

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Hoosier School Benefit Trust)
6141 South Franklin Road)
Indianapolis, Indiana 46259-1320)

Examination of: **Hoosier School Benefit Trust**

NOTICE OF ENTRY OF ORDER

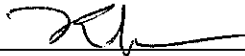
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Hoosier School Benefit Trust, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 4, 2018, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Hoosier School Benefit Trust shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

3/5/2019

Date



Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0342

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Examination of: **Hoosier School Benefit Trust**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Hoosier School Benefit Trust (hereinafter "Company") for the time period October 1, 2010 through December 31, 2014.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on November 30, 2018.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on December 4, 2018 and was received by the Company on December 6, 2018.

The Company did not file any objections.

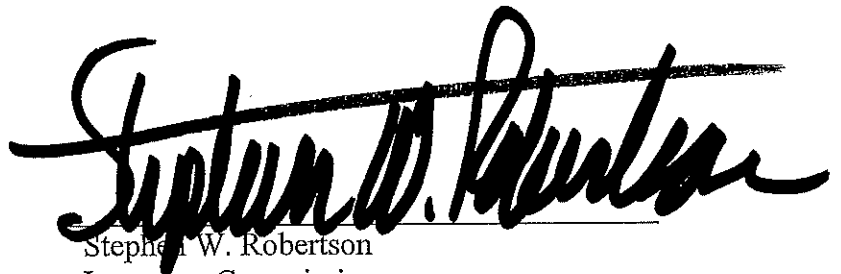
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Hoosier School Benefit Trust as of December 31, 2014.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Hoosier School Benefit Trust to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 5 day of March, 2019.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A large, stylized handwritten signature in black ink, appearing to be a cursive name.A smaller, stylized handwritten signature in black ink, appearing to be a cursive name.

STATE OF INDIANA

Department of Insurance

REPORT ON THE LIMITED SCOPE EXAMINATION

OF

HOOSIER SCHOOL BENEFIT TRUST

A MULTIPLE EMPLOYER WELFARE ARRANGEMENT

NAIC Co. Code 14471

As of

December 31, 2014

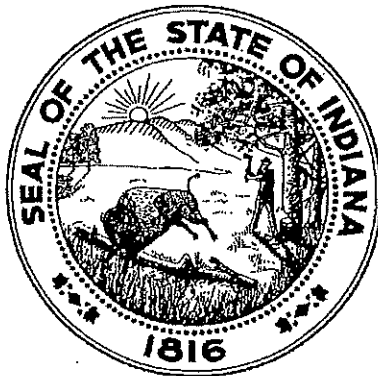


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

November 30, 2018

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3900, a limited scope examination has been made of the affairs and financial condition of:

**Hoosier School Benefit Trust
Franklin Township Community School Corporation
6141 South Franklin Road
Indianapolis, Indiana 46259**

hereinafter referred to as the "Trust", a Multiple Employer Welfare Arrangement (MEWA), not-for-profit trust. The examination was conducted at the offices of Noble Consulting Services, Inc. in Indianapolis, Indiana.

The Report on the Limited Scope Examination, reflecting the status and statutory compliance of the trust as of December 31, 2014, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-2402 COMPANY RECORDS 317-232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Trust was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from October 1, 2005 through September 30, 2010. The present limited scope examination was conducted by Noble Consulting Services, Inc., and covered the period from October 1, 2010 through December 31, 2014, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this limited scope examination.

The limited scope examination was conducted using agreed upon procedures provided by the INDOI. We performed the examination to evaluate statutory compliance, financial condition of the Trust, and to identify possible prospective risks of the Trust by obtaining information about the Trust, including corporate governance. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

All accounts and activities of the Trust were considered in accordance with the limited scope examination process. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Trust's financial statements.

This limited scope examination report includes significant findings of fact, pursuant to Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within this limited scope examination report but separately communicated to the INDOI and/or the Trust.

HISTORY

The Trust was created on August 19, 1992, by five (5) participating employers. The Trust was comprised of seven (7) participating employers as of December 31, 2014. The purpose of the Trust is to provide a medium for the funding and administration of insurance plans, for the benefit of the employees of participating employers. The Trust agreement, as amended on January 1, 2013, provides that the Trust be administered as a voluntary employees' beneficiary association under Section 115 of the Internal Revenue Code.

