SCANTIC VALLEY REGIONAL HEALTH TRUST

Financial Statements and Required Supplemental Information

Years Ended June 30, 2023 and 2022

With Independent Auditor's Reports

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Scanlon & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Trustees and Members
Scantic Valley Regional Health Trust
Longmeadow, Massachusetts

Opinions

We have audited the financial statements of the Scantic Valley Regional Health Trust (the Trust), as of and for the years ended June 30, 2023 and 2022, and the related Notes to the Financial Statements, which collectively comprise the Trust's basic financial statements as listed in the Table of Contents.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust as of June 23, 2023 and 2022 and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with 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. Our responsibilities under these 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 the Trust 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.

Responsibilities of Management for the Financial Statements

Management of the Trust is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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 the Trust'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 Responsibilities 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 opinions. 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 generally accepted 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 the Trust'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 the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate 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* appearing on pages 6 through 9, and the Claims Development Information on pages 23 and 24, be presented to supplement the basic financial statements. Such information, 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 inquires, 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.

Scanlon & Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

January 8, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

SCANTIC VALLEY REGIONAL HEALTH TRUST

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023 and 2022

This discussion and analysis for the Scantic Valley Regional Health Trust's (the Trust) financial performance provides a narrative overview of the Trust's financial activities and condition for Fiscal Years 2023 and 2022. This narrative is best viewed in conjunction with the audit report by the auditing firm of Scanlon & Associates, LLC.

BASIC FINANCIAL STATEMENTS

The Scantic Valley Regional Health Trust is a public entity risk pool as defined in *Governmental Accounting Standards Board (GASB) Statement No. 10* and, as such, our basic financial statements are prepared using Proprietary Fund (Enterprise Fund) accounting that uses the same basis of accounting as private-sector business enterprises.

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, and a Statement of Cash Flows. These are followed by Notes to the Financial Statements.

The Statement of Net Position presents information on the Trust's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Trust is improving or deteriorating.

The Statement of Revenue, Expenses and Changes in Net Position reports the operating revenues and expenses and non-operating revenues and expenses of the Trust for the fiscal year with the difference determining the net change in position for the fiscal year. That change combined with the Net Position at the end of the previous year total to the Net Position at the end of the current fiscal year.

The Statement of Cash Flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities and investing activities. The net result of these activities added to the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current fiscal 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.

CONDENSED FINANCIAL INFORMATION

Condensed financial information from the Statement of Net Position as of June 30, 2023 and 2022 and Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2023 and 2022 are as follows:

STATEMENT OF NET POSITION AS OF JUNE 30

	2023	2022	Increase (Decrease)
ASSETS	$ 4,172,701	$ 6,255,296	$(2,082,595)
Investments	6,968,863	1,410,637	5,558,226
Other current assets	1,141,358	1,953,426	(812,068)
Total Current Assets	12,282,922	9,619,359	2,663,563
LIABILITIES			
Claims liabilities	2,225,384	2,290,879	(65,495)
Other liabilities	338,191	350,772	(12,581)
Total Current Liabilities	2,563,575	2,641,651	(78,076)
NET POSITION			
Unrestricted	$ 9,719,347	$ 6,977,708	$ 2,741,639

CHANGES IN NET POSITION FOR FISCAL YEAR ENDED JUNE 30

	2023	2022	Increase (Decrease)
OPERATING REVENUES			
Members' contributions	$36,883,773	$ 34,165,047	$ 2,718,726
Medicare Part D subsidy	34,292	46,686	(12,394)
Wellness program fees	105,472	111,248	(5,776)
Total Operating Revenues	37,023,537	34,322,981	2,700,556
OPERATING EXPENSES			
Health claims expense	28,251,185	28,861,926	(610,741)
Claims administration fees	1,436,536	1,371,554	64,982
Fixed premiums	3,259,014	2,438,631	820,383
Stop loss insurance premiums	1,112,615	751,642	360,973
Consulting and Trust administration services	411,178	389,967	21,211
Other administrative expenses	13,388	13,776	(388)
Government fees	11,156	10,359	797
Wellness program expenses	32,556	52,390	(19,834)
Total Operating Expenses	34,527,628	33,890,245	637,383
OPERATING INCOME (LOSS)	2,495,909	432,736	2,063,173
NON-OPERATING REVENUE			
Investment income	245,730	51,094	194,636
CHANGE IN NET POSITION	$ 2,741,639	$ 483,830	$ 2,257,809

