

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

FRANKLIN COUNTY, OHIO

REGULAR AUDIT WITH SUPPLEMENTAL INFORMATION

For the years ended December 31, 2021 and 2020



**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
FRANKLIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

County Employee Benefits Consortium of Ohio, Inc.
Franklin County
209 East State Street
Columbus, Ohio 43215

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the County Employee Benefits Consortium of Ohio, Inc. (CEBCO), Franklin County, Ohio as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise CEBCO's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of CEBCO, Franklin County, Ohio as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of CEBCO, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 10 to the financial statements, CEBCO restated its net position due to a change in its reporting policy on rebates. We did not modify our opinions regarding this matter.

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of CEBCO. We did not modify our opinions regarding this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CEBCO's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 CEBCO's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CEBCO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of claims development, and schedule of reserve for unpaid claims by type of contract to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2022, on our consideration of CEBCO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CEBCO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CEBCO's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

June 5, 2022

The Management of the County Employee Benefits Consortium of Ohio, Inc. (CEBCO) offers this overview of the organization and analysis of the financial activities of CEBCO for the fiscal years ended December 31, 2021, 2020, and 2019. Readers are encouraged to consider the information presented here in conjunction with CEBCO's financial statements and notes to the financial statements to enhance their understanding of CEBCO's financial performance.

Financial Overview

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information.

The basic financial statements, which follow this section, provide both long-term and short-term information about CEBCO's financial status. CEBCO uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

The three basic financial statements presented are as follows:

- **Statement of Net Position** – This statement presents information reflecting CEBCO's assets, liabilities, and net position and is categorized into current and noncurrent assets and liabilities.
- **Statement of Revenue, Expenses, and Changes in Net Position** – This statement reflects operating and nonoperating revenue and expenses. Operating revenue consists primarily of premiums received net of reinsurance premiums paid, with the major sources of operating expenses being claims and claims adjustment expense, and general and administrative expenses. Nonoperating revenue and expenses consist primarily of investment activity.
- **Statement of Cash Flows** – This statement is presented on the direct method of reporting and reflects cash flows from operating, financing and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

In 2002, the County Commissioners Association of Ohio (CCAO) set out to establish a health benefits program for Ohio counties. The goal was to provide the highest quality yet most cost-effective medical and related benefits for county employees. CCAO funded and sponsored the development of the program, which would become CEBCO. CEBCO was incorporated as a non-profit, governmental health insurance pool on October 28, 2003. Operations and plan coverage officially began on January 1, 2004. On that date, CEBCO had six member counties. At December 31, 2021, CEBCO had a total of 40 member counties with medical, prescription drug, dental, and vision coverage and 1 member county with dental and vision coverage only, and also provided insurance benefits for CCAO staff.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

CEBCO is a self-funded, joint self-insurance consortium authorized pursuant to Section 9.833 of the Ohio Revised Code to offer medical, dental, vision, and prescription drug coverage. There are five standard PPO (Preferred Provider Organization) plans offered, along with five standard Prescription Drug Plans and three standard HDHP (High Deductible Health Plans) for the member counties to select from to create their benefit designs. In addition, counties may select one of our current legacy plans that is in effect for a current member county. Each county is assessed a fully insured equivalent rate on an annual basis, and premiums are paid into CEBCO monthly. Each county signs a three-year commitment to the CEBCO program with penalties assessed for early withdrawal.

In analyzing CEBCO's financial position, it is important to recognize the mission of CEBCO. From a financial perspective, CEBCO's core objective is to provide cost-effective and high-quality group medical and dental coverage for Ohio counties, including employee medical, prescription, dental, and vision benefits. CEBCO strives for stability in its premiums, so that counties can predict and manage their budgets.

Total estimated claims incurred for the policy year consist of claim payments and an estimate of claims incurred but not paid as determined by an independent actuary. The methods of making such estimates are reviewed by management and are made according to industry practice. Any changes to these estimates will have an impact on reported results of future periods.

CEBCO has purchased excess insurance coverage from a reinsurer to reduce its exposure to large specific losses. The excess insurance contract permits recovery of a portion of losses from the excess insurance carrier (Anthem), although it does not discharge the primary liability of CEBCO as direct insurer. For the years ended December 31, 2021 and 2020, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of \$700,000 per subscriber, except for one subscriber whose specific stop loss deductible amount was \$2,000,000, with no specific stop loss maximum. For the year ended December 31, 2021, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of \$500,000 per subscriber, with no specific stop loss maximum. Management reviews the stop loss coverage every year to analyze the cost benefit of the coverage versus the premiums.

Approximately 91, 93, and 92 percent of total assets consist of cash and cash equivalents and investments at December 31, 2021, 2020, and 2019, respectively. CEBCO has significant rebate receivables each year, as rebates are paid several months after being earned. Approximately 71, 93, and 82 percent of total liabilities consist of the reserve for unpaid claims at December 31, 2021, 2020, and 2019, respectively. Approximately 95, 94, and 93 percent of total operating expenses consist of claims expenses at December 31, 2021, 2020, and 2019, respectively. CEBCO participates in a joint venture for shared facility costs and has no significant investments in capital assets. CEBCO carries no long-term debt. CEBCO's financial position is presented below:

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

	December 31		
	2021	2020 As Restated	2019 As Restated
Current Assets			
Cash and cash equivalents	\$ 24,638,299	\$ 30,110,339	\$ 26,693,562
Investments	13,669,895	11,853,360	11,063,445
Rebate receivable	5,584,649	5,293,078	5,184,277
Other assets	1,454,798	399,009	1,343,893
Total current assets	<u>45,347,641</u>	<u>47,655,786</u>	<u>44,285,177</u>
Noncurrent Assets			
Investments	49,047,688	49,414,390	47,453,941
Other assets	1,234,709	1,232,498	1,031,873
Total noncurrent assets	<u>50,282,397</u>	<u>50,646,888</u>	<u>48,485,814</u>
Total assets	95,630,038	98,302,674	92,770,991
Liabilities			
Reserve for unpaid claims	19,597,000	16,820,000	15,996,000
Other liabilities	7,859,300	1,202,329	3,553,488
Total liabilities	<u>27,456,300</u>	<u>18,022,329</u>	<u>19,549,488</u>
Net Position - Unrestricted			
Net investment in capital assets	116,203	108,893	38,112
Unrestricted	68,057,535	80,171,452	73,183,391
Total net position	<u>\$ 68,173,738</u>	<u>\$ 80,280,345</u>	<u>\$ 73,221,503</u>

