JOHNSON LAMBERT LLP

HealthTrust, Inc.

Audited Financial Statements with Supplementary Information

As of and for the year ended June 30, 2015
and the ten-month period ended June 30, 2014
with Report of Independent Auditors

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Contents

Report of Independent Auditors

To the Board of Directors of
HealthTrust, Inc.

Report on Financial Statements
We have audited the accompanying financial statements of HealthTrust, Inc. (HealthTrust), and its discretely presented component unit, which comprise the statement of net position as of June 30, 2015 and 2014 and the related statements of revenue, expenses and changes in net position and cash flows for the year ended June 30, 2015 and the period from September 1, 2013 through June 30, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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 material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the HealthTrust and its discretely presented component unit as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-15, the Reconciliation of Claims Liabilities by Type of Contract on pages 47-48 and the Ten-Year Claims Development Information on pages 49-50 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 inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Reporting on Other Legal and regulatory Requirements
In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015 on our consideration of the HealthTrust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Johnson Lambert LLP

Burlington, Vermont
October 29, 2015
Firm registration: 092-0000267

HealthTrust, Inc.

Management's Discussion and Analysis (Unaudited)

For the year ended June 30, 2015 and the ten-month period ended June 30, 2014

Introduction:

As management of HealthTrust, Inc. (HealthTrust), we offer readers of the financial statements this narrative overview and analysis of the financial activities of HealthTrust for the year ended June 30, 2015 and the ten-month period ended June 30, 2014. This section, the management's discussion and analysis, is intended to provide an overview of HealthTrust's financial condition, results of operations, and other key information.

HealthTrust's basic financial statements are comprised of four components, 1) the statement of net position, 2) the statement of revenues, expenses and changes in net position, 3) the statement of cash flows and 4) the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The financial statements contained within this report are reflective of the year ending June 30, 2015 and the previous ten month reporting period ended June 30, 2014.

Overview:

Effective September 1, 2013, Local Government Center HealthTrust, LLC transferred all of its assets and liabilities to HealthTrust, Inc., (HealthTrust or HealthTrust, Inc.) a New Hampshire voluntary corporation. HealthTrust is governed by its Board of Directors and operates on a fiscal year ended June 30.

HealthTrust offers employee benefit coverage options to its participating groups (hereafter "Members"). HealthTrust operates under New Hampshire RSA 5B. This statute and the HealthTrust ByLaws permit all political subdivisions of the State of New Hampshire, and their instrumentalities, to participate in its pooled risk management program.

HealthTrust's mission is to provide high quality, cost-effective employee benefit products and services for public employers and employees in New Hampshire in order to reduce costs through pooling strategies with a commitment to education, health promotion and disease prevention.

HealthTrust is a New Hampshire voluntary corporation, with its income not subject to federal income taxation under Internal Revenue Code Section 115. HealthTrust believes that operating without profit seeking contributes to its ability to deliver products to public sector employers and through them to their employees at lower rates than might otherwise be obtained for comparable products within the commercial marketplace.

HealthTrust and Anthem Blue Cross and Blue Shield (Anthem) entered into a contract effective through June 30, 2020. Under this contract, Anthem provides claims settlement, medical management services, and access to a comprehensive provider network for HealthTrust. HealthTrust bears the financial risk of the coverage agreement with members for medical, dental and short-term disability coverage. HealthTrust's covered enrollees have health care cards with both Anthem's and HealthTrust's logo.

Overview: (Continued)

HealthTrust works collaboratively with Anthem to provide a full range of medical plan options to meet the changing requirements of the public sector. Together we bring focus to public sector issues and concerns to better meet the public sector's healthcare needs. Under this agreement, HealthTrust is the public sector primary source for distribution of Anthem's medical products in New Hampshire, except where otherwise provided by law.

Statement of Financial Position:

This statement provides information about HealthTrust's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2015 and 2014. The majority of HealthTrust's assets are cash, or can be converted to cash quickly, or are expected to become cash soon.

The liabilities reflect claims paid by contracted third party administrators in the audit period, but not reported to HealthTrust until after June 30, 2015, amounts owed to outside companies for services within the audit period that were paid after June 30, 2015, amounts on deposit with HealthTrust as part of the self-funded plus program, amounts calculated by qualified actuarial consultants as reasonable estimates for claims incurred but not yet reported to the claims administrators, premium deficiency reserves, amounts required to be returned to members, and other accrued expenses.

Net position identifies the difference between assets and liabilities and represents investments in Center at Triangle Park, Inc. (CTP) and capital assets along with unrestricted net position. HealthTrust's governing board, with advice from its consulting actuary, annually reviews the proper level of capital adequacy reserve (also known as the designated total net position target level) it needs to maintain solvency.

Statement of Revenues, Expenses, and Changes in Net Position:

The results of HealthTrust's operating activity are shown on this statement. This statement provides information about the level of contributions, reinsurance, claims and operating expenses for the fiscal year. Information about other sources of income and other expenses is provided. Lastly, this statement sets forth HealthTrust's change in net position for the year.

Statement of Cash Flows:

This statement reviews how HealthTrust's cash balance changed during the fiscal year. It is divided into three different areas explaining where HealthTrust provided or used cash during the year. These areas relate to HealthTrust's operations, investing activities and capital and related financing activities (sale and acquisition of capital assets). It substantiates and reconciles the increase or decrease in HealthTrust's cash position.

Net Position and Changes in Net Position:

HealthTrust's total assets decreased $30.7 million from June 30, 2014. The decrease in total assets is primarily attributable to the $26.9 million decrease in cash and cash equivalents, (the Statement of Cash Flows identifies inflows and outflows of cash and cash equivalents), resulting primarily from return of surplus payments to members. HealthTrust's investment securities in equity and fixed income securities decreased in value by $2.7 million as the result of rebalancing of the portfolio, the stock market as a whole, and the timing related to the fiscal year close.