The Trust's Net Position consists primarily of cash and investments. There are no capital assets owned by the Trust.

FINANCIAL HIGHLIGHTS

The Trust ended the year June 30, 2023 with a cash balance of $4,172,701 compared with the balance of $6,255,296 at June 30, 2022. The balance of investments increased in Fiscal 2023 by $5,558,226 to $6,968,863 at June 30, 2023. Overall, cash and investments as a combined total increased by $3,475,631.

The Trust ended the year June 30, 2023 with an unrestricted net position of $9,719,347. This amount was $2,741,639 higher than the net position balance at the beginning of the year, and represents 34.40 percent of claims expense. At June 30, 2022, the unrestricted net position balance represented 24.18 percent of claims expense. The Trust continues to manage costs effectively and, with the judicious use of reserves, has been able to maintain modest rate increases for the various health plans for Plan Years 2022 and 2023. The Trust continues to maintain a net position in excess of the target set forth by the Board.

The Trust had a change in net position of $2,741,639 for the year ended June 30, 2023. The positive change in net position was primarily the result of rate revenue exceeding health claims expenses and claims administration expenses. Health claims expenditures decreased by $610,741 or 2.12 percent from the Fiscal Year 2022 total. The Trust also estimates a decrease in claims liabilities at June 30, 2023 of $65,495, or 2.86 percent lower than the estimate reported at June 30, 2022. The decrease in health claims expenses, including the year claims liability estimate, are partially the result of implementing the new HNE Med supplement with fully insured PDP, effective January 1, 2022. Fixed premiums for the year ended June 30, 2023 increased by $820,383, or 33.64 percent from the previous year due, in part, to the plan change. The Member contributions increased by $2,718,726, or 7.96 percent from the Fiscal Year 2022 total.

The Statement of Cash Flows identifies sources and uses of cash activity for the fiscal year. For Fiscal 2023, cash increased by $2,082,595, primarily due to additional investments in Certificates of Deposit.

ECONOMIC FACTORS AFFECTING THE SUBSEQUENT YEAR

The Trust is operating in an environment of increased health care costs, government-mandated legislation and political uncertainty. Given this environment, the Trust is actively participating in ongoing wellness programs to promote healthier lifestyles to assist in reducing health claim costs. The budget for the wellness program is largely funded by the Trust's available surplus balance. The Trust previously won the Blue Cross Blue Shield Municipal Innovations Award for promoting good health among the employees of the Trust's participating governmental units.

The Trust's Board set the rate structure for the self-funded Fiscal Year 2024 plan participation. The Trust approved offsetting substantial rate increases by using existing financial resources. For self-funded plans the percentage rate increases approved for 2024 are as follows:

Active Plans:		Retiree Plans:	
NetworkBlue rates	2.0%	Medex 2 & Blue Medicare Rx	5.4%
Blue Care Elect rates	2.0%	HNE MedPlus with Humana PDP	0.0%
Health New England rates	2.0%	Tufts Medicare Supplement with PDP Plus	0.0%
Tufts rates	2.0%	Managed Blue for Seniors	4.7%
		Medicare HMO Blue	3.0%
		Tufts Medicare HMO	1.6%
		HNE Medicare Freedom	10.0%

The Trust has and will continue to be influenced by new legislation, changes in the political landscape, long-lasting coronavirus uncertainties, and increasing prescription drug cost trends. The Trust continues to be pro-active in mitigating rising health care costs. The Trust has reviewed and enacted various underlying plan design changes, and continues to promote healthy initiatives through the Wellness Program.