The following table shows the major components of income from operations:

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

	Year Ended December 31		
	2021	2020 As Restated	2019 As Restated
Operating Revenue	\$ 200,394,178	\$ 185,108,089	\$ 160,985,180
Operating Expenses			
Provision for claims	203,550,290	171,529,640	153,628,234
Claims administration	5,991,171	6,852,515	6,796,935
Other general and administrative	4,374,313	3,790,964	3,777,593
Total operating expenses	<u>213,915,774</u>	<u>182,173,119</u>	<u>164,202,762</u>
Operating (Loss) Income	<u>(13,521,596)</u>	<u>2,934,970</u>	<u>(3,217,582)</u>
Nonoperating Revenue (Expenses)			
Interest and dividend income	1,416,795	1,628,025	2,041,454
Realized and unrealized gains (losses) on investments	108,292	2,584,563	3,793,487
Other nonoperating income/(expenses)	(110,098)	(88,716)	(136,598)
Total nonoperating income	<u>1,414,989</u>	<u>4,123,872</u>	<u>5,698,343</u>
Change in Net Position	<u>\$ (12,106,607)</u>	<u>\$ 7,058,842</u>	<u>\$ 2,480,761</u>

Condensed Comparative Financial Highlights

- Reserve for unpaid claims increased by \$2,777,000 in 2021 from 2020 and increased by \$824,000 in 2020 from 2019. The increase in both 2021 and 2020 was primarily due to an increase in estimated incurred medical claims and an increase in lives covered with the addition of member counties.
- Overall, CEBCO's net position decreased by \$12,106,607 between 2020 and 2021, and increased by \$7,058,842 between 2019 and 2020. The decrease in 2021 was mainly due to the planned use of member equity to reduce rates by \$10 million, which resulted in \$10 million less in premiums received to cover claims in 2021. The increase in 2020 was the result of positive investment gains and an increase in premiums greater than the increase in claims and claims administration expenses.
- Operating revenue, which represents premiums net of reinsurance premium expense, increased by \$15,286,089 in 2021 and \$24,122,909 in 2020. The increase in both years was mainly due to an increase in covered lives with the addition of new member counties, as well as medical, prescription drug, dental, and vision trend increases.

- Claims expenses were \$203,550,290, \$171,529,640, and \$153,628,234, for the years ended December 31, 2021, 2020, and 2019, respectively. The increases were the result of changes in membership and the number of covered lives in the program during those years, as well as inflation in health care costs.
- Nonoperating revenue decreased \$2,708,883 from 2020 to 2021 and decreased by \$1,574,472 from 2019 to 2020. From 2019 to 2020, the decrease was due to realized and unrealized gains on investments in 2019 that did not occur in 2020, and decreases in interest rates in 2020 which resulted in less interest income received. Yields started to increase in 2021, creating unrealized losses in fixed income securities and an overall decrease in investment income.

Economic Factors and Trends

2021 was very different from the previous year, but was greatly impacted by COVID-19. Claims directly resulting from the virus were a little over \$12M for the year. The beginning of the year saw slightly below average claims experience, while the second half of the year saw a very large increase in paid claims. Our actuaries and Anthem Blue Cross and Blue Shield both saw the same phenomenon across their books of business, as many of the elective procedures that were canceled or postponed in 2020/early 2021 were completed. This increase in claims, along with the allocation of \$10M in Member Equity resulted in a larger than expected operating loss for the year.

CEBCO was able to add one new county for 2021, which brought the total number of counties in the program to 40. At the end of 2021, an additional two counties were added for membership beginning January 2022, to bring the overall number of counties in the program to 42 with coverage for just less than 13,000 employees and 29,150 members covered individuals. CEBCO continues to bring stable rates and excellent benefits to member counties.

To ensure the pool's stability, the CEBCO Board of Directors allocated an additional \$10M in Member Equity for the 2022 Renewal with a net increase of 3.8% for our member counties. One change to the program was the addition of the Sydney mobile app, which allows CEBCO members to access all of the CEBCO programs through this application. It also allows us to message down to the county level to remind members of upcoming county events or programs available to them. There were no major changes to any of the core benefit programs of CEBCO but an increased emphasis was placed on those programs that provide added value to members, such as SmartShopper.

The cautious prognosis for 2022 is that we will return to a more stable claims environment.

Contacting CEBCO's Management

This financial report is designed to provide the users of CEBCO's services, governments, taxpayers and creditors with a general overview of the organization's finances. If you have questions about this report or need additional information, we welcome you to contact the Managing Director of Health and Wellness – 209 E State Street, Columbus, Ohio 43215.

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.

STATEMENT OF NET POSITION

	December 31	
Assets	2021	2020 As Restated
Current assets:		
Cash and cash equivalents	\$ 24,638,299	\$ 30,110,339
Investments	13,669,895	11,853,360
Prepaid expenses	-	8,125
Interest receivable	229,052	237,317
Premiums receivable	470,014	54,701
Rebate receivable	5,584,649	5,293,078
Stop loss recovery receivable	104,343	91,055
Other receivable	651,389	7,811
	<hr/>	<hr/>
Total current assets	45,347,641	47,655,786
Noncurrent assets:		
Funds on deposit	109,150	109,150
Investments	49,047,688	49,414,390
Investment in joint venture	1,009,356	1,014,455
Capital assets - Net of depreciation	116,203	108,893
	<hr/>	<hr/>
Total noncurrent assets	50,282,397	50,646,888
	<hr/>	<hr/>
Total assets	95,630,038	98,302,674
 Liabilities - Current		
Accounts payable	7,859,300	1,185,034
Reserve for unpaid claims	19,597,000	16,820,000
Unearned premium	-	17,295
	<hr/>	<hr/>
Total liabilities	27,456,300	18,022,329
 Equity - Net position		
Net investment in capital assets	116,203	108,893
Unrestricted	68,057,535	80,171,452
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Total net position	<u>\$ 68,173,738</u>	<u>\$ 80,280,345</u>

Please see Notes to the Financial Statements.