HealthTrust's liabilities decreased $39.3 million from June 30, 2014, primarily as a result of return of surplus payments to members totaling $35.3 million. Payables decreased by $4.0 million as a result of the timing related to the fiscal year close. Claims reserves increased by $1.5 million based on an actuarial review of the ultimate cost of claims that have been reported, but not settled and of claims that have been incurred, but not reported. For the fiscal year ended June 30, 2015 HealthTrust also included a $722 thousand net pension liability in accordance with GASB 68 requirements and a premium deficiency reserve of $2.4 million in accordance with GASB 30.

HealthTrusts total net position as a result of combined effects of assets and liabilities totaled $84.3 million at June 30, 2015. The unrealized gain on marking investments to fair value at June 30, 2015 totaled $4.1 million.

The following table shows HealthTrust's condensed net position as of June 30, 2015 and 2014.

	6/30/2015	6/30/2014	% Chg
Assets	$136,921,201	$166,991,469	(18) %
Capital Assets	132,670	450,284	(71) %
Investment in Center at Triangle Park	7,419,136	7,677,347	(3) %
Total Assets	144,473,007	175,119,100	(18) %
Deferred Outflow of Resources	432,227	-	100 %
Liabilities	33,316,159	37,241,769	(11) %
Return of Surplus Liabilities	27,191,272	62,527,331	(57) %
Total Liabilities	60,507,431	99,769,100	(39) %
Deferred Inflow of Resources	124,701	-	100 %
Net Position			
Unrestricted	76,721,296	67,222,369	14 %
Invested in Center at Triangle Park	7,419,136	7,677,347	(3) %
Invested in Capital Assets	132,670	450,284	(71) %
Total Net Position	$ 84,273,102	$ 75,350,000	12 %

Net Position and Changes in Net Position: (Continued)

Consistent with the Governmental Accounting Standards Board's requirements, HealthTrust reflects net position in three categories, restricted, unrestricted and invested in capital assets. The amount invested in capital assets reflects the amount invested in Center at Triangle Park, Inc. (CTP), equipment and other capital assets (computer software, hardware, furniture, etc.), net of depreciation. The amount in unrestricted net position reflects all other categories of net position, including the net unrealized gain/(loss) on marking investments to fair value. As described in Note 3, these amounts are segregated into several categories as recognized by the HealthTrust Board of Directors. The categories include amounts for designated total net position target to protect the Members from unanticipated events such as large claims volume that was unanticipated in the rating, unexpected decline in the value of invested funds, or other similar unforeseen events.

Liabilities:

Liabilities totaled $60.5 million at June 30, 2015, as compared to $99.8 million in the previous ten-month reporting period ended June 30, 2014, resulting from additional return of surplus liabilities. Return of surplus liabilities at June 30, 2015 and 2014 totaled $27.2 million and $62.5 million, respectively. Liabilities are primarily comprised of claim and claim administration reserves totaling $20.1 million, return of surplus liabilities totaling $27.2 million and payables totaling $9.5 million. In addition we also recorded a $722 thousand net pension liability and a premium deficiency reserve of $2.4 million. Claims reserves are based on estimates of the ultimate cost of claims that have been reported, but not settled, and of claims that been incurred, but not reported.

In accordance with GASB Statement No. 30, "Risk Financing Omnibus," premium deficiencies are required to be calculated and reported by public entity risk pools. A premium deficiency can result when expected costs for coverage obligations as of the financial statement date exceed expected contributions (based on rates set prior to the financial statement date) for such coverage. As further described in Note 6, HealthTrust recorded a premium deficiency reserve in the amount of $2.4 million as of June 30, 2015. No premium deficiency reserve was recorded as of June 30, 2014.

Operating Results:

HealthTrust's operating gain for the year ended June 30, 2015 totaled $7.4 million. Including non-operating revenues and expenses, decrease in investment in CTP, and cumulative effect of change in accounting principle, net position increased by $8.9 million. The operating gain is attributed to positive claims experience and tight management control of expenses. The increase in net position from non-operating revenues is primarily a result of investment income and increases in the fair value of investments. In the previous ten-month reporting period ended June 30, 2014 HealthTrust reported an operating loss of $918 thousand, primarily as a result of return of surplus expenses, including non-operating revenue and expenses net position increased by $3 million.

After receiving the audit results for the prior year, the governing board reviews the total net position to identify the amount above the designated total net position target to be returned to participating member groups.

HealthTrust, Inc.

Management's Discussion and Analysis (Unaudited) (Continued)

Operating Results: (Continued)

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2015 and the ten month reporting period ended June 30, 2014.

	6/30/2015	6/30/2014	% Chg
Operating Revenues			
Contributions	$ 406,429,433	$ 355,929,974	14 %
Reinsurance expense	-	(568,920)	(100) %
Other Revenues	2,682,079	1,439,917	86 %
Net Operating Revenues	409,111,512	356,800,971	15 %
Operating Expenses			
Claims Incurred	365,751,945	296,011,943	24 %
Administrative Fees Paid	19,002,777	13,277,112	43 %
Reinsurance Related State of NH Assessments	856,134	2,353,100	(64) %
Premium Deficiency Expense	2,400,000	-	100 %
Return of Surplus Expenses	-	34,150,565	(100) %
Other Operating Expenses	13,659,637	11,926,384	15 %
Total Operating Expenses	401,670,493	357,719,104	12 %
Operating Gain (Loss)	7,441,019	(918,133)	(910) %
Non-Operating Revenues			
Investment Income	2,672,149	1,378,226	94 %
Net Change in fair value of investment securities	(1,066,334)	2,525,487	(142) %
Total Non-Operating Revenues	1,605,815	3,903,713	(59) %
Change in Net Position before Extraordinary Items	9,046,834	2,985,580	203 %
Extraordinary Items			
Provision for settlement payment from PLT	519,000	-	100 %
Total Extraordinary Items	519,000	-	0 %
Change in Net Position before investment in subsidiary	9,565,834	2,985,580	220 %
Decrease in investment in Center at Triangle Park, Inc.	(258,211)	(92,048)	181 %
Change in Net Position	9,307,623	2,893,532	222 %
Total Net Position - Beginning of Year/Period	75,350,000	72,456,468	4 %
Cumulative effect of change in accounting principle	(384,521)	-	100 %
Total Net Position - End of Year/Period	$ 84,273,102	$ 75,350,000	12 %