Through the effective use of monetary incentives, the Good Health Gateway Diabetes Program, offered to members at no cost, is designed to educate those with diabetes, and encourage screening and exams to manage their diabetes. Diabetes education will help a variety of positive outcomes, including lower overall health costs.

ECONOMIC FACTORS AFFECTING THE SUBSEQUENT YEAR (Continued)

The Trust, with the assistance of Gallagher Benefit Services, will continue to navigate the ever-changing health care industry and provide health plan alternatives to the Trust in a cost-effective and member-centered manner.

REQUESTS FOR INFORMATION

This financial report is intended to provide an overview of the finances of the Trust for those with an interest in this organization. Questions concerning any information within this report may be directed to Paul Pasterczyk, Treasurer, 735 Longmeadow Street, Suite 101, Longmeadow, MA 01106.

BASIC FINANCIAL STATEMENTS

SCANTIC VALLEY REGIONAL HEALTH TRUST

Statement of Net Position

June 30, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,172,701	$ 6,255,296
Investments	6,968,863	1,410,637
Receivables:		
Reinsurance claims	204,670	1,136,184
Rebates from insurers	473,568	489,686
Plan deposits with insurance carriers	20,490	20,158
Prepaid expenses	442,630	307,398
Total Assets	12,282,922	9,619,359
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	338,191	342,690
Claims liabilities	2,225,384	2,290,879
Members' advance contributions	–	8,082
Total Liabilities	2,563,575	2,641,651
NET POSITION		
Unrestricted:		
Medical and Dental programs	$ 9,719,347	$ 6,977,708

See accompanying notes to basic financial statements.

SCANTIC VALLEY REGIONAL HEALTH TRUST

Statement of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING REVENUE		
Members contributions	$ 36,883,773	34,165,047
Medicare Part D subsidy	34,292	46,686
Wellness program fees and incentives	105,472	111,248
Total Operating Revenues	37,023,537	34,322,981
OPERATING EXPENSES		
Health claims expense	28,251,185	28,861,926
Claims administration fees	1,436,536	1,371,554
Fixed premiums	3,259,014	2,438,631
Stop loss insurance premiums	1,112,615	751,642
Consulting and Trust administrative services	411,178	389,967
Other administrative expenses	13,388	13,776
Government regulatory fees	11,156	10,359
Wellness program expenses	32,556	52,390
Total Operating Expenses	34,527,628	33,890,245
OPERATING INCOME	2,495,909	432,736
NON-OPERATING REVENUE		
Investment income	245,730	51,094
CHANGE IN NET POSITION	2,741,639	483,830
Net Position, Beginning of Year	6,977,708	6,493,878
NET POSITION, END OF YEAR	$ 9,719,347	$ 6,977,708

See accompanying notes to basic financial statements.

SCANTIC VALLEY REGIONAL HEALTH TRUST

Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	$ 36,875,691	$ 34,114,270
Cash received from governmental programs	34,292	114,569
Cash received from customers	93,159	107,962
Cash paid to insurance providers, net of reinsurance reimbursements	(33,304,120)	(34,576,690)
Cash paid to other vendors	(469,121)	(465,662)
Net Cash Provided (Used) by Operating Activities	3,229,901	(705,551)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on deposits	245,730	51,094
Investments (purchased) matured	(5,558,226)	3,070,214
Net Cash Provided (Used) by Investing Activities	(5,312,496)	3,121,308
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,082,595)	2,415,757
Cash and Cash Equivalents, Beginning of Year	6,255,296	3,839,539
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,172,701	$ 6,255,296
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 2,495,909	$ 432,736
Adjustments to Reconcile Increase in Net Position to Cash Provided (Used) by Operating Activities:		
Decrease (increase) in receivables	947,632	142,125
Decrease (increase) in plan deposits	(332)	(7,134)
Decrease (increase) in prepaid expenses	135,232	307,398
Increase (decrease) in accounts payable	(4,499)	6,505
Increase (decrease) in claims liabilities	(65,495)	(921,608)
Increase (decrease) in member advance contributions	(8,082)	(50,777)
Net Cash Provided (Used) by Operating Activities	$ 3,229,901	$ (705,551)

See accompanying notes to basic financial statements.