PLAN OF OPERATION AND TERRITORY

The Trust's objective is to provide health, dental, and vision benefits as self-funded products and life benefits as a pass through product to eligible participating employees. Qualifying retired employees are entitled to similar benefits until they become Medicare eligible. The Trust acts as an intermediary for the participating employers, collecting monthly payments and remitting them to the carrier.

The Trust has been in a self-funded financial arrangement using a third party administrator (TPA) combined with stop loss reinsurance since inception. In the current examination period, the Trust contracted with Anthem Insurance Companies, Inc., doing business as (d/b/a) Anthem Blue Cross and Blue Shield (Anthem), as the TPA to provide services to sponsors, and/or administrators of self-insured employee health benefit plans. As of December 31, 2014, the Trust provides coverage to approximately 3,160 participating employees.

GROWTH OF THE TRUST

The following exhibit summarizes the financial results of the Trust during the examination period:

<u>Year Ending</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Change in Fund Balance</u>
December 31, 2014	\$19,783,329	\$3,650,286	\$16,133,043	\$3,989,386
December 31, 2013*	15,982,657	3,839,000	12,143,657	5,428,900
September 30, 2012	10,669,757	3,955,000	6,714,757	2,393,482
September 30, 2011	8,401,275	4,080,000	4,321,275	(84,837)

* The Trust changed to a December 31 fiscal year-end effective December 31, 2013, and this year includes fifteen (15) months of reporting.

MANAGEMENT AND CONTROL

Trustees

As of December 31, 2014, the Trust included seven (7) participating employers and provided benefits to approximately 3,160 participating employees. In accordance with the Trust agreement, every participating employer is represented by at least one (1) Trustee.

The following is a listing of persons serving as Trustees at December 31, 2014, and their respective participating employer:

<u>Name</u>	<u>Participating Employer and City</u>
Thomas Keeley and Kevin Banks	Beech Grove City Schools
Kirk Farmer and Tonya Mercer	MSD of Decatur Township
Chad Blacklock and Bryan Sawyers	Franklin Township Community School Corporation
Rhonda Jones-Jointer and Steve Dawson	Metropolitan School District of Perry Township
Kevin Caress	Central Indiana Educational Service Center
Sally Graybeal and Kristen Petty	Southside Special Services of Marion County
Charles Tait and Pam Shelby	Lebanon Community School Corporation

Trust Officers

The following is a listing of persons serving as officers of the Trust as of December 31, 2014:

<u>Name</u>	<u>Title</u>
Thomas Keeley	Chairman
Steve Dawson	Co-Chairman
Chad Blacklock	Secretary and Treasurer

Board of Trustees

The Trust is managed by a Board of Trustees (Trustees) that meets monthly to oversee Trust operations.

As of the examination date, the benefit consultant, MJ Insurance Inc., (MJ) is responsible for all aspects of daily operations and is responsible for administering client issues and coordinating services with the Trust's TPA, consultants, and actuaries. With limited staff, the lack of segregation significantly compromises formal internal controls. However, the Trust noted the following mitigating controls:

- The actuary and benefits consultant evaluate all plan design changes and premium rates for the changing needs of the Trust relative to demographics, and trust assets, given projections of costs and changing needs.
- The Trustees reviews all appeals of claims and eligibility submitted for their review.
- The Trust's General Counsel is involved in almost all aspects of the Trust, and works with the Trustees to review contracts and assure federal and state statutory compliance.
- The Trust's annual independent audit contributes to the Trust's operational oversight.

The Trust maintains the following committees:

- Finance Committee
- Wellness Committee

On an as-needed basis, sub-committees are formed for completion of specific tasks.

Claims Appeals and Complaints

The Trustees review appeals as-needed on a monthly basis. The Trust's benefits consultant and attorney advise the Trustees on these matters.

