advantage Program. If the New Hampshire Reinsurance Program described in Note A is not implemented, then the foregoing will be the Association's sole and limited purpose. 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.

---

*(Continued on next page)*

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

---

The Board of Directors may designate a portion of any operating surplus to its cash reserves, as outlined in the Association's First Amendment to its Restated Plan of Operation, which totaled \$1,102,185 at December 31, 2019. The Board of Directors believe the cash reserves are sufficient to fund unanticipated liquidity needs that may arise, see Note F 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 or the Granite Advantage Program. As of December 31, 2019 and 2018, no special assessments were deemed necessary or have been charged to the insurance carriers.

**J | SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 17, 2020, the date on which the statements were available to be issued, but has not evaluated subsequent events on or after that date.

***Financial Impact of Novel Coronavirus Disease***

On March 13, 2020, the President of the United States declared a National Emergency concerning the Novel Coronavirus Disease 2019 (COVID-19) pandemic. Governors from various states, including New Hampshire Governor Sununu, followed the President by issuing State of Emergencies and Executive Orders which impact business. As a result of the spread of COVID-19 and the continuance of New Hampshire's state of emergency declaration and stay-at-home orders, economic uncertainties have arisen which may negatively impact operations in 2020. Overall, the related financial impact and duration cannot be reasonably estimated at this time.

***Application Status for the New Hampshire Reinsurance Program***

As disclosed in Note A, the Association engaged its management team, in consultation with experts and legal counsel and the Insurance Commissioner, to review the actuarial analysis and determine the components of a proposed State market stabilization program and its anticipated costs and operational procedures and to develop a related Section 1332 Waiver application.

To document its proposed program pursuant to Section 12 of the Statute, the Association adopted a Second Amendment to its Restated Plan (the "Second Amendment") in March, 2020. The program, to be known as the "*New Hampshire Reinsurance Program*" or the "*New Hampshire Stabilization Program*" (the "Stabilization Program"), will use reinsurance parameters for a basis of stabilization payments, and is expected to be effective January 1, 2021 if the conditions below are met.

---

*(Continued on next page)*



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

---

The Association's proposal to establish the Stabilization Program is accompanied by the recommendation that the State submit a Section 1332 Waiver application in the form provided by the Association to the Insurance Commissioner (the "Section 1332 Waiver Application"). The implementation of the Stabilization Program and the commencement of the Stabilization Program Plan of Operations are conditioned expressly on: (i) approval of the Insurance Commissioner; (ii) the Insurance Commissioner's observance of the public hearing and commentary procedures required by New Hampshire RSA 420-N:6-a and any applicable federal regulations; (iii) approval of this Second Amendment and the Section 1332 Waiver Application by the State's Health Care Reform Oversight Committee following such hearings and commentary period; (iv) submission of the Section 1332 Waiver Application to the U.S. Department of Health and Human Services and the U.S. Department of the Treasury (collectively the "*Federal Agencies*"); and (v) the Federal Agencies' approval of the Section 1332 Waiver Application and its projected "pass-through savings."

As of June 17, 2020, the Association completed the majority of the conditions noted above, with the exception of the Federal Agencies' approval of the Section 1332 waiver application. The Federal Agencies' approval is expected to occur during 2020.