

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**BERKSHIRE HEALTH GROUP  
FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
WITH REQUIRED SUPPLEMENTARY  
INFORMATION  
YEARS ENDED JUNE 30, 2021 and 2020  
WITH INDEPENDENT AUDITORS' REPORTS**



# **BERKSHIRE HEALTH GROUP**

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## **INDEPENDENT AUDITORS' REPORT**

**To the Board of Directors  
Berkshire Health Group**

### **Report on the Financial Statements**

We have audited the accompanying financial statements and the related notes of the Berkshire Health Group (the Group), as of and for the year ended June 30, 2021. The financial statements of the Group as of June 30, 2020, and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those 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 misstatements, 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. Those standards require that we plan and perform the audits 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 a 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 Group'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 Group's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Berkshire Health Group as of June 30, 2021, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. The financial statements of the Group as of June 30, 2020, and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the ten-year claims development information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Government Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge obtained during the audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

*Roselli, Clark & Associates*

Roselli, Clark and Associates  
Certified Public Accountants  
Woburn, Massachusetts  
November 30, 2021

## **Management Discussion and Analysis**

The management of the Berkshire Health Group (the Group) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended June 30, 2021. Please read this discussion and analysis in conjunction with the Group's basic financial statements on the accompanying pages.

### **Basic Financial Statements**

The basic financial statements are prepared using the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, a statement of cash flows and notes to the financial statements.

The statement of net position presents information on the assets and liabilities of the Group, with the difference being reported as net position.

The statement of revenues, expenses, and changes in net position reports the operating and non-operating revenues and expenses of the Group for the fiscal year. The net result of these activities combined with the beginning of the year net position reconciles to the net position at the end of the current fiscal year.

The statement of cash flows reports the changes in cash for the year resulting from operating and investing activities. The net result of the changes in cash for the year, when added to the balance of cash at the beginning of the year, equals cash at the end of the year.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements follow the basic financial statements described above.

### **Financial Highlights**

- Assets exceeded liabilities (net position) by nearly \$22.2 million at the close of the fiscal year. This is up 3.0% from the prior year. Net position at June 30, 2021 represents 72.0% of fiscal year 2021 claims expense. At June 30, 2020 net position represented 77.6% of fiscal year 2020 claims expense.
- For the year ended June 30, 2021, net position increased by over \$0.7 million or 3.0% compared to approximately \$3.5 million or a 19.5% increase for fiscal year 2020.
- The statement of cash flows identifies the sources and uses of cash activity for the fiscal year and displays a net increase in cash of approximately \$1.4 million for fiscal year 2021 compared to approximately \$0.8 million increase in cash for fiscal year 2020.
- The increase in cash and net position for 2021 was primarily the result of a substantial investment yield of \$1.8 million which offset a loss from operations of over \$1.0 million. The Group granted a premium holiday for the month of June and this resulted in an operating loss for the month that contributed to the overall loss. Net position increased over \$3.5 million during 2020, this was mainly due to timing of payments consisting of significant prepaid balances whose benefit was experienced in 2021, in addition to lower claim numbers due to the pandemic.

For fiscal year 2021, the Group's operations resulted in an approximately \$0.7 million increase in net position. Actuarial assumptions are used in projecting annual claims costs for each health plan on a per member/per month basis and a rate, on a plan-by-plan basis, is set to fund the aggregate of the total projected claims and other Group costs.

The Group has adopted a fund balance policy which provides for a target range of unrestricted net position of between 10 – 15% of claims for the Group to maintain for operating purposes.

Investment income on the Group's investment portfolio, when applied to the operating income (loss), results in the net increase or decrease of the Group's net position.

In fiscal year 2020 the group had one withdrawing participant and none during fiscal year 2021.