CORPORATE RECORDS

Trust Agreement

The second amended and restated agreement and declaration of the Trust Agreement, effective January 1, 2013, and signed by all participating employers, addressed the design and operation of the Trust which includes:

- Administrative organization of the Trust
- Powers and duties of the Trustees
- Duration and termination of the Trust
- Accounting procedures
- Membership requirements
- Payment of expenses, premiums, and funding methods

The Trust Agreement is consistent with Indiana statutory requirements and the examination noted no instances where the Trust operated contrary to its Trust Agreement.

Bylaws

The Bylaws were amended during the examination period. The change to the Bylaws is regarding the change from the fiscal year end to the calendar year end as noted in Growth of Trust section of this Report of Examination.

Minutes

The Trustee meeting minutes and committee meeting minutes were reviewed for the period under examination through the fieldwork date.

CONTRACT DOCUMENTATION

The Trust Agreement is consistent with Indiana statutory requirements and the examination noted no instances where the Trust operated contrary to its Trust Agreement.

Medical and Dental Plan Documents

The Trust's Medical and Dental Plan Documents, updated annually, define the Trust's health insurance benefit offerings as administered by Anthem. The Health Benefit Booklets are comprehensive documents with notices of federally mandated patient protections, member rights and responsibilities, schedule of benefits, covered services, obtaining covered services, claims processes, and general provisions to include compliance to statutory requirements. The examination noted no instances where the Trust provided benefits contrary to the benefits defined in the Medical and Dental Plan Documents.

Vision Plan Document

The Trust's Vision Plan Document, updated triennially, define the Trust's vision benefit offerings as administered by Indiana Vision Services, Inc. (VSP). The VSP Plan Document includes obligations of VSP and the Trust, coverages, arbitration of disputes, schedule of benefits and schedule of premiums. The examination noted no instances where the Trust provided benefits contrary to the benefits defined in the Vision Plan Documents.

Administrative Service Agreement

Effective July 1, 2011, the Trust and Anthem entered into an Administrative Service Agreement whereby, Anthem shall act as an independent contractor to process enrollments, perform claims administration services, and administer complaints and appeals. Amendments are in place at least annually with the most recent contract change as of the plan year ending December 31, 2014.

Dependent Eligibility Review Service Agreement

Effective April 13, 2013, the Trust and HMS Employer Solutions, LLC (HMS), entered into a Dependent Eligibility Review Service Agreement. This agreement allows HMS to gather information about the dependents of the Trust's employees in order to allow the Trust to determine whether or not such dependents are eligible for coverage under the Trust's employee healthcare programs.

Benefits Consultant Services Agreement

Effective February 1, 2013, the Trust entered into a Benefits Consulting Services Agreement to assist the Trust with the following services: administrative assistance, benefit design, claims analysis, clinic and wellness initiative oversight, funding strategy, healthcare reform, meetings, and strategic planning.

Independent Auditor Agreement

The Trust engaged Brady Ware & Schoenfeld (Brady) to audit the financial statements of the Trust as of December 31, 2014 effective January 26, 2015. The independent audit report as of December 31, 2014, was issued with an unqualified opinion. Previously, Larry E. Nunn and Associates served as the Trust auditor. Brady applied adjustments for the fifteen (15) month period ending December 31, 2013.

Claims Audit Agreement

Effective March 13, 2012, the Trust and BMI Audit Services, LLC entered into a Claims Audit Agreement by which the auditor performed audit for claims comparing enrollment records to paid claims from July 1, 2010 until December 31, 2011.

Actuarial Services Agreement

Effective October 19, 2010, the Trust entered into an Actuarial Services Agreement with Nyhart to provide the actuarial certification of the Trust's operations and funding and has renewed the agreement annually. The actuarial

report of the Trust for the 2015 plan year as of December 31, 2014 was signed by Randy Gomez, FSA, MAAA and Evi Laksana, ASA, MAAA on March 24, 2015.

Other Insurance Policy

The Trust protects itself against loss from fiduciary dishonesty through a policy issued by the Federal Insurance Company. The coverage has limits of \$500,000 limit of liability per loss with a \$0 deductible.

Legal Services Agreement

Effective March 23, 2005, the Trust entered into a Legal Services Agreement with Bose McKinney & Evans, LLP whereby Bose McKinney & Evans, LLP provides legal support services. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal. As of December 31, 2014, there was no pending litigation identified during the examination. Additionally, no instances of federal regulatory noncompliance were identified during the examination.