Operating Revenues:

Net operating revenues for the year ending June 30, 2015 increased $52.3 million from June 30, 2014 as a result of the interim reporting period ending June 30, 2014 which only includes ten months of activity. Operating revenues of $409 million, are primarily comprised of contributions earned from participating member groups at June 30, 2015. The cash provided by operating activities is detailed in the Statements of Cash Flows.

Operating Expenses:

Total operating expenses for the year ending June 30, 2015 increased $44 million from June 30, 2014 as a result of the shorter interim reporting period ending June 30, 2014 which only includes ten months of activity. Operating expenses primarily include claims incurred totaling $365.7 million, claims administration fees totaling $19 million, other operating expenses totaling $13.7 million, a premium deficiency reserve expense totaling $2.4 million, and State vaccine assessments totaling $856 thousand.

Expenses as a percentage of contributions for the year ended June 30, 2015 and the ten-month period ended June 30, 2014 are:

	2015	2014	% Change
Claims incurred	90.0 %	83.2 %	9.0 %
Return of surplus	- %	9.6 %	100.0 %
Reinsurance Related State of NH Assessments	0.2 %	0.7 %	57.0 %
Claims Administration	4.7 %	3.7 %	19.0 %
Other Operating Expenses	4.5 %	2.8 %	6.0 %
Premium Deficiency Expense	0.6 %	- %	100.0 %

Cash Flows:

Cash and cash equivalents decreased by $26.9 million for the year ending June 30, 2015. As seen on the Statement of Cash Flows, $31.8 million was used by operating activities, $4.3 million was provided by investing activities and $519 thousand was provided by extraordinary items related to the settlement payment from PLT. HealthTrust has several policies to ensure its cash flow needs are met. These policies address the level of cash:

- To be maintained in interest bearing accounts
- To be allocated to cash and investments maturing in three years or less

HealthTrust maintained sufficient cash and investments to meet these policies for the period ending June 30, 2015. All cash is maintained in interest bearing, collateralized accounts at all times. At June 30, 2015 HealthTrust had approximately 67.1 days of cash on hand, as compared to 115 days of cash on hand at June 30, 2014. The Board of Directors deems this to be a sufficient level of cash on hand to meet obligations and to provide ample time to liquidate investments should the need arise. The duration of the portfolio, as calculated by the investment managers, was 3.94 years at June 30, 2015, as compared to 4.17 years at June 30, 2014.

Changes in Participating Risk Pool Groups:

HealthTrust closely watches changes in the number of participating groups and the number of covered enrollees, both in total and by plan as indicators. These indicators are important factors in administering programs, and could potentially affect claim volume. Significant shifts in the plan options selected at the Member and enrollee level can impact claims projections and future trend development. For example, a shift to plans with increased cost share or network incentives could indicate reduced claims costs from the rating period projections. An increase in the number of covered enrollees could create more participation in health management programs, resulting in additional incentive dollars being paid as well as the need for additional capacity to service the expanded enrollee base.

As of June 30, 2015, HealthTrust covered 72,419 unique covered persons participating in at least one of the following coverage's: medical, dental, short-term disability, long-term disability and life insurance. These covered persons represent employees, retirees, spouses, and dependents. Indemnity enrollment equals 2.0% of the covered persons, Point of Service (POS) enrollment equaled 27.8%, HMO enrollment equaled 57.1%, MediComp III coverage was at 11.2% and Consumer Driven Health Plan (CDHP) enrollment remained minimal with 1.9% and PPO at less than 0.5% of the covered employees enrolled. Life and LongTerm Disability, is insured through Madison Life Insurance Company in partnership with National Insurance Services, Inc.

This table represents the number of covered persons from 2015 and 2014.

	2015	2014
Medical	54,213	55,380
Dental	55,182	55,472
Life	7,325	7,476
Short-term disability	3,366	3,458
Long-term disability	3,990	4,043

Participation: HealthTrust contracts with participating groups for coverage and the associated contribution rates on an annual basis for the upcoming coverage year. HealthTrust Bylaws provide that a Member may withdraw from coverage at any time, if proper notice is given as outlined in the HealthTrust Bylaws. Therefore, HealthTrust does not maintain any multi-year contracts with its Members. However, Members generally maintain coverage for a full annual cycle making any changes on their plan's anniversary date which is either on January 1 or July 1. As a protection against adverse selection, if a Member withdraws from HealthTrust's medical coverage, they are required to wait two years before becoming eligible to rejoin the medical coverage pool.

Market Share: HealthTrust operates in a marketplace where there is targeted competition. HealthTrust estimates its current enrolled HealthTrust employer groups to represent 58% of the total eligible number of groups in the NH public sector marketplace for medical coverage. HealthTrust provides active renewals for current Members and for eligible groups seeking new coverage. Due to the extremely competitive environment, HealthTrust expects to continue to see some movement between public sector risk pool groups on a regular basis.