### **Condensed Financial Information**

A comparative summary of financial information is presented below:

	<b>June 30</b>		<b>Increase/ Decrease</b>	<b>% Change</b>
	<b>2021</b>	<b>2020</b>		
Cash	\$ 12,151,579	\$ 10,787,724	\$ 1,363,855	13%
Investments	14,107,903	12,409,367	1,698,536	14%
Other current assets	626,931	1,249,088	(622,157)	-50%
Total assets	26,886,413	24,446,179	2,440,234	10%
Claims incurred but not reported	4,399,938	2,640,864	1,759,074	67%
Other current liabilities	308,980	374,123	(65,143)	-17%
Total liabilities	4,708,918	3,014,987	1,693,931	56%
Unrestricted net position	\$ 22,177,495	\$ 21,431,192	\$ 746,303	3%
Member assessment	36,132,170	36,460,882	(328,712)	-1%
Claims expense	(30,821,125)	(27,618,733)	(3,202,392)	12%
Claims administration expenses	(1,922,888)	(1,781,309)	(141,579)	8%
Other group expenses	(4,401,489)	(4,412,613)	11,124	0%
Operating income (loss)	(1,013,332)	2,648,227	(3,661,559)	-138%
Investment income (loss) & other	1,759,635	852,966	906,669	106%
Change in net position	\$ 746,303	\$ 3,501,193	\$ (2,754,890)	-79%

### **Economic Factors Affecting the Subsequent Year**

The Group is operating in an environment of escalating health care costs. Given this environment the Group is actively participating in ongoing wellness programs to promote healthier lifestyles and ultimately to reduce health claim costs.

The Massachusetts Municipal Health Care Reform Law provides municipal employers with an expedited collective bargaining process to negotiate plan design changes provided the plan design changes do not go beyond the plan design of the Group Insurance Commission's (GIC) most popular plan. The law also gives joint purchase groups the authority to approve such plan design changes and then requires each participating employer to follow the expedited bargaining process or other approved bargaining process. There were no plan design changes for fiscal year 2021 or 2020.

Prior to June 30, 2021, the Group's Board of Directors set the rate structure for fiscal year 2022 plan participation. The rate structure resulted in no change in the plans premium rates. The rates were set to fund the estimated cost of claims, plus other group expenses and to maintain compliance with its fund balance policy.

### **Request for information**

This financial report is intended to provide an overview of the finances of the Group. Any questions concerning this report, or for additional information, please contact the Group's benefit administrator, Gallagher Benefit Services at 800-229-8008.

**BERKSHIRE HEALTH GROUP****STATEMENT OF NET POSITION  
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 12,151,579	\$ 10,787,724
Investments	14,107,903	12,409,367
Receivables:		
Member accounts	169,432	-
Reinsurance claims	423,030	308,850
Total receivables	<u>592,462</u>	<u>308,850</u>
Prepaid expenses	88	897,707
Accrued interest income	33,512	41,312
Capital assets, net of depreciation	<u>869</u>	<u>1,219</u>
Total assets	<u>\$ 26,886,413</u>	<u>\$ 24,446,179</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts payable	\$ 47,013	\$ 42,504
Claims liabilities	4,399,938	2,640,864
Participants' advance contributions	261,967	331,619
Total liabilities	<u>4,708,918</u>	<u>3,014,987</u>
<b><u>NET POSITION</u></b>		
Unrestricted:		
Medical and dental programs	<u>22,177,495</u>	<u>21,431,192</u>
Total unrestricted/net position	<u>22,177,495</u>	<u>21,431,192</u>
Total liabilities and net position	<u>\$ 26,886,413</u>	<u>\$ 24,446,179</u>

See accompanying notes to financial statements.



**BERKSHIRE HEALTH GROUP**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating revenues:</b>		
Participants' contributions	\$ 36,132,170	\$ 36,460,882
Total operating revenue	<u>36,132,170</u>	<u>36,460,882</u>
<b>Operating expenses:</b>		
Health claims incurred	\$ 30,821,125	\$ 27,618,733
Claims administration charges	1,922,888	1,781,309
Fixed premiums	3,321,265	3,157,672
Stop loss insurance premiums	606,431	751,474
Consulting services	299,965	292,054
Wellness program	110,593	150,740
Other administrative services	<u>63,235</u>	<u>60,673</u>
Total operating expenses	<u>37,145,502</u>	<u>33,812,655</u>
Operating income	(1,013,332)	2,648,227
<b>Nonoperating revenues (expenses):</b>		
Investment income	1,802,765	888,088
Management fees	<u>(43,130)</u>	<u>(35,122)</u>
Total nonoperating revenues (expenses)	<u>1,759,635</u>	<u>852,966</u>
Changes in net position	746,303	3,501,193
Net position, beginning of year	<u>21,431,192</u>	<u>17,929,999</u>
Net position, end of year	<u><u>\$ 22,177,495</u></u>	<u><u>\$ 21,431,192</u></u>

See accompanying notes to financial statements.