COUNTY EMPLOYEE BENEFIT CONSORTIUM OF OHIO, INC.

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	Years Ended December 31	
	2021	2020 As Restated
Operating Revenue		
Premiums	\$ 203,563,389	\$ 188,195,753
Reinsurance premium expense	(3,169,211)	(3,087,664)
Total operating revenue	200,394,178	185,108,089
Operating Expenses		
Provision for claims		
Paid	200,773,290	170,705,640
Change in reserve for unpaid claims	2,777,000	824,000
Total claims expenses	203,550,290	171,529,640
Claims administration	5,991,171	6,852,515
General and administrative	1,940,248	1,844,876
Consulting and actuarial	669,143	577,510
Wellness program and grants	928,148	542,223
Commissions	806,427	810,239
Depreciation	30,347	16,116
Total operating expenses	213,915,774	182,173,119
Operating (Loss)/Gain	(13,521,596)	2,934,970
Nonoperating Revenue (Expenses)		
Interest and dividend income	1,416,795	1,628,025
Realized and unrealized gain on investments	108,292	2,584,563
Other income	9,000	23,531
(Loss)/Gain on ownership interest in joint venture	(5,099)	5,843
Investment fees	(113,999)	(118,091)
Total nonoperating revenue	1,414,989	4,123,872
Change in Net Position	(12,106,607)	7,058,842
Net Position - Beginning of year (Note 10)	80,280,345	73,221,503
Net Position - End of year	68,173,738	80,280,345

Please see Notes to the Financial Statements.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

STATEMENT OF CASH FLOWS

	Years Ended December 31	
	2021	2020 Restated
Cash Flows from Operating Activities		
Cash received for premiums and other	\$ 203,130,781	\$ 189,157,734
Cash paid for claims and claims administration	(201,018,546)	(180,142,086)
Cash paid to vendors for services and goods	(4,364,010)	(3,699,357)
Cash paid for excess insurance	(3,169,211)	(3,087,664)
Net cash provided by operating activities	(5,420,986)	2,228,628
Cash Flows from Capital Activities		
Cash paid for capital asset	(37,657)	(85,131)
Cash received on sale of capital asset	9,000	21,765
Net cash provided by capital activities	(28,657)	(63,366)
Cash Flows from Investment Activities		
Purchases of investment securities	(14,024,410)	(13,528,945)
Sales and maturities of investment securities	12,856,224	13,559,090
Contribution to joint venture	-	(100,000)
Interest income received from investments and cash equivalents	1,251,704	1,447,476
Investment fees paid	(105,915)	(126,106)
Net cash provided by investing activities	(22,397)	1,251,515
Net Increase in Cash and Cash Equivalents	(5,472,040)	3,416,777
Cash and Cash Equivalents - Beginning of year	30,110,339	26,693,562
Cash and Cash Equivalents - End of year	\$ 24,638,299	\$ 30,110,339
A reconciliation of operating income/(loss) to net cash provided by operating activities is as follows:		
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating Gain/(Loss)	(13,521,596)	2,934,970
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	30,347	16,116
Changes in assets and liabilities:		
Reserve for unpaid claims	2,777,000	824,000
Premium receivable	(415,313)	1,020,904
Other receivable	(948,437)	(204,884)
Funds on deposit	-	(24,000)
Prepaid expenses	-	12,792
Unearned premiums	(17,295)	(11,135)
Accounts payable	6,674,308	(2,340,135)
Net cash provided by operating activities	\$ (5,420,986)	\$ 2,228,628
Noncash Investing Activities - Net unrealized gains/(losses) and amortization on investments	\$ (134,442)	\$ 2,158,898

Please see Notes to the Financial Statements.

NOTE 1 – NATURE OF BUSINESS

The County Employee Benefits Consortium of Ohio, Inc. (CEBCO) is an Ohio non-profit organization formed by the County Commissioners Association of Ohio (CCAO) to provide cost effective employee benefit programs for Ohio county governments. CEBCO is a self-funded, group purchasing consortium that offers medical, dental, vision, and prescription drug coverage. Various plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit copays, and out-of-pocket maximums. CEBCO is governed by a Board of Directors comprised mainly of representatives of counties that participate in the program. CEBCO was incorporated as a governmental health insurance pool on October 28, 2003. Operations and plan coverage officially began on January 1, 2004.

Members sign a three-year commitment to CEBCO. Premiums are paid on a monthly basis. Pursuant to participation agreements with CEBCO, each member agrees to pay all funding rates associated with the coverage it elects; as such funding rates are set and billed to the members by CEBCO. The assigned funding rates consist of the following components: administrative fees, stop loss fees, expected claim costs, and reserves. Reserves are actuarially determined and allocated based on expected claim activity. Rates are calculated to cover the administrative expenses and expected claims costs of the program.

CEBCO utilizes claims administration services through Anthem Blue Cross and Blue Shield for medical and prescription coverage, Delta Dental for dental coverage, and VSP for vision coverage. In 2019, the prescription claims were administered through Express Scripts, Inc.