Clinic Services Agreement

Effective June 1, 2014, the Trust entered into a Clinic Services Agreement with Community Health Network, Inc. (d/b/a) Community Employer Health to provide health care services to members of the Trust. Services are provided to the trust by a licensed physician or nurse practitioner for a mutually agreed upon number of hours per week.

FIDELITY BOND

The Trust protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by The Cincinnati Insurance Company. The bond has an aggregate loss coverage limit of \$5,000,000, with a \$5,000 deductible per claim. No exceptions were noted with regard to fidelity coverages held.

REINSURANCE

Stop Loss Policy

Effective January 1, 2014 through December 31, 2014, the Trust entered into a stop loss policy with Anthem. The policy includes a specific stop loss limit of \$325,000 per member and an aggregate stop loss limit of \$35,429,300.

ACCOUNTS AND RECORDS

The Trust's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The Trust's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

HOOSIER SCHOOL BENEFIT TRUST STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS AND FUND BALANCE As of December 31, 2014

<u>ASSETS</u>	<u>Per Examination*</u>
Cash	\$ 3,946,874
Money market funds	9,723,657
Investments	6,107,481
Accrued Interest	5,317
Totals	<u>\$ 19,783,329</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Accounts Payable for administrative expenses	\$ 498,286
Claims Payable	688,000
Obligations for claims incurred but not reported	2,464,000
Totals Liabilities	<u>3,650,286</u>
Fund Balance	
Restricted reserves -- supplemental contribution reserve	6,597,351
Unrestricted reserves	9,535,692
Total Fund Balance	<u>16,133,043</u>
Total Liabilities and Fund Balance	<u>\$ 19,783,329</u>

* In accordance with IAC 1-68-1 (12), supplemental contribution fund assets are restricted to being used solely for the payment of outstanding claims. No financial adjustments were proposed, however some liability or fund balance lines may have been moved, for analytical purposes.

HOOSIER SCHOOL BENEFIT TRUST
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
As of December 31, 2014

<u>REVENUE</u>	<u>Per Examination*</u>
Premiums – participating employer contributions	\$ 37,154,126
Premiums – COBRA contributions	100,706
Total premium revenue	<u>37,254,832</u>
Less, premiums paid for disability and life insurance (<i>pass-through revenue</i>)	(511,528)
Less, reinsurance premiums paid	<u>(1,672,147)</u>
Net health insurance premiums	35,071,157
Investment Income	54,127
Total Revenue	<u>35,125,284</u>

EXPENSES

Claims – healthcare	29,096,607
Claims – change in liability	(687,000)
Less, reinsurance recovered	<u>(687,379)</u>
Net claims expense	27,722,228
Clinic expense	1,076,666
Wellness programs	200,811
Administrative expense	2,136,193
Total Expenses	<u>31,135,898</u>

CHANGE IN FUND BALANCE

Net income (loss)	3,989,386
Fund balance, beginning of period	<u>12,143,657</u>
Fund balance, end of period	<u>\$ 16,133,043</u>

* No financial adjustments were proposed, however some income and expenses lines may have been moved, for analytical purposes.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2014, based on the results of this limited scope examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues as of December 31, 2014, based on the results of this limited scope examination.

SUBSEQUENT EVENTS

Effective August 31, 2015, the Trust hired a Director of Trust Operations, Felisia O'Bold, to be responsible for administering all aspects of daily operations and preparing reports to the Trustees. The Trust operates primarily from the offices of Franklin Township Community School Corporation.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., performed a limited scope examination of Hoosier School Benefit Trust, as of December 31, 2014.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those limited scope procedures guided by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.


The attached Report on the Limited Scope Examination is a true and complete report of condition of Hoosier School Benefit Trust as of December 31, 2014, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

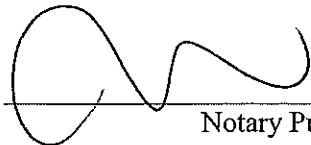
Under the Supervision of:



Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

On this 2 day of January, 2019, before me personally appeared Jim Kattman and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: July 4, 2019 

Notary Public