**BERKSHIRE HEALTH GROUP**

**STATEMENTS OF CASH FLOWS**  
**JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Cash received from participants	\$ 35,848,558	\$ 36,321,634
Cash paid to insurance providers and other vendors	<u>(34,553,952)</u>	<u>(34,565,655)</u>
Net cash provided (used) by operating activities	1,294,606	1,755,979
<b>Cash flows from investing activities:</b>		
Purchases and sales of investments (net)	62,270	(1,796,748)
Interest income on deposits	<u>6,979</u>	<u>842,140</u>
Net cash provided (used) by investing activities	<u>69,249</u>	<u>(954,608)</u>
Net (increase) in cash	1,363,855	801,371
Cash, beginning of year	<u>10,787,724</u>	<u>9,986,353</u>
Cash, end of year	<u><u>\$ 12,151,579</u></u>	<u><u>\$ 10,787,724</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (1,013,332)	\$ 2,648,227
Changes in operating assets and liabilities:		
Receivables	(283,612)	(284,536)
Prepays	897,619	(595,985)
Deposits	-	(755)
Accounts payable	4,509	(2,019)
Claims liabilities	1,759,074	130,295
Other liabilities	<u>(69,652)</u>	<u>(139,248)</u>
Net cash provided by operating activities	<u><u>\$ 1,294,606</u></u>	<u><u>\$ 1,755,979</u></u>

See accompanying notes to financial statements.

## **BERKSHIRE HEALTH GROUP**

### **NOTES TO BASIC FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020**

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#### **I. Summary of Significant Accounting Policies**

##### **Note 1. Description of Group**

Berkshire Health Group (the Group) is a Massachusetts Municipal Joint Health Insurance Purchase Group formed pursuant to Massachusetts General Laws, Chapter 32B, Section 12. The Group was organized May 10, 1990 and became operational on July 1, 1991. The Group is governed by a Board of Directors (the Board) which is comprised of one representative from each unit. A Treasurer was appointed by the Board to receive member assessments, issue checks, make fund transfers, maintain bank accounts and prepare monthly financial statements. As a governmental entity, the Group is not subject to the provisions of the Employee Retirement Income Security Act of 1974 nor is it subject to federal and state income taxes.

The Group offers health benefits to all eligible employees and retirees of its participating governmental units. Participating governmental units consist of those municipal entities that have signed an agreement of Joint Negotiation and Purchase of Health and Life Coverage.

As of June 30, 2021, and 2020, participants are:

1. The Town of Adams
2. The Town of Great Barrington
3. The Town of Lanesborough
4. The Town of Lenox
5. The Town of Williamstown
6. The Hoosac Valley Regional School District
7. The Berkshire Hills Regional School District
8. The Central Berkshire Regional School District
9. The Mount Grelock Regional School District
10. The North Berkshire Vocational School
11. The Southern Berkshire Regional School District

In addition, the Berkshire County Insurance Group (BCIG) which was a participating governmental unit of the Group, and which was comprised of about 18 small towns and districts, dissolved effective June 30, 2018. The units that received their benefits through the BCIG continue to participate in the Group through affiliation agreements with the remaining Group participating governmental units.

The Group operates under a joint purchase agreement that was amended on October 3, 2016. Governmental units may apply for membership and be added to the Group, commencing on a date mutually agreed upon, provided that no less than two-thirds of the Board members representing the participating governmental units vote to accept such additional participants. The Board may, at its discretion, assess a one-time entrance fee on a new Participating Unit to cover installation and other costs.

The amended joint purchase agreement requires any participating unit to provide written notification of withdrawal from the Group by December 1, prior to the anniversary date of health care coverage contracts

purchased by the Group. The Board may terminate a participating governmental unit by a two-thirds vote of all Board Members if the unit is in arrears effective for any payment due to the Group.