Rating: HealthTrust employs recognized benefits and actuarial firms for advice regarding the expected revenue needed and the resulting rates to be established for its coverage lines at each renewal. Since HealthTrust operates without seeking a profit, the philosophy of the rating process is to raise only an amount of revenue necessary to meet HealthTrust's needs for payment of claims, administration, prudent reserves, and health management expenses. As with any actuarial prediction, there is a degree of uncertainty as to whether a particular rating will be sufficient in any one year to meet all of the needs of HealthTrust for that year. Similarly, there exists in the rating process the possibility that rates established in any year will produce higher revenue than is needed. HealthTrust believes there is a high degree of likelihood that the revenue raised and the rates established over time will be adequate to meet HealthTrust's obligations to its Members and their employees.

Outlook: HealthTrust and its Board of Directors continue to focus on providing high quality, comprehensive coverages at the lowest possible cost while maintaining program services to provide exceptional education and training that focus on improving and maintaining the health of the enrolled population. HealthTrust continues to offer the *Slice of Life* program along with many administrative services that HealthTrust believe set us apart in the New Hampshire public sector marketplace. Below are a few of the highlighted program services that continue to set HealthTrust apart from the marketplace options:

Continued Plan Choice and Flexibility: While Members have a menu of more than thirty-five different medical plan options and multiple prescription drug plan components to choose from, HealthTrust continues to work with Anthem, a third-party administrator, to explore the marketplace for plans and services that are innovative and original. In addition, the flexibility that HealthTrust extends by allowing an array of plan options to be offered enables HealthTrust Member Groups to develop benefits and compensation strategies targeting specific budget goals while still permitting the flexibility of choice.

Retiree Billing Services: HealthTrust Members may elect for HealthTrust to provide billing administration for their retirees’ medical and dental coverage on the Member’s behalf. If elected, HealthTrust handles all aspects of billing, including sending monthly invoices, collecting payments, coordinating with New Hampshire Retirement System payments, and following up on unpaid accounts. As of June 30, 2015, HealthTrust manages payments for over 8,379 retirees on behalf of Members.

Retiree Specialist: HealthTrust offers the services of a Retiree Specialist who assists Members and their retirees alike with a multitude of questions and issues relative to retiree eligibility, health coverage, Medicare, the New Hampshire Retirement System medical subsidy, and more. On behalf of Member Groups and their retirees, the Retiree Specialist works closely with the New Hampshire Retirement System relative to issues of eligibility and medical subsidy. Additionally, HealthTrust offers four workshops a year to retirees turning age 65, providing valuable information regarding the Medicare supplement plan and enrollment assistance. Member Benefit Administrators are also offered sessions on retiree eligibility and coverage during two available workshops a year.

COBRA Administration and Billing Services: For all HealthTrust Member Groups offering HealthTrust sponsored medical and/or dental plan coverage, HealthTrust administers the various required COBRA notices, including the Initial COBRA Notice, Notice of Qualifying Event, and COBRA Termination Notice. As an added service for Members that elect COBRA billing services, HealthTrust, on the Member's behalf, will issue invoices directly to COBRA beneficiaries and collect COBRA payment directly from COBRA enrollees, thereby relieving HealthTrust Members of the administration of collecting COBRA contribution payments. For the period of July 1, 2014 – June 30, 2015 HealthTrust handled COBRA billing administration for up to 215 COBRA beneficiaries.

Transition Care and Survivor Care: These two services offered through HealthTrust are designed to continue providing medical and/or dental benefits to covered family members of employees who die while they are active employees of a HealthTrust Member. *Transition Care* pays the required contribution for an employee’s surviving covered family members for COBRA or retiree coverage for up to 12 months after an employee’s death. In the event that the death occurred while the employee was performing his or her job responsibilities, the *Survivor Care* benefit will continue to cover the required contributions toward medical and/or dental coverage for an employee’s previously enrolled family members until certain cutoff events occur. For the period of July 1, 2014 – June 30, 2015 HealthTrust provided *Transition Care* benefits to 21 surviving families and *Survivor Care* to 3 surviving families.

Onsite Services: HealthTrust strives to continually meet the needs of Member Groups and enrollees. Benefits & Coverage Advisors, Member Relations Advisors and Health & Safety Advisors continued to meet enrollees at the participating groups' locations to provide a variety of trainings and benefit educations.

Workshops: Staff presented various workshops designed to assist Member Benefits Administrators perform their responsibilities. Benefit Administrators attend these Workshops, which included the annual Benefits Administrator Workshop as well as many healthcare reform workshops to provide Benefits Administrators with updates and new relevant information needed to comply with healthcare reform and administration of employee benefits.

Claims Advocate: Covered individuals who need guidance with claims processing can call on HealthTrust’s Enrollee Services to assist by facilitating communication between the enrollee and the health plan claims administrator (Anthem, Caremark, and Delta Dental). Enrollee Services staff continues to provide advocate support to hundreds of covered individuals annually.

HealthTrust Incentive Program: The HealthTrust Incentive Program is extended to medically covered enrollees as an incentive to watch for billing errors by monitoring their healthcare providers' invoices and processed claims statements. With the incentive program, enrollees may be eligible for 50% of the savings for each claim error that is identified and corrected, up to a $1,000 maximum.

Ongoing Communications: HealthTrust strives to serve as a resource for information regarding benefits administration. HealthTrust regularly communicates with Members through various newsletters and our comprehensive website. These resources keep Members up to date on available programs and services.