NOTE 1 – DESCRIPTION OF THE TRUST

The Scantic Valley Regional Health Trust (the Trust) was organized as a Massachusetts Municipal Joint Purchase Health Insurance Trust under Chapter 32B Section 12 of the Massachusetts General Laws to negotiate and purchase hospital, surgical, medical, dental, health maintenance organization coverage, preferred provider organization coverage, claims administration-administrative services only coverage, and other health care coverage for its participating governmental units. The Trust became operational on March 1, 1992. The Trust is governed by a Board (the Board) comprised of representatives from each of the participating governmental units. A Treasurer has been appointed by the Board to receive member assessments, issue checks, make transfers and maintain bank accounts.

Participating governmental units consist of those entities that have signed the Scantic Valley Regional Health Trust Agreement for Joint Negotiation and Purchase of Health Coverage. As of June 30, 2023, participants included the following entities:

- East Longmeadow
- Hampden
- Longmeadow
- Wilbraham
- Hampden-Wilbraham Regional School District
- Lower Pioneer Valley Educational Collaborative.

By vote of the Scantic Valley Regional Health Trust Board of Directors, the Western Massachusetts Emergency Communications District is allowed to purchase its health insurance coverages as a subsidiary of the Town of Longmeadow. Governmental units applying for membership in the Trust may be granted membership on approval of a two-thirds vote of the Trust's Board. Any participating governmental unit may withdraw from the Trust on its anniversary at its discretion upon written notification to the Board at least 120 days prior to the anniversary date of health care coverage contracts purchased by the Trust. The Board may terminate a participating governmental unit by a two-thirds vote of all Board members if it is in arrears for any payment due to the Trust.

A Participating Governmental Unit shall have no liability for contributions and assessments for any period following the effective date of termination of its participation under the trust agreement, except for (1) the governmental unit's proportionate share of any trust fund deficit as certified by the audited financial statements in the trust fund as of the effective date of the governmental unit's termination, (2) unpaid contributions or assessments attributable to periods prior to the effective date of the governmental unit's termination, and/or (3) subsequent expense for its covered members still on the plan after termination (where required by law).

Any payment owed by the terminated governmental unit to the Trust for its proportionate share of a trust fund deficit as certified by the audited financial statements shall be paid within sixty (60) days following the Board's acceptance of the annual audited financial statements unless another date is mutually agreed upon by the Trust and the terminating governmental unit.

A Participating Governmental Unit whose membership in the Trust is terminated by the Board shall not be entitled to a distribution of any surplus in the certified uncommitted trust fund balance. A Participating Governmental Unit that voluntarily withdraws from the Trust *on anniversary,* i.e. an effective date of withdrawal of midnight June 30 in any year unless otherwise determined by the Board, and which has participated in the Trust for five or more years shall be entitled to a distribution of its proportionate share of

NOTE 1 – DESCRIPTION OF THE TRUST (Continued)

the certified uncommitted fund balance that exceeds the targeted fund balance as established by the Board in its Fund Balance Policy. The targeted fund balance is calculated by using 12 percent of the claims incurred during the preceding 12 months. The certified fund balance shall be the audited fund balance as of the last day of the fiscal year in which the withdrawing unit participates, and the distribution of funds shall be made within sixty (60) days of the acceptance by the Board of the independent financial auditor's report.

Contributions to the Trust from participating governmental units are on a monthly basis, based upon plan specific funding rates for coverage provided on individual and family enrollments for self-insured plans.