As of December 31, 2021, 40 Ohio counties were members of CEBCO as medical coverage participants, and one member subscribed to dental and vision coverage only. During 2021, one new county joined CEBCO and no counties withdrew from CEBCO. As of December 31, 2020, 39 Ohio counties were members of CEBCO as medical coverage participants, and one member subscribed to dental and vision coverage only. During 2020, three new counties joined CEBCO's medical coverage program, and no counties withdrew from the medical program. In both years, CCAO's employees were also covered under CEBCO's medical, prescription, dental, and vision coverage.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - CEBCO follows all applicable GASB pronouncements. The accompanying financial statements are presented using the accrual method of accounting.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – (continued)

CEBCO distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with CEBCO's principal ongoing operations. The principal operating revenue relates to premiums. Operating expenses include the provision for claims, cost of services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Cash and Cash Equivalents - CEBCO considers all investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of funds in interest-bearing checking accounts and short-term money market securities.

Investments - Investments consist of bonds, mutual funds and equities which are stated at fair value. Investment income, including changes in the fair value of investments, is recognized as nonoperating revenue in the statement of revenue, expenses, and changes in net position.

Premium Revenue and Unearned Premiums - Premiums are paid monthly by participating entities and are recognized as revenue over the policy period. Receivables are recorded when earned. Management has determined amounts are collectible, and no allowance for doubtful accounts is required. Premiums collected in advance of applicable coverage periods are classified as unearned premiums.

CEBCO applied a flat amount of \$10,000,000 from net position in 2021 and a flat amount of \$3,000,000 from net position in 2020 to lower the medical and prescription premium rates. The amount used in each year was determined by approval of the board of directors.

Rebates – Prescription rebates are recorded as a reduction in claims expense in the year that they are earned, at the guaranteed amount. The amount of rebates earned in 2021 that reduced the claims expense in that year was \$12,609,770. The amount of rebates earned in 2020 that reduced the claims expenses in that year was \$8,715,870. See Note 10 regarding restatement of 2020 financials due to a change in accounting policy regarding rebates.

Reserve for Unpaid Claims - CEBCO's reserve for unpaid claims is determined using actuarial analysis and is computed in accordance with accepted loss reserving standards. The reserve represents an estimate of the ultimate net cost of all claims incurred which were unpaid at December 31, 2021 and 2020. This includes an estimate of claims incurred but not yet paid as of December 31, 2021 and 2020.

Although CEBCO considers its experience and industry data in determining such reserves, assumptions and projections as to future events are necessary and ultimate losses may differ significantly from amounts projected. The effects of changes in reserve estimates are included in the statements of revenue, expenses, and changes in net position in the period in which estimates are changed. Reserves are not discounted.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – (continued)

Capital Assets - CEBCO's capital assets, which consist of automobiles and furniture and equipment, are reported at cost net of depreciation. All capital assets are depreciated using the straight-line method of depreciation. Furniture and equipment are depreciated over three to five years and vehicles are depreciated over five years. Costs of maintenance and repairs are charged to expense when incurred.

Risk Management - CEBCO is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The County Risk Sharing Authority (CORSA), a property and liability risk sharing pool sponsored by CCAO, provides general liability, errors and omissions liability, property, and crime coverage to CEBCO. CEBCO also utilizes outside Directors and Officer coverage through Certain Underwriters at Lloyds, London. Since CCAO, along with its related corporations, are members of CEBCO, the medical and dental coverage for CCAO employees is provided by CEBCO. Settled claims relating to the above insurance coverages have not exceeded the amount of insurance coverage for each of the last three years.

Net Position - Net position represents the difference between assets and liabilities in the statement of net position. Net position is reported as unrestricted, net investment in capital assets, or restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws, or regulations of other governments. At the discretion of the board of directors, net position may be designated for CEBCO's contingency reserve fund. The contingency reserve fund is to be used only in cases of unexpected and unusually high claims payments, or when claims are such that a deficit is created in the claims fund. The contingency reserve fund is not to be used for wellness initiatives or to reduce premiums. The value of the contingency reserve fund will fluctuate based on changes in the fair market value of the investments held within the contingency reserve investment accounts. At December 31, 2021 and 2020, the net position designated for the contingency reserve fund totaled \$14,862,182 and \$14,502,518, respectively.

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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates exist relating to the valuation of investments and the reserve for unpaid claims as described in Notes 3 and 4, respectively.

Tax Status - CEBCO's income is exempt from taxation under Internal Revenue Code Section 115. Accordingly, no provision for income taxes is reflected in the financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – (continued)

Premium Deficiency - Anticipated investment income is considered in determining if a premium deficiency exists. No premium deficiency reserve was required at December 31, 2021 or 2020.

Subsequent Events - CEBCO has evaluated events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is June 5, 2022.

NOTE 3 – DEPOSITS AND INVESTMENTS

CEBCO's investment policy authorizes CEBCO to make investments in the following allowable assets: cash equivalents (U.S. Treasury Bills, money market funds, commercial paper, repurchase agreements, and certificates of deposit), fixed income securities of all investment grade quality (including U.S. government and agency securities, mortgage-related obligations, U.S. corporate debt securities, and asset backed securities), real estate investments which include ownership interests in office property or in companies whose sole asset is office property, risk assets (U.S. listed stocks, U.S. high yield bonds, international equities, and bank loans), and mutual funds and/or exchange traded funds.

CEBCO's investments are held in CEBCO's name. CEBCO has designated Huntington Bank, Wells Fargo, and Vanguard for deposit of its funds. Asset Allocation and Management Company, LLC acts as the fixed-income portfolio manager.

CEBCO's cash and investments are subject to several types of risk, which are examined in more detail below:

Deposits - Cash and cash equivalents include operating and claims checking accounts, money market accounts and funds and an insured cash sweep fund. Cash and cash equivalents totaled \$24,638,299 and \$30,110,339 at December 31, 2021 and 2020, respectively.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, CEBCO's deposits may not be returned to it. CEBCO does not have a deposit policy for custodial credit risk. At year end, CEBCO had bank deposits of \$24,638,299. Of this amount, \$13,188,233 was insured by the Federal Depository Insurance Corporation (FDIC). CEBCO believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, CEBCO evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments - Investments are reported at fair value. On December 31, 2021 and 2020, CEBCO had the following investments:

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021 and 2020

NOTE 3 – DEPOSITS AND INVESTMENTS – (continued)

	Fair Value	
	2021	2020
Fixed-income securities	\$ 47,039,347	\$ 47,664,940
Equities	11,217,531	9,315,376
Mutual Funds	4,460,705	4,287,434
Total Investments	\$ 62,717,583	\$ 61,267,750

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. Interest rate risk is primarily managed by establishing guidelines for portfolio duration and average maturity. CEBCO's investment policy stipulates that CEBCO's bond portfolio must have an average maturity of 10 years or less.