HealthTrust's *Slice of Life* program: HealthTrust's *Slice of Life* program provides programs and services that have been shown to boost morale, reduce absenteeism, and increase cost savings resulting from fewer healthcare claims. Any individuals who are covered by a HealthTrust medical program may avail themselves, at no additional cost, of valuable health management support and incentives. Health Management workshops provide an avenue for educating HealthTrust Groups' employees about the *Slice of Life* program, and its many components. One piece of the *Slice of Life* program is the *onmyway* confidential Health Assessment (HA) questionnaire designed to help assess enrollee's health from year to year. Taking the HA questionnaire is a completely voluntary and confidential process. After completing the HA, a personalized health report is sent to the covered individual identifying areas of health risk and information about how those risks can be reduced to maximize an individual's health status. During the year ended June 30, 2015, 17,084 HealthTrust enrollees, spouses, dependent children age 18 and older, and retirees participated in the *Slice of Life* Health Assessment program and received a financial incentive for completing this assessment as well as qualifying for access to other *Slice of Life* program components.

Supporting this gateway program is a full comprehensive menu of health management offerings. Utilization of various program components provides valuable health management support and incentives to help improve and maintain healthy lifestyles.

The following are some of the key components to the *Slice of Life* program:

- Health Coaching provides identified individuals with some additional support to effectively manage chronic conditions or develop strategies to support changes in lifestyle such as becoming more active, losing weight or reducing stress. During the year ended June 30, 2015, 1,267 HealthTrust enrollees, spouses, dependent children age 18 and older, and retirees participated in Health Coaching programs.

- *Health Awareness Program* provides calendar year reimbursements for eligible programs covering a wide variety of health and safety related issues and activities that are geared toward reaping the rewards of a healthier lifestyle.

- LifeResources Employee Assistance Program offers comprehensive mental health counseling and referral services for issues such as stress management, parenting, addictions, help to finding housing options for aging parents, and guidance about managing credit card debt.

HealthTrust's *Slice of Life* program: (Continued)

- *Slice of Life* newsletters are quarterly publications sent to enrollees (including retirees), containing information related to important health and wellness issues plus important health plan news.

- Flu Vaccine Program provides a reimbursement program for onsite flu shot clinics for covered individuals.

- C*oordinator Connection* is a quarterly newsletter designed to provide a variety of resources to assist Wellness Coordinators at Member Groups with wellness planning efforts at the individual group level.

- *Health & Safety Coordinator Academy* The Health and Safety Coordinator Academy provides health and safety leaders with the necessary knowledge and resources that will enable them to guide their coworkers to become more aware of the issues that affect health and safety both at work and at home. To date, HealthTrust has 107 coordinators providing health and safety campaigns at their worksites. The goal is to train thirty new coordinators per year while still keeping the existing coordinators engaged by meeting with them annually and continuing to provide them with $500 per year to use toward their annual health and safety campaigns. Consultation Services provided by HealthTrust's Health & Safety Advisors help design and implement group wellness programs, including by analyzing a Member group's health claims history and customizing a health management program based on the group's specific needs.

- *SmartShopper* engages individuals with HealthTrust coverages to be savvy medical consumers and to reward them when they make smart healthcare choices. When their doctor gives them a referral for a medical test or procedure, eligible under the SmartShopper program, they can contact SmartShopper to receive a list of facilities in their area which shows how much each charge for that medical test or procedure. The covered individual can select which facility they go to, and if they choose a cost-effective option, they earn a cash reward. As with all components of Slice of Life, SmartShopper is a completely voluntary and confidential program. For the first six months of the program, HealthTrust has seen very positive results with 1,956 distinct covered individuals shopping for services and 815 incentives/rewards being paid with an average savings of $547 per claim resulting in a gross savings of $720,832.

Web Services: Member groups are kept educated by providing helpful information electronically on HealthTrust's robust website**: www.healthtrustnh.org**. The website offers HealthTrust's Members and enrollees a comprehensive location for accessing program and service related information. The website includes password protected sections which permit access to confidential coverage information through a secure web portal. Designated key contacts of Member groups with medical and/or dental plan coverage can use the secure portal to submit electronic transactions such as ID card requests, salary changes, notice of changes in the number of covered persons, and more. Additionally, Members can download and print many enrollment forms, and access certain resources such as the *Benefits Administrator Manual* and the Member's specific Transmittal and Carrier Table.

Enrollees with medical and/or dental plan coverage also have access to a secure part of HealthTrust's website. This feature allows enrollees to complete and submit interactive forms, such as ID card requests, address changes, download printable forms, connect to SmartShopper and view items in the online Library.

Flexible Spending Account Administration: HealthTrust continues to provide administrative services to Members offering Flexible Spending Account (FSA) plans. A longtime advocate of this tax savings benefit for employers and employees, HealthTrust brought these administrative services in house effective January 1, 2006. HealthTrust assists interested Members offering the Pre Tax Payroll Deduction of Insurance Premiums (Premium Conversion), as well as administration of the groups' Healthcare Flexible Spending and Dependent Care Reimbursement Plans.

Healthcare Reform Education and Assistance: The Benefits and Coverage teams continued to monitor and assist with the implementation of changes required by the Federal healthcare reform law. Through presentations at HealthTrust Benefits Administrator workshops and various other conferences and seminars for associations of school and municipal officials and administrators, HealthTrust educated and assisted HealthTrust Members regarding the healthcare reform requirements that are already in effect as well as planning for the requirements that will become effective over the next few years. Our educational efforts also included publication of articles, newsletters and various other correspondence and presentation of webinars on the primary aspects of healthcare reform impacting HealthTrust groups and their employees.

Conclusion: HealthTrust distinguishes itself from commercial insurers through its close relationship to its Members. The HealthTrust Board is elected by the Members and is made up of elected officials, employees and management from schools, municipalities, and counties. As such, its decisions are focused directly on the needs and values of the Members and HealthTrust's services takes a holistic approach to meeting the employee benefit coverage and service needs of its Members.

HealthTrust is committed to providing high quality, cost effective employee benefit products and services for public employers and employees in New Hampshire in order to reduce costs through pooling strategies with a commitment to education, health promotion and disease prevention.

HealthTrust, Inc.