The rates are calculated by the Board and determined to be 100 percent of the cost of coverage of the Trust as a whole (including, but not limited to, anticipated incurred claims, retention risk, and Trust administration expenses) as established through underwriting and/or actuarial-like estimates.

All surpluses or deficits of the Trust are shared on a proportional and collective basis. It is at the sole discretion of the Trust's Board whether any surplus is to be distributed to the participating governmental units through rate reductions or direct distribution. In the case of a deficit, additional revenue may be raised from each participating governmental unit. In addition, surplus is taken into consideration in the determination of future funding rates.

The Trust provides health benefits under self-funded medical plans for active employees and non-Medicare eligible retirees. The Trust offers plans administered by Blue Cross Blue Shield of Massachusetts (BCBSMA), Health New England (HNE) and Tufts Health Plan (Tufts). The Trust pays each of the health plan organizations monthly administrative fees based on the number of subscribers (contracts).

All of the active employee plans are self-funded and include deductible and non-deductible options:

Network Blue HMO, Blue Care Elect Preferred PPO (in network and out of network), Health New England HMO, Tufts Health Plan Choice Copay EPO, and Tufts Health Plan Advantage EPO.

Self-funded Senior Plans for Medicare eligible participants include:

Medex 2 and Blue Medicare Rx, HNE MedPlus with Humana PDP, and Tufts Medicare Supplement with PDP Plus.

Fully insured Senior Plans for Medicare eligible participants include:

Managed Blue for Seniors, Medicare HMO Blue, Tufts Medicare HMO, and HNE Medicare Freedom HMO.

Members have access directly from CanaRx to certain brand name medications at no cost to the member. SVRHTCanaRx is a voluntary international prescription drug program that is available to eligible employees, Non-Medicare eligible retirees, and their dependents enrolled in the HMO or PPO plans with the Scantic Valley Regional Health Trust. The HNE MedWrap plan is also eligible for this program.

The Scantic Valley Regional Health Trust sets the rates for the self-funded plans, but for the insured plans, it is the health plan organizations that set the rates and the SVRHT votes to accept them. The Trust employs the services of Gallagher Benefit Services as a central benefit administrator to provide certain management, consulting, enrollment, and technical functions and to audit medical claims paid. The current agreement is for a three-year term ending June 30, 2025, and provides for a monthly fee based upon the number of subscribers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units, specifically standards applicable to public entity risk pools. The Governmental Accounting Standards Board's (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of 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. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the entity evaluates their estimates and assumptions based upon historical experience and various other factors and circumstances. Management of the entity believes that its estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates under different future conditions.

C. Fund Accounting

The Trust reports in a manner consistent with a special purpose entity for their ongoing operations and activities, which are similar to those often found in the private sector as a proprietary fund. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Cash and Cash Equivalents and Investments

The Scantic Valley Regional Health Trust considers all highly liquid investments including amounts on deposit with the Massachusetts Municipal Depository Trust and Certificates of Deposit with a maturity of ninety (90) days or less to be cash equivalents.

E. Fair Value Measurement

The Trust maintains investments according to Massachusetts General Laws and adopted policies. The District measures assets and liabilities at fair value according to the hierarchy established by generally accepted accounting policies.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or liability, including assumptions about risk.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fair Value Measurement (Continued)

The following are levels considered:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are directly observable for an asset or liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.
- Level 3 inputs are unobservable for the asset or liability.

F. Reinsurance

The Trust uses reinsurance agreements to reduce its exposure to large losses on covered events. Reinsurance provides for the recovery of a portion of losses from the reinsurer, although it does not discharge the primary liability of the Trust as direct insurer of the risks reinsured. The Trust does not report reinsured risks as liabilities unless it is probable those risks will not be covered by the reinsurer.