There is no liability for premiums and expenses following the effective date of the withdrawal or termination of a participating unit except for its: 1) proportional share of any deficits in self-funded plans; 2) open premium expense and 3) any subsequent expense to cover its subscribers remaining (where required by law) on plans after withdrawal or termination. Any deficit owed by the withdrawing or terminating unit shall be paid within sixty (60) days following written demand for payment. A participating unit's proportional share of a deficit in self-funded plans shall be the deficiency certified as of June 30<sup>th</sup> in the fiscal year of withdrawal or termination multiplied by the quotient as defined in the agreement. A withdrawn or terminated unit shall not be entitled to any share of a surplus in the trust.

All surpluses or deficits of the Group are shared on a proportional basis by non-terminating members. It is at the sole discretion of the Group's Board whether any surplus is to be distributed to the participating units through rate reduction or premium holiday. In the case of a deficit, additional revenue may be raised from each participating unit.

The Group offers the following self-insured plan types from Blue Cross and Blue Shield of Massachusetts:

<b>Plan Name</b>
1. Network Blue New England - \$250 deductible
2. Blue Care Elect - \$250 deductible
3. Blue Choice New England Plan 2
4. Access Blue New England Saver
5. Blue Care Elect Saver
6. Medex II with Blue Medicare RX PDP
7. Dental Blue



Contributions to the Group's trust fund from participating governmental units are on a monthly basis, based on plan specific funding rates for coverage provided on individual and family enrollments for self-insured plans. The funding rates are determined by the Board based on recommendations from the health plans and its consultants and are determined to be 100% of the cost of coverage of the Group as a whole (including, but not limited to, anticipated incurred claims, retention, risk, and group administration expenses) as established through underwriting and/or actuarial estimates. On occasion, the Group applies a portion of unrestricted net position to reduce funding rates as determined above. Premiums for insured plans are set by health plans.

The Group employs the services of Gallagher Benefits Services (GBS), to provide certain management, consulting, and technical functions and to audit medical claims paid. The current agreement with GBS is for a three-year term ending June 30, 2024 and provides for an annual fee based on the number of subscribers. The agreement may be terminated by either party at any time with sixty (60) days prior, written notice.

## **Note 2. Summary of Significant Accounting Policies**

Financial statements present net position at June 30, revenues, expenses, and changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, which recognize revenues from contributions and earnings when earned and expenditures when liabilities are incurred.

Contributions to the plans from participating governmental units are determined annually for the next fiscal year based on current operating results and estimated program costs for that year. Participants are billed monthly. Participant advance contributions are recorded as liabilities until earned.

### Cash and Cash Equivalents

Generally, the Group is authorized to invest in the following investments: term deposits or certificates of deposit, trust companies, national banks, savings banks or banking companies, or obligations issued or unconditionally guaranteed by the United States Government or an agency thereof and having a maturity from date of purchase of one year or less with certain other limitations, or such securities as are legal for the investment of funds of savings banks under the bank's laws of the Commonwealth of Massachusetts based on a legal opinion received by the Group.

Cash and cash equivalents consist of cash on hand; cash in checking, savings or money market accounts; repurchase agreements; other short-term investments with original maturities of three months or less; and the Commonwealth of Massachusetts Municipal Depository Trust (MMDT) which has legislative approval for municipal use.

### Claims' Liabilities

The Group's obligations include estimated health claims incurred but not reported at June 30. The Group uses the latest reported claims to record the Group's payable of reported claims and to estimate health claims incurred but not reported at that date. Actual claims reported differ from claims estimated, but the size of the Group and stop-loss coverage minimizes the risk of a significant difference. Claims' liabilities are reviewed periodically using claims data adjusted for the Group's current experience. Adjustments to claims' liabilities are charged or credited to expense in the periods in which they are incurred.

### Reinsurance

The Trust has a specific excess medical reinsurance contract with an insurance carrier covering claims paid in excess of \$225,000, with an aggregate specific deductible of \$100,000. During fiscal year 2021, a single laser was applied to one member in the amount of \$450,000. The policy covers claims incurred, on a yearly basis, within twelve months and paid within twenty-four months. Amounts recoverable through reinsurance are recorded as a receivable and a reduction of claims expense.

### Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results will differ from estimates.

### **Note 3. Cash, cash equivalents and investments**

The Group maintains deposits in several authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Group's deposits may not be returned. The Group does not have a formal deposit policy for custodial credit risk.

At June 30, 2021 and 2020 deposits totaled \$1,836,099 and \$2,610,965. Carrying amount were materially consistent with these amounts as only minor reconciling items existed. In addition to these bank deposit amounts at June 30, 2021 and 2020, \$10,315,479 and \$8,075,691, respectively, which represent money market funds in the Group's investment accounts and MMDT deposits, are included in cash equivalents.

The Groups deposits are all insured through the Federal Deposit Insurance Corporation for up to \$250,000. The Group's sole bank with a State charter is insured for amounts in excess of \$250,000 through the Depository Insurance Fund of Massachusetts. The deposits in the remaining bank which is not under State charter is covered by an irrevocable standby letter of credit, undersigned by the Federal Home Loan Bank of Boston, for \$5,000,000. Therefore, no deposits are unsecured or uninsured.

The Group 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 an 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. The following table identifies the Groups investments by Level at:

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 1,484,555	\$ 1,484,555	\$ -	\$ -
Corporate bonds	3,760,729	-	3,760,729	-
Money market mutual funds	228,856	-	228,856	-
Total debt securities	5,474,140	1,484,555	3,989,585	-
Equity securities:				
Common stock	5,087,000	5,087,000	-	-
Exchange traded funds	3,133,665	3,133,665	-	-
Equity mutual funds	641,954	641,954	-	-
Total equity securities	8,862,619	8,862,619	-	-
Total investments by fair value level	<u>\$ 14,336,759</u>	<u>\$ 10,347,174</u>	<u>\$ 3,989,585</u>	<u>\$ -</u>

**June 30, 2020**

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 2,665,199	\$ 2,665,199	\$ -	\$ -
Corporate bonds	3,836,752	-	3,836,752	-
Municipal bonds	101,126	-	101,126	-
Total debt securities	6,603,077	2,665,199	3,937,878	-
Equity securities:				
Common stock	5,543,191	5,543,191	-	-
Exchange traded funds	263,099	263,099	-	-
Total investments by fair value level	<u>\$ 12,409,367</u>	<u>\$ 8,471,489</u>	<u>\$ 3,937,878</u>	<u>\$ -</u>

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Group has an investment manager that monitors this risk however the Group does not have a specific investment policy covering custodial credit risk. Investments in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The investment account is insured by Securities Investor Protection Corporation (SIPC) up to \$500,000 and is otherwise uninsured and uncollateralized.

*Interest rate risk* is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates.

The Group has an investment policy which limits the overall portfolio allocation of fixed income to US Obligations and Agencies and Corporations whose bond rating is A or greater. In no event shall the debt securities of any one corporate issuer exceed 5% of fund assets, nor 20% in any single industry. The average length of maturity is subject to the investment managers discretion, but a laddered average maturity is to be maintained for liquidity purposes. Obligations of the US Government and its agencies are not subject to these limitations.

The approximate maturities of the Group's debt investments are disclosed in the following table as of:

<b>June 30, 2021</b>				
Investments	Total	Time Until Maturity (Years)		
		<1	1 - 5	6 - 10 Years
U.S. Government obligations	\$ 1,484,555	\$ -	\$ 1,220,727	\$ 263,828
Corporate bonds	3,760,729	101,278	1,867,838	1,791,613
Total Investments with Maturities	<u>\$ 5,245,284</u>	<u>\$ 101,278</u>	<u>\$ 3,088,565</u>	<u>\$ 2,055,441</u>

<b>June 30, 2020</b>				
Investments	Total	Time Until Maturity (Years)		
		<1	1 - 5	6 - 10 Years
U.S. Government obligations	\$ 2,665,199	\$ 1,133,316	\$ 976,531	\$ 555,352
Corporate bonds	3,836,752	860,318	1,767,309	1,209,125
Municipal bonds	101,126	101,126	-	-
Total Investments with Maturities	<u>\$ 6,603,077</u>	<u>\$ 2,094,760</u>	<u>\$ 2,743,840</u>	<u>\$ 1,764,477</u>

*Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Group has an investment policy which prohibits any one issue (excluding US Government securities) from making up more than 5% of the portfolio. As of June 30, 2021 or 2020, there are no securities exceeding this threshold. In addition, the Group's investment portfolio may not include common stock that in total exceeds 35% of total cash and investments with a \$7 million cap.