Statements of Net Position

As of June 30, 2015 and 2014

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2015	2014	2015	2014
Assets				
Cash and cash equivalents	$ 74,376,363	$ 101,325,267	$ 210,596	$ 219,406
Fixed-maturity securities	38,665,551	39,379,856	-	-
Mutual funds	10,238,477	12,257,974	-	-
Investment in external investment pool	5,962,904	5,962,291	-	-
Contributions receivable	5,331,974	5,670,891	-	-
Accounts receivable	362,616	451,525	1,000	1,000
Accrued interest receivable	201,368	197,115	-	-
Prepaid expenses	374,210	338,812	1,542	-
Deposits	1,407,738	1,407,738	-	-
Property and equipment, net	132,670	450,284	7,411,389	7,599,589
Investment in Center at Triangle Park, Inc.	7,419,136	7,677,347	-	-
Total Assets	144,473,007	175,119,100	7,624,527	7,819,995
Deferred Outflow of Resources				
Deferred gain on pension assets	263,381	-	-	-
Deferred pension contributions	168,846	-	-	-
Total Deferred Outflow of Resources	432,227	-	-	-
Liabilities				
Claims payable	5,814,384	9,090,103	-	-
Claims reserves	17,541,054	16,033,888	-	-
Claims administration reserves	2,588,707	2,550,003	-	-
Deposit held for self-funded group	252,318	256,571	-	-
Contribution holiday payable	-	3,843,471	-	-
Accounts payable and accrued expenses	3,646,662	3,958,038	110,706	74,634
Accounts payable reinsurance	4,543	419,982	-	-
Due to other entities	-	-	1,400	1,031
Unearned contributions	345,686	493,132	-	-
Contingent legal liability	-	596,581	-	-
Return of surplus to members	27,191,272	62,527,331	-	-
Premium deficiency reserve	2,400,000	-	-	-
Net pension liability	722,805	-	-	-
Total Liabilities	60,507,431	99,769,100	112,106	75,665

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Net Position (Continued)

As of June 30, 2015 and 2014

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2015	2014	2015	2014
Deferred Inflow of Resources				
Deferred pension expenses	124,701	-	-	-
Total Deferred Inflow of Resources	124,701	-	-	-
Net Position				
Unrestricted	72,669,725	62,104,465	146,338	144,741
Unrestricted - net unrealized gain on investment securities	4,051,571	5,117,904	-	-
Invested in Center at Triangle Park, Inc.	7,419,136	7,677,347	-	-
Invested in capital assets	132,670	450,284	7,366,083	7,599,589
Total Net Position	$ 84,273,102	$ 75,350,000	$ 7,512,421	$ 7,744,330

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Revenues, Expenses, and Changes in Net Position

For the year ended June 30, 2015 and the ten-month period ended June 30, 2014

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2015	2014	2015	2014
Operating Revenues				
Contributions earned from participating risk pool groups	$406,429,433	$355,929,974	$ -	$ -
Reinsurance expense	-	(568,920)	-	-
Self-funded plus program - net	159,415	309,066	-	-
Rent	-	-	473,167	395,179
Support services income	513,110	900,229	-	-
Prescription administration	1,065,805	-	-	-
Other revenues	943,749	230,622	6,545	3,863
Net operating revenues	409,111,512	356,800,971	479,712	399,042
Operating Expenses				
Claims incurred	365,751,945	296,011,943	-	-
Premium deficiency expense	2,400,000	-	-	-
Administrative fees paid	19,002,777	13,277,112	-	-
Return of surplus expense	-	34,150,565	-	-
BSR Expenses	249,163	-	-	-
Health management support & initiatives	3,992,900	3,782,177	-	-
Reinsurance related State of NH assessments	856,134	2,353,100	-	-
Depreciation and amortization	317,614	565,147	233,506	187,932
Support services expense	81,988	67,857	135,408	110,130
Other expenses	9,017,972	7,511,203	342,742	252,873
Total operating expenses	401,670,493	357,719,104	711,656	550,935
Operating gain (loss)	7,441,019	(918,133)	(231,944)	(151,893)

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

For the year ended June 30, 2015 and the ten-month period ended June 30, 2014

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2015	2014	2015	2014
Nonoperating income				
Investment and interest income	2,672,149	1,378,226	35	31
Net increase in fair value of investment securities	(1,066,334)	2,525,487	-	-
Total nonoperating income	1,605,815	3,903,713	35	31
Extraordinary Items				
Provision for settlement payment from PLT	519,000	-	-	-
Total Extraordinary Items	519,000	-	-	-
Increase (Decrease) in net position before investment in subsidiary	9,565,834	2,985,580	(231,909)	(151,862)
Decrease in investment in Center at Triangle Park, Inc.	(258,211)	(92,048)	-	-
Increase (decrease) in net position	9,307,623	2,893,532	(231,909)	(151,862)
Net position, beginning of year/period	75,350,000	72,456,468	7,744,330	7,896,192
Cumulative effect of change in accounting principle - See note 1	(384,521)	-	-	-
Net position, end of year/period	$ 84,273,102	$ 75,350,000	$ 7,512,421	$ 7,744,330