Amounts recoverable from the reinsurer relating to paid claims are classified as accounts receivable, with a related allowance for estimated uncollectible amounts, and as reductions to claims expense. Estimated amounts recoverable from the reinsurer relating to the liabilities for unpaid claims are deducted from claims liabilities and reductions to claims expense.

G. Claims Liabilities

The Trust establishes claims liabilities based upon estimates of the ultimate cost of claims (including future claim adjustment expenses, if any) that have been reported but not settled, and of claims that have been incurred but not reported. Estimated reinsurance recoverable on unpaid claims is deducted from the liability for unpaid claims.

Actual claims reported will differ from claims estimated, but the Trust's size and stop-loss coverage minimize the risk of a significant difference. Claims liabilities are recomputed periodically using historical claims data adjusted for the Trust's current experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

H. Member Contributions

Member contributions are billed to each participating governmental unit in the form of monthly premiums. Contributions are recorded and recognized as revenue during the period in which the assessment is earned. The Trust generates its revenue from premium billings to its participating governmental units (as defined in Note A above) and provides health insurance benefits to its employees and retirees. Although the Trust is dependent on the economic environment of the member Towns, District and Collaborative, Massachusetts General Laws mandates funding by the Trust to meet its obligations under insurance contracts by requiring the member entities to include the amount of the obligation in determining their future tax rates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Medicare Part D Prescription Drug Benefit Program

The Trust has acted as plan sponsor, on behalf of its members, for the purpose of applying for the subsidy payment provided for under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Sub-Part R). An estimate of this reimbursement and subsidy is recorded as revenue when the related prescription benefits on which the reimbursement is based, are paid. The HNE MedWrap plan was the only plan offered by the Trust that is eligible for the Retiree Drug Subsidy.

J. Government Regulatory Fees

The Patient-Centered Outcomes Research Institute (PCORI) fees totaled $11,156 in 2023 and $10,359 in 2022.

K. Income Taxes

As a joint purchase Trust consisting entirely of governmental entities, the Trust is exempt from both federal and state income taxes.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Massachusetts General Laws, Chapter 44, Sections 54 and 55, place certain limitations on cash deposits and investments available to the Trust. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions.

The Trust may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The Trust may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety (90) days from date of purchase. The Trust may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an investment pool managed by the Treasurer of the Commonwealth of Massachusetts. The MMDT funds meet the criteria established by GASB Statement No. 79, *Certain External Pools and Pool Participants*. MMDT has an average maturity of less than one year and is not rated or subject to custodial credit risk disclosure.

The following are risks associated with the Trust's deposits:

Custodial credit risk for cash and investments is the risk that, in the event of the failure of the counterparty 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.

Deposited amounts are to be secured by depository insurance, collateralization agreement, irrevocable letters of credit, deposits with the MMDT and investment instruments fully backed by the U.S. Government.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest 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 Trust's investment policy limits all investments to under five (5) years. Further, the total of all investments that actually mature in three (3) years or longer and will not exceed 25% of the total non-liquid investments.

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. Equity securities, money market funds, repurchase agreements and equity mutual funds are not rated as to credit risk. The Trust's investment policy requires a perfected interest in all investments.

Concentration of credit risk. The Trust limits the investment in one bank or financial institution to 60% of the total of all cash and investments.

Cash:

At June 30, 2023, amounts on deposit totaled $4,172,701. For financial reporting purposes, the Trust has classified amounts on deposit with the Massachusetts Municipal Depository Trust (MMDT) as cash equivalents. At June 30, 2023, $9,116 of the cash was exposed to custodial credit risk. At June 30, 2023, the Trust maintained $49,166 in the MMDT.

The MMDT is an investment pool created by the Commonwealth of Massachusetts under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. As such, the Trust reports its investments in MMDT in the amount of $49,166. MMDT's fair value is measured at amortized cost.