At December 31, 2021, CEBCO had the following average maturities of fixed-income securities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury securities	\$ 4,880,090	5.02
Asset-backed securities	3,307,397	1.68
Corporate bonds	20,032,447	5.72
Mutual Funds - High yield bonds	2,329,792	4.80
Mutual Funds - Bank loans	2,130,913	5.15
Mortgage-backed/Collateralized mortgage-backed securities	13,652,786	3.88
Municipal bonds	5,166,627	4.67
Total	\$ 51,500,052	

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 3 – DEPOSITS AND INVESTMENTS – (continued)

At December 31, 2020, CEBCO had the following average maturities of fixed-income securities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury securities	\$ 5,195,090	6.33
Asset-backed securities	2,860,036	1.34
Corporate bonds	17,118,067	5.12
Mutual Funds - High yield bonds	2,244,869	4.30
Mutual Funds - Bank loans	2,042,564	4.85
Mortgage-backed/Collateralized mortgage-backed securities	15,918,187	3.52
Municipal bonds	6,573,561	4.41
Total	<u>\$ 51,952,374</u>	

Credit Risk - Credit risk is the risk that an issuer to an investment will not fulfill its obligations.

At December 31, 2021, the credit quality ratings of fixed-income securities by type are as follows:

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 3 – DEPOSITS AND INVESTMENTS – (continued)

Investment	Fair Value	Rating	Rating Organization
Asset-backed securities	\$ 2,048,076	Aaa	Moody's
	1,259,321	AAA	S&P
Total	<u>\$ 3,307,397</u>		
Corporate bonds	\$ 150,994	Aaa	Moody's
	101,506	Aa2	Moody's
	2,083,083	Aa3	Moody's
	1,428,852	A1	Moody's
	2,777,871	A2	Moody's
	4,008,419	A3	Moody's
	3,383,874	Baa1	Moody's
	4,182,563	Baa2	Moody's
	1,586,323	Baa3	Moody's
	86,637	BBB	Fitch
	180,375	BBB	Kroll
	61,950	BBB+	Kroll
Total	<u>\$ 20,032,447</u>		
U.S. Treasury securities	<u>\$ 4,880,090</u>	Aaa	Moody's
Mortgage-backed/collateralized mortgage-backed securities	\$ 846,096	AAA	S&P
	12,806,690	Aaa	Moody's
Total	<u>\$ 13,652,786</u>		
Municipal bonds	\$ 897,913	Aaa	Moody's
	1,543,169	Aa1	Moody's
	1,075,443	Aa2	Moody's
	548,335	A1	Moody's
	88,335	AA	S&P
	488,043	AAA	S&P
	525,389	AA+	S&P
Total	<u>\$ 5,166,627</u>		
Mutual Funds - High yield bonds	<u>\$ 2,329,792</u>	Ba	Moody's
Mutual Funds - Bank loans	<u>\$ 2,130,913</u>	B	S&P

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 3 – DEPOSITS AND INVESTMENTS – (continued)

At December 31, 2020, the credit quality ratings of fixed-income securities by type are as follows:

Investment	Fair Value	Rating	Rating Organization
Asset-backed securities	\$ 2,422,712	Aaa	Moody's
	437,324	AAA	S&P
Total	\$ 2,860,036		
	\$ 295,451	Aa1	Moody's
	522,525	Aa2	Moody's
	1,321,669	Aa3	Moody's
	1,430,266	A1	Moody's
	2,545,105	A2	Moody's
	3,430,198	A3	Moody's
	2,860,951	Baa1	Moody's
	2,857,409	Baa2	Moody's
	1,335,761	Baa3	Moody's
	273,969	Ba2	Moody's
	85,789	BBB	Fitch
	158,975	Not Rated	
Total	\$ 17,118,067		
U.S. Treasury securities	\$ 5,195,090	Aaa	Moody's
Mortgage-backed/collateralized mortgage-backed securities	\$ 1,025,423	AAA	S&P
	511	AAA	Fitch
	14,892,253	Aaa	Moody's
Total	\$ 15,918,187		
Municipal bonds	\$ 1,280,336	Aaa	Moody's
	1,881,049	Aa1	Moody's
	2,061,693	Aa2	Moody's
	210,252	A1	Moody's
	91,287	AA	S&P
	508,938	AAA	S&P
	540,006	AA+	S&P
Total	\$ 6,573,561		
Mutual Funds - High yield bonds	\$ 2,244,869	Ba	Moody's
Mutual Funds - Bank loans	\$ 2,042,564	B	S&P

NOTE 3 – DEPOSITS AND INVESTMENTS – (continued)

Concentration of Credit Risk - Excluding investments issued or guaranteed by the U.S. government, there were no investments that individually exceeded 5 percent of CEBCO's total investments at December 31, 2021 and 2020, respectively.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. CEBCO's investment policy does not address foreign currency risk. CEBCO has no investments subject to foreign currency risk.

NOTE 4 – RESERVE FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

The reserve for claims incurred but not reported is estimated by an independent actuary based upon CEBCO's historical experience of claims incurred prior to December 31, 2021. The estimates reflect the best judgment as to the potential for claims to increase beyond the amounts already paid. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments to these amounts will affect the reported results of future periods.