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Cash Flows

For the year ended June 30, 2015 and the ten-month period ended June 30, 2014

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
Cash Flows from Operating Activities	2015	2014	2015	2014
Contributions collected from participating risk pool groups	$ 407,686,708	$ 349,940,573	$ -	$ -
Cash received from other sources	914,044	1,195,027	6,545	3,863
Claims paid	(367,490,998)	(293,705,807)	-	-
Rental income collected	-	-	473,167	395,179
Salaries paid	(6,630,535)	(4,180,205)	-	-
Administrative expenses paid	(19,848,521)	(13,277,112)	-	-
Reinsurance expense	-	(568,920)	-	-
Reinsurance related State of NH assessments	443,333	(2,168,260)	-	-
Health Management support and initiatives paid	(3,393,530)	(3,791,554)	-	-
Support services expenses	-	(67,857)	(135,407)	(110,130)
Support services income	863,848	821,255	-	(247,951)
Other expenses paid	(5,330,749)	(1,290,418)	(307,844)	-
Return of surplus	(35,336,059)	(2,687,188)	-	-
Contribution holiday paid	(3,843,471)	(874,762)	-	-
Net cash provided by self-funded plus program	163,275	366,707	-	-
Net cash (used) provided by operating activities	(31,802,655)	29,711,479	36,461	40,961
Cash Flows from Investing Activities				
Proceeds from the sale of investments	11,154,584	11,638,057	-	-
Cash payments for the purchase of investments	(9,487,117)	(12,096,309)	-	-
Interest and dividends on investment securities	2,667,284	1,444,557	-	-
Decrease in external investment pool	-	1,183	-	-
Received from interest	-	-	35	31
Net cash provided by investing activities	4,334,751	987,488	35	31
Cash Flows from Capital and Related Financing Activities				
Payments for the acquisition of property and equipment	-	(56,871)	(45,306)	(54,342)
Net cash used by capital activities	-	(56,871)	(45,306)	(54,342)
Cash Flows from Extraordinary Item				
Payment received from Property-Liability Trust, Inc.	519,000	15,368,957	-	-
Net cash provided by extraordinary item	519,000	15,368,957	-	-
Net change in cash and cash equivalents	(26,948,904)	46,011,053	(8,810)	(13,350)
Cash and cash equivalents, beginning of year/period	101,325,267	55,314,214	219,406	232,756
Cash and cash equivalents, end of year/period	$ 74,376,363	$ 101,325,267	$ 210,596	$ 219,406

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Cash Flows (Continued)

For the year ended June 30, 2015 and the ten-month period ended June 30, 2014

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
Reconciliation of operating income to net cash provided (used) by operating activities	2015	2014	2015	2014
Operating gain (loss)	$ 7,441,019	$ (918,133)	$ (231,944)	$ (151,893)
Adjustments to reconcile operating income to net cash (used) provided by operating activities				
Depreciation and amortization	317,614	565,147	233,506	187,932
Contributions receivable	338,917	(2,774,312)	-	-
Receivable from related party	-	(78,974)	-	-
Accounts receivable	88,909	2,215,310	-	-
Prepaid expenses	(35,398)	1,440	(1,542)	8,286
Deferred gain on pension assets	(263,381)	-	-	-
Deferred pension contributions	7,154	-	-	-
Claims payable	(3,275,719)	(2,721,351)	-	-
Claims reserves	1,507,166	233,502	-	-
Claim administration reserves	38,704	(48,038)	-	-
Deposit held for self-funded group	(4,253)	-	-	-
Contribution holiday payable	(3,843,471)	(874,762)	-	-
Accounts payable and accrued expenses	(311,376)	2,185,800	36,072	5,409
Accounts payable reinsurance	(415,439)	184,840	-	-
Due to Affiliates	-	(118,074)	-	(9,803)
Due to other entities	-	-	369	1,030
Unearned contributions	(147,446)	395,707	-	-
Contingent legal liability	(596,581)	-	-	-
Return of 2012 surplus liability	(28,376,766)	(2,687,188)	-	-
Return of 2014 surplus liability	(6,959,293)	34,150,565	-	-
Premium deficiency reserve	2,400,000	-	-	-
Net pension liability	162,284	-	-	-
Deferred pension expenses	124,701	-	-	-
Net cash (used) provided by operating activities	$ (31,802,655)	$ 29,711,479	$ 36,461	$ 40,961

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

Nature of Operations

HealthTrust, Inc. (HealthTrust or HealthTrust, Inc.), a New Hampshire voluntary corporation was formed to provide employee benefits coverage to political subdivisions of the State of New Hampshire. In accordance with HealthTrust By-Laws, all political subdivisions of the State of New Hampshire and their instrumentalities are eligible to participate. The HealthTrust Board of Directors (Board of Directors) governs HealthTrust. HealthTrust serves as an association of local governments voluntarily joining together to finance their exposure to employee healthcare costs and is funded by its participating risk groups. HealthTrust covered the following separate individuals among all coverage lines at June 30, 2015 and 2014:

	2015	2014
Medical	54,213	55,380
Dental	55,182	55,472
Life	7,325	7,476
Short-term disability	3,366	3,538
Long-term disability	3,990	4,043

HealthTrust's mission is to provide high quality, cost-effective employee benefit products and services for public employers and employees in New Hampshire in order to reduce costs through pooling strategies with a commitment to education, health promotion and disease prevention. Trust underwriting and rate setting policies have been established after consultation with actuaries and consultants.

Local Government Center Real Estate, Inc. (LGCRE) was organized February 5, 1988 as a voluntary corporation and a 501 (c) (25) entity for the purpose of acquiring and holding title to real estate. On December 23, 2013, Local Government Real Estate, Inc. changed its name to Center at Triangle Park, Inc. (CTP). As of June 30, 2015 and 2014 HealthTrust owns 98.8% of outstanding CTP shares and New Hampshire Municipal Association Inc. (NHMA) owns 1.2%. CTP leases the real estate to HealthTrust, NHMA, Property Liability Trust, Inc. (PLT), and other third parties. The assets and all activity of CTP are included in these financial statements as a discretely presented component unit. HealthTrust reports its investment in CTP on the equity method.

Transfer of Operations

On September 1, 2013 Local Government Center HealthTrust, LLC transferred all of its assets and liabilities comprising its employee benefits coverage operations to HealthTrust, Inc. a New Hampshire voluntary corporation. The transfer was accounted for as a transfer of operations in accordance with GASB 69, Government Combinations and Disposal of Government Operations.