Investments:

The Trust has certificates of deposit with local banking institutions. These investments are measured at amortized cost. Investments measured at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following table compares investment maturities for fiscal years 2023 and 2022:

	Investment Maturities – 2023				
Investment Type	Less Than 1 Year	1 - 2 Years	3 - 4 Years	5 Years	Total
Certificates of Deposit	$4,371,273	$2,597,590	$ –	$ –	$6,968,863

	Investment Maturities – 2022				
Investment Type	Less Than 1 Year	1 - 2 Years	3 - 4 Years	5 Years	Total
Certificates of Deposit	$ 310,609	$ 828,774	$ –	$ 271,254	$1,410,637

At June 30, 2023, none of the Certificates of Deposit were exposed to custodial credit risk as all investments were covered by depository insurance or other instruments.

Concentration of Credit Risk:

Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5 percent or more of total investments are as follows:

	2023	2022
Adams Bank – Certificates of Deposit	$ 3,543,271	$ –
Monson Savings Bank – Certificates of Deposit	2,174,634	1,139,383
People's Bank – Certificates of Deposit	1,007,987	271,254
Westfield Bank – Certificates of Deposit	242,971	–

NOTE 4 – ACCOUNTS RECEIVABLE – REINSURANCE

The Trust has entered into a specific excess medical and prescription drug claims reinsurance agreement with an insurance carrier whereby the Company will reimburse the Trust for payment of claims on its medical plans exceeding the following stop loss coverage:

Specific Deductible Amount	$ 250,000
Specific Lifetime Maximum	None
Aggregate Deductible Amount	150,000

The policy period covers claims incurred within twelve (12) months and paid within twenty-four (24) months. Total premiums for the fiscal years ended June 30, 2023 and 2022 were $1,112,615 and $751,642, respectively.

At June 30, 2023 and 2022, total estimated reinsurance recoveries expected are $204,670 and $1,136,184 respectively. In accordance with GASB 10, reimbursements that are for paid claims at June 30, 2023 and 2022 have been recorded by the Trust as accounts receivable. Reimbursements for unpaid claims have been recorded as an offset to the related liabilities for unpaid claims. The total estimated reinsurance recoveries have been recorded as a reduction of claims expense on the statement of revenues and expenses.

NOTE 5 – PLAN DEPOSITS

The Trust has established deposits with certain health plan and program administrators which draw upon these accounts to pay claims. These deposits and other claim advance amounts at June 30, 2023 and 2022 are as follows:

Administrator	2023	2022
Tufts	$ 13,062	$ 13,031
Abacus Rx	7,428	7,127
Total Deposits	$ 20,490	$ 20,158

NOTE 6 – PREPAID EXPENSES

The Trust provides estimated monthly payments to Blue Cross-Blue Shield. At year end, the final quarterly settlement exceeded the actual claims paid, resulting in a prepaid expense of $442,630 in 2023 and $307,398 in 2022.

NOTE 7 – UNPAID CLAIMS

The Trust establishes a liability for both reported and unreported insured events, which include estimates of both future payments of losses and related adjustment expenses, if any. The following table represents changes in claims' liabilities for the years ended June 30:

	2023	2022
Unpaid claims and claims' adjustment expenses, beginning of year	$ 2,290,879	$ 3,212,487
Insured claims and claims' adjustment expenses:		
Provision for insured events of the current fiscal year	26,466,856	29,307,699
Increase (decrease) in provision for insured events of prior fiscal years	1,784,329	(445,773)
	28,251,185	28,861,926
Payments:		
Claims and claims' adjustment expenses attributable to insured events of the current fiscal year	(24,451,063)	(27,049,212)
Claims and claims' adjustment expenses attributable to insured events of prior fiscal years	(3,865,617)	(2,724,322)
	(28,316,680)	(29,783,534)
Total unpaid claims and claims' adjustment expenses, end of year	$ 2,225,384	$ 2,290,879

NOTE 8 – SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through January 9, 2024, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

SCANTIC VALLEY REGIONAL HEALTH TRUST

Required Supplementary Information

Ten-Year Claims' Development Information (Unaudited)

The table shown below illustrates how the Trust's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Trust as of the end of each of the last ten (10) 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.