The following table represents changes in the reserve for unpaid claims for CEBCO for the years ended December 31, 2021, 2020, and 2019, respectively:

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021 and 2020

**NOTE 4 – RESERVE FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES
 – (continued)**

	2021	2020 As Restated	2019 As Restated
Reserves for Unpaid Claims and Claim Adjustment Expenses - Beginning of year	\$ 16,820,000	\$ 15,996,000	\$ 14,163,000
Incurred Claims and Claim Adjustment Expenses			
Provision for claims incurred in current year	205,174,852	169,707,541	157,311,769
Change in provision for claims incurred in prior years	(1,624,562)	1,822,099	(3,683,535)
	203,550,290	171,529,640	153,628,234
Payments			
Claims and claim adjustment expenses paid for claims incurred in current year	185,577,852	152,887,541	141,315,769
Claims and claim adjustment expenses paid for claims incurred in prior years	15,195,438	17,818,099	10,479,465
	200,773,290	170,705,640	151,795,234
Reserves for Unpaid Claims and Claim Adjustment Expenses - End of year	\$ 19,597,000	\$ 16,820,000	\$ 15,996,000

Reserves for unpaid claims and claim adjustment expenses attributable to insured events in prior years changed as a result of re-estimation of unpaid claims and claim adjustment expenses. This change is generally a result of ongoing analysis of recent loss development. Original estimates are increased or decreased as additional information becomes known regarding claims payments.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021 and 2020

NOTE 5 – EXCESS INSURANCE COVERAGE

CEBCO has obtained specific excess insurance coverage from a reinsurer to reduce its exposure to large specific losses. The excess insurance contract permits recovery of a portion of losses from the excess insurance carrier, although it does not discharge the primary liability of CEBCO as direct insurer of the risks reinsured. For the years ended December 31, 2021 and 2020, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of \$700,000 per subscriber, except for one subscriber whose specific stop loss deductible amount was \$2,000,000, with no specific stop loss maximum. Premiums under this contract during the years ended December 31, 2021 and 2020 totaled \$3,169,211 and \$3,087,664, respectively.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2021 and 2020 was as follows:

	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021
Furniture and equipment	\$ 20,795	\$ -	\$ -	\$ 20,795
Vehicles	<u>182,228</u>	<u>37,657</u>	<u>(29,215)</u>	<u>190,670</u>
Subtotal	203,023	37,657	(29,215)	211,465
Less Accumulated Depreciation:				
Furniture and equipment	20,795	-	-	20,795
Vehicles	<u>73,335</u>	<u>30,347</u>	<u>(29,215)</u>	<u>74,467</u>
Subtotal	<u>94,130</u>	<u>30,347</u>	<u>(29,215)</u>	<u>95,262</u>
Net capital assets	<u>\$ 108,893</u>	<u>\$ 7,310</u>	<u>\$ -</u>	<u>\$ 116,203</u>

	Balance January 1, 2020	Additions	Retirements	Balance December 31, 2020
Furniture and equipment	\$ 20,795	\$ -	\$ -	\$ 20,795
Vehicles	<u>176,703</u>	<u>89,431</u>	<u>(83,906)</u>	<u>182,228</u>
Subtotal	197,498	89,431	(83,906)	203,023
Less Accumulated Depreciation:				
Furniture and equipment	20,795	-	-	20,795
Vehicles	<u>138,591</u>	<u>16,116</u>	<u>(81,372)</u>	<u>73,335</u>
Subtotal	<u>159,386</u>	<u>16,116</u>	<u>(81,372)</u>	<u>94,130</u>
Net capital assets	<u>\$ 38,112</u>	<u>\$ 73,315</u>	<u>\$ (2,534)</u>	<u>\$ 108,893</u>

NOTE 6 – CAPITAL ASSETS – (continued)

Depreciation expense was \$30,347 and \$16,116 in December 31, 2021 and 2020, respectively.

NOTE 7 – JOINT VENTURE

During 2008, CEBCO entered into a joint venture with CORSA and CCAO to form County Governance Facility, LLC. CEBCO owns 33.3 percent of this joint venture. County Governance Facility, LLC, was formed to improve, operate, and otherwise manage the company property located at 209 East State Street, Columbus, Ohio 42315. During 2008, CEBCO contributed \$1,000,000 to fund their portion of the joint venture. During 2012, CEBCO contributed an additional \$58,291 to County Governance Facility, LLC, for capital improvements on the property. During 2020, CEBCO contributed an additional \$100,000 to County Governance Facility, LLC for capital improvements of the property. CEBCO's interest in the County Governance Facility, LLC at December 31, 2021 and 2020 was \$1,009,356 and \$1,014,455, respectively. CEBCO accounts for the investment under the equity method.

NOTE 8 – RELATED PARTY TRANSACTIONS

CEBCO and its property and liability counterpart, CORSA, were created by the County Commissioners Association of Ohio (CCAO) to provide insurance for county employees. The three entities share office space, services, and operating expenses, which include salaries, telephone service, internet service, supplies, postage, and subscriptions. CCAO pays for most of these services, and CORSA and CEBCO pay CCAO for their portion based on an allocation approved by all three boards of directors. All employees of CEBCO are employed by CCAO. Other shared services include health care coverage provided by CEBCO, property and liability coverage provided by CORSA, and additional external directors and officers coverage. Investment consulting and management services are shared between CEBCO and CORSA. The amount paid to CCAO by CEBCO for shared services and reimbursements was \$1,347,935 and \$1,271,685 for December 31, 2021 and 2020, respectively. The amount paid for investment and insurance expenses by CEBCO to CORSA was \$113,830 and \$170,667 for December 31, 2021 and 2020, respectively.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 9 – FAIR VALUE MEASUREMENT

CEBCO categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. CEBCO’s assessment of the significance of the particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 are as follows:

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance at December 31, 2021
Debt securities:				
Mutual Funds - High yield bonds	\$ 2,329,792	\$ -	\$ -	\$ 2,329,792
Mutual Funds - Bank loans	2,130,913			2,130,913
Asset-backed securities	-	3,307,397	-	3,307,397
Corporate bonds	-	20,032,447		20,032,447
U.S. Treasury securities	4,880,090	-	-	4,880,090
Mortgage-backed/collateralized mortgage securities	-	13,652,786	-	13,652,786
Municipal bonds	-	5,166,627	-	5,166,627
Total debt securities	\$ 9,340,795	\$ 42,159,257	\$ -	\$ 51,500,052
Equity securities	11,217,531	-	-	11,217,531
Total	\$ 20,558,326	\$ 42,159,257	\$ -	\$ 62,717,583

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 are as follows:

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 9 – FAIR VALUE MEASUREMENT – (continued)

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance at December 31, 2020
Debt securities:				
Mutual Funds - High yield bonds	\$ 2,244,869	\$ -	\$ -	\$ 2,244,869
Mutual Funds - Bank loans	2,042,564			2,042,564
Asset-backed securities	-	2,860,036	-	2,860,036
Corporate bonds	-	17,118,067		17,118,067
U.S. Treasury securities	5,195,090	-	-	5,195,090
Mortgage-backed/collateralized mortgage securities	-	15,918,187	-	15,918,187
Municipal bonds	-	6,573,561	-	6,573,561
Total debt securities	\$ 9,482,523	\$ 42,469,851	\$ -	\$ 51,952,374
Equity securities	9,315,376	-	-	9,315,376
Total	\$ 18,797,899	\$ 42,469,851	\$ -	\$ 61,267,750

The fair value of U.S. Treasury securities and mutual funds are determined primarily using prices quoted in active markets and are classified as Level 1.

The fair value of asset-backed securities, corporate bonds, mortgage-backed/collateralized mortgage obligations, and municipal bonds are determined primarily by using other observable inputs, such as quoted prices for identical or similar assets in markets that are not active, contractual cash flows, credit spreads, and interest rates and yield curves that are observable at commonly quoted intervals. These fair values are classified as Level 2.

NOTE 10 – CHANGE IN ACCOUNTING POLICY AND RESTATEMENT OF NET POSITION

In 2021, CEBCO changed its reporting policy on rebates received from prescription drugs. Previously, rebates were recorded as a reduction in claims expense in the year received, because they could not be reasonably estimated at year end. Now there is more accurate reporting of rebates which indicate specifically which period the rebates relate to and the period when the original prescription claims were made that triggered the rebate. Furthermore, guaranteed rebates are closer to actual and therefore there are fewer adjustments that need to be made and the amounts can be reasonably estimated. This change in reporting policy has resulted in the need for restatement of CEBCO's prior two-year financial statements due to the new recognition of rebate receivable at year-end.

The net position of CEBCO has been restated as follows:

NOTE 10 – CHANGE IN ACCOUNTING POLICY AND RESTATEMENT OF NET POSITION – (continued)

Net Position at December 31, 2019	\$ 68,037,226
Restatement, Rebates Receivable	<u>5,184,277</u>
Restated Net Position at January 1, 2020	<u>\$ 73,221,503</u>

Some other portions of 2020 and 2019 financials, including cash flows, claims expense, and supplementary information, were restated as well to maintain consistency with this change in accounting policy.

NOTE 11 – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of CEBCO. The impact on CEBCO's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. CEBCO's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

REQUIRED SUPPLEMENTARY INFORMATION

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CLAIMS DEVELOPMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1. Required contribution and investment and other revenue										
Earned	109,146,419	112,861,904	139,032,206	151,284,450	172,111,301	160,812,466	161,231,171	171,030,765	192,437,716	205,092,377
Ceded	1,114,484	1,059,623	1,827,829	2,704,190	3,203,896	3,387,582	3,615,844	4,228,185	3,087,664	3,169,211
Net earned	108,031,935	111,802,281	137,204,377	148,580,260	168,907,405	157,424,884	157,615,327	166,802,579	189,350,052	201,923,166
2. Unallocated expenses	6,197,311	6,642,977	8,799,834	9,743,953	10,538,564	9,631,694	9,605,215	10,693,585	10,761,570	10,479,483
3. Estimated claims and expenses, end of policy year:										
Incurred	98,454,324	110,146,663	135,352,475	149,825,654	165,050,114	147,637,396	153,361,975	159,649,660	176,191,715	206,278,169
Ceded	1,837,589	5,163,900	3,979,604	3,491,747	2,561,815	2,827,327	8,786,916	2,329,891	6,484,174	1,103,317
Net incurred	96,616,735	104,982,763	131,372,871	146,333,907	162,488,299	144,810,069	144,575,060	157,319,769	169,707,541	205,174,852
4. Net paid claims as of:										
End of policy year	86,602,835	92,630,140	116,840,171	130,130,005	147,181,099	132,393,069	130,412,060	141,315,769	152,887,541	185,577,852
One year later	96,937,542	103,064,992	127,039,972	141,308,869	157,289,113	142,904,501	140,733,354	159,055,102	168,110,001	
Two years later	96,965,575	103,469,596	127,155,501	141,628,681	157,254,745	142,997,419	140,812,120	159,010,267		
Three years later	97,083,331	103,467,457	127,161,862	141,577,347	157,317,850	142,997,419	140,829,933			
Four years later	97,083,331	103,467,457	127,172,217	141,580,929	157,317,850	142,997,419				
Five years later	97,083,331	103,467,457	127,169,333	141,580,929	157,317,850					
Six years later	97,083,331	103,468,179	127,169,333	141,580,929						
Seven years later	97,084,059	103,468,179	127,169,333							
Eight years later	97,084,059	103,468,179								
Nine years later	97,084,059									
5. Re-estimated ceded claims and expenses	1,837,589	5,776,358	4,081,771	3,568,983	2,829,206	3,067,925	9,140,400	2,896,647	6,484,174	1,103,317
6. Re-estimated net incurred claims and expense, as of:										
End of policy year	96,616,735	104,982,763	131,372,871	146,333,907	162,488,299	144,810,069	144,575,060	157,311,769	169,707,541	205,174,852
One year later	96,937,542	103,064,992	127,039,971	141,308,869	157,289,113	142,904,501	140,733,354	159,055,102	168,110,001	
Two years later	96,965,575	103,469,596	127,155,501	141,628,681	157,254,745	142,997,419	140,812,120	159,010,267		
Three years later	97,083,331	103,467,457	127,161,862	141,577,347	157,317,850	142,997,419	140,829,933			
Four years later	97,083,331	103,467,457	127,172,217	141,580,929	157,317,850	142,997,419				
Five years later	97,083,331	103,467,457	127,169,333	141,580,929	157,317,850					
Six years later	97,083,331	103,468,179	127,169,333	141,580,929						
Seven years later	97,084,059	103,468,179	127,169,333							
Eight years later	97,084,059	103,468,179								
Nine years later	97,084,059									
7. Increase (decrease) in estimated incurred claims from original estimate	467,324	(1,514,584)	(4,203,538)	(4,752,978)	(5,170,449)	(1,812,650)	(3,745,127)	1,698,498	(1,597,540)	0