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in following table. Equity securities are not rated as to credit risk. The

Group has an investment policy which limits the overall portfolio allocation to corporate bonds rated A or greater by at least one rating agency.

Bond Ratings	Investments that are rated					
	June 30, 2021			June 30, 2020		
	Government Obligations	Corporate Fixed Income	Money Markets	Government Obligations	Corporate Fixed Income	Mutual Funds
Aaa	\$ 1,484,555	\$ -	\$ -	\$ 2,665,199	\$ -	\$ -
Aa1	-	108,160	-	-	110,495	-
Aa2	-	102,742	-	-	101,126	-
Aa3	-	530,230	-	-	3,625,928	-
A1	-	545,683	-	-	-	-
A2	-	2,053,037	-	-	-	-
A3	-	209,025	-	-	-	-
Baa1	-	-	-	-	-	-
Baa2	-	211,852	-	-	100,329	-
Baa3	-	-	-	-	-	-
Not rated	-	-	228,856	-	-	263,099
	<u>\$ 1,484,555</u>	<u>\$ 3,760,729</u>	<u>\$ 228,856</u>	<u>\$ 2,665,199</u>	<u>\$ 3,937,878</u>	<u>\$ 263,099</u>

#### **Note 4. Reinsurance Receivable, Prepaid Expenses and Deposits**

Based on current year experience with larger claims, the Group may have an amount due from its reinsurance carrier at year end. As of June 30, 2021, there was a balance receivable of \$423,030 while at of June 30, 2020 the balance was \$308,850.

At year end, if monthly estimated payments made by the Group to Blue Cross Blue Shield exceed actual claims paid, the Group will have a prepaid amount for the final quarterly settlement of the fiscal year. This amount was not material as of June 30, 2021 and was \$897,707 at June 30, 2020.

#### **Note 5. Plan Deposits and Payment Arrangements**

The Group pays Blue Cross & Blue Shield (BC/BS) a level, monthly payment each month to cover the expected cost of claims for that month. The amount represents approximately one month of projected claims for BC/BS plans. There is a quarterly reconciliation and settle-up against actual claims payments made by BC/BS on behalf of the Group. Quarterly settlements are generally made for the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> fiscal year quarters in December, March, June, and September respectively. The Group pays BC/BS, monthly, and Delta Dental administrative fees for self-funded health plans based on the number of individual and family subscribers covered under each health plan for the month.



**Note 6. Unpaid Claims**

The Group establishes a liability for both reported and unreported incurred events which includes estimates of both future payments of losses and related adjustment expenses, if any. The following represents changes in claims liabilities during the years ended:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Unpaid claims and claims adjustment expenses - beginning of year	\$ 2,640,864	\$ 2,510,569
Incurred claims and claims adjustment expenses:		
Provision for insured events of the current fiscal year	30,821,125	27,682,897
Increase (decrease) in provision for insured events of prior fiscal year	365,802	(64,164)
	<u>31,186,927</u>	<u>27,618,733</u>
Payments		
Claims and expenses, net, attributable to insured events - current year	(27,441,763)	(25,042,033)
Claims and expenses, net, attributable to insured events - prior year	(1,986,090)	(2,446,405)
	<u>(29,427,853)</u>	<u>(27,488,438)</u>
Total unpaid claims and claim adjustment expenses - end of year	<u>\$ 4,399,938</u>	<u>\$ 2,640,864</u>