2) This line shows each fiscal year's HMO fixed premiums paid and other operating costs of the Trust including overhead and claims' expense not allocated to individual claims.

3) This line shows the Trust's incurred self-insured claims and allocated claims' adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event triggered coverage under the contract occurred (called *policy year*).

4) This section of rows shows the cumulative amounts paid as of the end of successive years for each policy year.

5) This section of rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. These annual re-estimation results from new information received on known claims, re-evaluation 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.

SCANTIC VALLEY REGIONAL HEALTH TRUST

Required Supplementary Information

Ten-Year Claims' Development Information (Unaudited)

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 tables show data for successive policy years.

	6/30/23	6/30/22	6/30/21	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15	6/30/2014
1) Earned member assessments, other, and investment revenues	$36,883,773	$34,322,981	$32,566,254	$31,391,397	$29,363,446	$27,891,059	$26,437,370	$22,876,890	$23,008,064	$23,205,202
1a) Net assets provided (used) by current year operations	2,741,639	483,830	(637,041)	2,780,084	(825,288)	(806,768)	(63,123)	(1,212,726)	(24,999)	1,024,251
2) HMO fixed premiums paid and other operating expenses	6,276,443	5,028,319	4,141,701	4,151,328	3,891,436	3,762,239	3,525,191	3,046,683	2,958,773	2,445,918
3) Estimated incurred, self-insured claims and expense, end of year	26,466,856	29,307,699	29,359,314	24,814,536	26,467,387	25,204,997	23,651,483	21,085,767	19,842,029	19,294,262
4) Paid (cumulative) as of:										
End of fiscal year	24,451,063	27,049,212	27,557,395	22,582,949	24,569,319	24,021,251	21,577,653	18,778,494	18,162,917	18,394,131
One year later		30,878,742	28,892,486	24,563,475	26,215,760	25,059,850	23,404,234	20,429,590	19,772,170	19,287,477
Two years later			28,944,731	24,541,928	26,282,842	25,070,466	23,367,283	20,424,839	19,796,790	19,295,449
Three years later				24,532,959	26,286,816	25,071,105	23,367,125	20,424,391	19,797,562	19,295,730
Four years later					26,287,054	25,070,360	23,366,286	20,424,287	19,797,562	19,295,730
Five years later						25,072,932	23,366,286	20,424,779	19,797,562	19,295,673
Six years later							23,366,286	20,424,713	19,797,562	19,295,593
Seven years later								20,424,713	19,797,562	19,295,593
Eight years later									19,797,562	19,295,593
Nine years later										19,295,593
5) Re-estimated incurred, self-insured, claims and expenses:										
End of fiscal year	26,466,856	29,307,699	29,359,314	24,814,536	26,467,387	25,204,997	23,651,483	21,085,767	19,842,029	19,294,262
One year later		31,089,299	28,942,563	24,562,846	26,233,889	25,056,988	23,389,149	20,429,590	19,772,170	19,287,477
Two years later			28,943,766	24,534,116	26,287,079	25,071,731	23,365,254	20,422,492	19,796,790	19,295,449
Three years later				24,532,959	26,286,816	25,070,451	23,366,243	20,424,334	19,796,795	19,295,730
Four years later					26,287,054	25,070,487	23,366,286	20,423,519	19,797,562	19,295,673
Five years later						25,072,932	23,366,286	20,424,779	19,797,562	19,295,647
Six years later							23,366,286	20,424,713	19,797,562	19,295,593
Seven years later								20,424,713	19,797,562	19,295,593
Eight years later									19,797,562	19,295,593
Nine years later										19,295,593
6) Increase (decrease) in estimated, incurred, self-insured claims and expense from the end of, the original policy year	–	(1,781,600)	416,751	280,420	180,571	134,510	285,197	661,054	44,467	(1,331)