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
REQUIRED SUPPLEMENTARY INFORMATION
RECONCILIATION OF RESERVE FOR UNPAID CLAIMS BY TYPE OF CONTRACT
FOR THE YEAR ENDED DECEMBER 31, 2021

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2021: employee medical, pharmacy, dental, and vision benefits.

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
Reserves for unpaid claims and claims expenses - beginning of year	\$ 16,735,000	\$ -	\$ 73,000	\$ 12,000	\$ 16,820,000
Plus: Incurred claims and claims expenses					
Provision for claims incurred in the current year	167,392,062	34,869,719	2,620,143	292,928	205,174,852
Change in provision for claims incurred in prior years	<u>(1,606,992)</u>	<u>-</u>	<u>(16,620)</u>	<u>(950)</u>	<u>(1,624,562)</u>
Total Incurred	165,785,070	34,869,719	2,603,523	291,978	203,550,290
Less: Payments					
Claims and claims expenses paid for claims incurred in current year	147,866,062	34,869,719	2,563,143	278,928	185,577,852
Claims and claims expenses paid for claims incurred in prior years	<u>15,128,008</u>	<u>-</u>	<u>56,380</u>	<u>11,050</u>	<u>15,195,438</u>
Total Payments	162,994,070	34,869,719	2,619,523	289,978	200,773,290
Reserves for unpaid claims and claims expenses - end of year	<u>\$ 19,526,000</u>	<u>\$ -</u>	<u>\$ 57,000</u>	<u>\$ 14,000</u>	<u>\$ 19,597,000</u>

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2020, as restated: employee medical, pharmacy, dental, and vision benefits

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
Reserves for unpaid claims and claims expenses - beginning of year	\$ 15,386,000	\$ 538,000	\$ 61,000	\$ 11,000	\$ 15,996,000
Plus: Incurred claims and claims expenses					
Provision for claims incurred in the current year	136,819,589	30,479,443	2,167,154	241,355	169,707,541
Change in provision for claims incurred in prior years	<u>2,534,795</u>	<u>(693,417)</u>	<u>(9,830)</u>	<u>(9,449)</u>	<u>1,822,099</u>
Total Incurred	139,354,384	29,786,026	2,157,324	231,906	171,529,640
Less: Payments					
Claims and claims expenses paid for claims incurred in current year	120,084,589	30,479,443	2,094,154	229,355	152,887,541
Claims and claims expenses paid for claims incurred in prior years	<u>17,920,795</u>	<u>(155,417)</u>	<u>51,170</u>	<u>1,551</u>	<u>17,818,099</u>
Total Payments	138,005,384	30,324,026	2,145,324	230,906	170,705,640
Reserves for unpaid claims and claims expenses - end of year	<u>\$ 16,735,000</u>	<u>\$ -</u>	<u>\$ 73,000</u>	<u>\$ 12,000</u>	<u>\$ 16,820,000</u>

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2019: employee medical, pharmacy, dental, and vision benefits.

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
Reserves for unpaid claims and claims expenses - beginning of year	\$ 13,655,000	\$ 434,000	\$ 61,000	\$ 13,000	\$ 14,163,000
Plus: Incurred claims and claims expenses					
Provision for claims incurred in the current year	127,859,901	27,019,607	2,168,375	263,886	157,311,769
Change in provision for claims incurred in prior years	<u>(3,268,719)</u>	<u>(408,095)</u>	<u>(5,412)</u>	<u>(1,309)</u>	<u>(3,683,535)</u>
Total Incurred	124,591,182	26,611,512	2,162,963	262,577	153,628,234
Less: Payments					
Claims and claims expenses paid for claims incurred in current year	114,020,389	24,935,119	2,107,375	252,886	141,315,769
Claims and claims expenses paid for claims incurred in prior years	<u>10,386,281</u>	<u>25,905</u>	<u>55,588</u>	<u>11,691</u>	<u>10,479,465</u>
Total Payments	122,860,182	26,507,512	2,162,963	264,577	151,795,234
Reserves for unpaid claims and claims expenses - end of year	<u>\$ 15,386,000</u>	<u>\$ 538,000</u>	<u>\$ 61,000</u>	<u>\$ 11,000</u>	<u>\$ 15,996,000</u>

Charles E. Harris & Associates, Inc.

Certified Public Accountants

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

County Employee Benefits Consortium of Ohio, Inc.
Franklin County
209 East State Street
Columbus, Ohio 43215

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the County Employee Benefits Consortium of Ohio, Inc., Franklin, (CEBCO) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise CEBCO's basic financial statements and have issued our report thereon dated June 5, 2022. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of CEBCO. We also noted CEBCO restated its net position due to a change in its reporting policy on rebates.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CEBCO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CEBCO's internal control. Accordingly, we do not express an opinion on the effectiveness of CEBCO'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 CEBCO's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CEBCO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
June 5, 2022