**BERKSHIRE HEALTH GROUP**

**REQUIRED SUPPLEMENTARY INFORMATION  
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION**

The table below illustrates how the Group's earned revenues and investment income compare to related costs of loss and other expenses assumed by the group as of the end of each of the last ten years. The rows in the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (1-a) This line shows the amount of existing net assets used to fund each fiscal year's operations, in addition to earned revenues displayed in line 1, above. (2) This line shows each fiscal year's other operating costs of the Group including overhead and claims expense not allocated to individual claims. (3) This line shows the Group's incurred claims and allocated claims adjustment expense (both paid and accrued) as originally reported at the end of the fiscal year in which the event triggered coverage under the contract occurred (called policy year). (4) This section of rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation from the new information received on known claims, re-evaluations of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest re-estimated incurred claims amount to the originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
1 Earned member assessment, refunds and investment revenues	\$ 37,934,935	\$ 37,348,970	\$ 37,054,325	\$ 39,593,129	\$ 40,128,267	\$ 42,730,504	\$ 39,012,146	\$ 37,244,751	\$ 36,542,967	\$ 35,994,814
2 Fixed premiums paid and administrative/operating expenses	6,367,508	6,229,044	5,922,044	5,589,836	5,033,845	3,263,350	3,242,038	2,891,201	2,985,206	2,874,010
3 Estimated incurred claims and expenses, end of fiscal year	30,821,125	27,682,897	28,743,776	28,269,340	32,373,787	39,607,491	37,830,845	36,007,577	34,622,966	33,992,974
4 Paid (cumulative) as of:										
End of fiscal year	27,441,763	25,042,033	26,233,606	26,494,340	29,623,787	36,918,975	34,383,227	34,090,793	32,286,747	34,542,687
One year later	-	27,054,761	28,679,611	28,244,732	31,537,801	39,838,855	36,620,686	37,508,779	34,491,141	33,818,879
Two years later	-	-	28,661,835	28,223,012	31,559,134	39,813,473	36,627,225	37,514,354	34,497,057	33,806,991
Three years later	-	-	-	28,215,063	31,559,496	39,812,472	36,622,570	37,513,180	34,502,485	33,815,472
Four years later	-	-	-	-	31,558,917	39,815,005	36,622,547	37,511,368	34,502,517	33,814,605
Five years later	-	-	-	-	-	39,814,671	36,622,526	37,511,354	34,500,806	33,814,573
Six years later	-	-	-	-	-	-	36,622,526	37,511,354	34,500,803	33,814,552
Seven years later	-	-	-	-	-	-	-	37,511,354	34,500,803	33,814,552
Eight years later	-	-	-	-	-	-	-	-	34,500,803	33,814,552
Nine years later	-	-	-	-	-	-	-	-	-	33,814,552
5 Reestimated incurred claims and expense:										
End of fiscal year	30,821,125	27,682,897	28,743,776	28,269,340	32,373,787	40,759,981	37,783,227	37,476,314	35,939,595	35,077,192
One year later	-	27,054,761	28,679,611	28,244,732	31,537,801	39,838,855	36,620,686	37,508,779	34,491,141	33,818,879
Two years later	-	-	28,661,835	28,223,012	31,559,134	39,813,473	36,627,225	37,514,354	34,497,057	33,806,991
Three years later	-	-	-	28,215,063	31,559,596	39,812,472	36,622,570	37,513,180	34,502,485	33,815,472
Four years later	-	-	-	-	31,558,917	39,815,005	36,622,547	37,511,368	34,502,517	33,814,605
Five years later	-	-	-	-	-	39,814,671	36,622,547	37,511,354	34,500,806	33,814,573
Six years later	-	-	-	-	-	-	36,622,547	37,511,354	34,500,803	33,814,552
Seven years later	-	-	-	-	-	-	-	37,511,354	34,500,803	33,814,552
Eight years later	-	-	-	-	-	-	-	-	34,500,803	33,814,552
Nine years later	-	-	-	-	-	-	-	-	-	33,814,552
6 (Increase) decrease in estimated incurred claims and expense from the end of the original policy year	\$ -	\$ 628,136	\$ 81,941	\$ 54,277	\$ 814,870	\$ (207,180)	\$ 1,208,298	\$ (1,503,777)	\$ 122,163	\$ 178,422