1. <u>Summary of Significant Accounting Policies</u> (Continued)

The assets transferred consisted primarily of cash, investment securities, receivables, furniture and equipment and an investment in CTP, totaling $141.5 million. HealthTrust, Inc. also assumed debt consisting primarily of claims, payables and returns of surplus liabilities totaling $69.0 million.

As a result of the transfer, HealthTrust Inc. recognized the following assets, liabilities, and net position:

Transferred Assets (Net)	Carrying Values (in millions)
Cash and investments	$ 110.0
Accounts Receivable	22.8
Investment in Center at Triangle Park, Inc.	6.1
Other - contingent fees, deposits held	2.6
Total Assets	$ 141.5
Transferred Liabilities	
Claims payable and reserves	$ 30.2
Return of surplus liabilities	35.8
Accounts payable and accrued expenses	2.0
Other - contingent fees, deposits held	1.0
Total Liabilities	69.0
Net Position of Transferred Operation	$ 72.5

The assets and liabilities transferred to HealthTrust, Inc. represent an integrated set of assets and liabilities managed for the purpose of providing employee benefits coverage services, thus meeting the definition of an operation. In addition, service continuation is presumed because the assets used by Local Government Center HealthTrust, LLC to provide employee benefits coverage services will be used in a similar manner by HealthTrust, Inc. to provide a similar service.

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to proprietary funds of governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. HealthTrust's and CTP's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

CTP is, primarily, an internal service fund providing office space to related entities on a cost reimbursement basis. Given HealthTrust's ownership interest in CTP along with its intent that owning CTP enhances its abilities to provide Member services, the financial statements of CTP have been included as a component unit.

Accounting Standards

HealthTrust has adopted GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements".

Change in Accounting Principle

On July 1, 2014, HealthTrust adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions". This change in accounting principle resulted in a reduction of net position as of July 1, 2014 of $384,521. Note 15 of the financial statements includes additional details on accounting and reporting under GASB Statement No. 68.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of all highly liquid investments with an original maturity of three months or less.

Investments

Investments consist of U.S. Government Sponsored Enterprise Securities, U.S. Treasury notes, corporate notes, municipal obligations and mutual funds. The securities are carried in the financial statements at fair value. Fair value is determined based upon quoted market prices.

1. Summary of Significant Accounting Policies (Continued)

HealthTrust accounts for its investments in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (Statement No. 31). Statement No. 31 establishes fair value standards on accounting for all investments held by governmental external investment pools and governmental entities. All investment income, including changes in the fair value of investments, is recognized in the statements of revenues, expenses, and changes in net position. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the costs of the investments sold. Realized gains and losses on investments that had been held for more than one year and sold in the current year were included as a change in the fair value of investments reported in the prior years and the current year. Investment purchases are recognized on the trade date. Investments are stated at fair value based on quoted market prices or through a recognized pricing service.

In accordance with GASB Statement No. 40, "Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3", certain disclosures regarding deposit and investment risks have been provided in Note 4.

Investment in External Investment Pool

HealthTrust maintains an equity position in the New Hampshire Public Deposit Investment Pool, which is carried at fair value. Fair value is determined by HealthTrust's proportionate share of the total fair value of the underlying investment pool's portfolio.

Contributions from Participating Risk Pool Groups

Contributions are generally recognized as revenue on a monthly basis over the participation contract term. The portion of the contributions received in cash that will be earned in the future is deferred and reported as unearned contributions. Accounts and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management considers all accounts and contributions receivable to be collectible; an allowance for doubtful accounts has not been provided.

Property and Equipment

Property and equipment with an estimated useful life greater than one year is recorded at cost. The cost of maintenance and repairs is charged to expense as incurred, while renewals, replacement of existing systems, and betterments are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Land is not depreciated.

1. **Summary of Significant Accounting Policies (Continued)**

Property and equipment is depreciated using primarily the straight-line method over the following useful lives:

Land improvements	15 years
Buildings and building improvements	31 - 40 years
Office equipment, computer and other	3 - 5 years
Furniture and fixtures	3 - 5 years

Operating Revenues and Expenses

Operating income reported in the financial statements includes revenues and expenses related to the operations of HealthTrust. Principal operating revenues are contributions earned from participating Member groups to cover estimated benefit obligations and administrative costs, and any increases needed to maintain the actuarially determined capital reserve levels. Principal operating expenses are the costs of providing underwriting and claims payment services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

CTP's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result primarily from rental of property, CTP's principal activity. Operating expenses are all expenses incurred in rental operations. Interest income is reported as non-operating income.

Extraordinary Item

HealthTrust received $519,000 from PLT during the year ended June 30, 2015 pursuant to the July 25, 2014 Consent Decree. This amount is reported as an extraordinary item on the Statement of Revenues, Expenses and Changes in Net Position.

Claims Reserves

HealthTrust establishes claims reserves based on estimates of the ultimate cost of claims that have been reported, but not settled, and of claims that have been incurred, but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Claims reserves are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent claim costs, claim frequency, and other economic and societal factors. Adjustments to claims reserves are charged or credited to expense in the periods in which they are made.

HealthTrust utilizes an independent Consultant Actuary to estimate claims and claims administration reserves for health, dental and short-term disability coverage.

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

HealthTrust and CTP are exempt from federal and state income taxes under provisions of the Internal Revenue Code and State law.

2. Cash and Cash Equivalents

HealthTrust and CTP maintain their cash in bank deposits and cash management accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 as of June 30, 2015 and 2014. As of June 30, 2015 and 2014, the bank balance of cash held, in total, in excess of the FDIC limit, was approximately $74 million, and $101 million, respectively. The balance in excess of the FDIC limit is collateralized with securities held in joint custody with the bank. CTP's cash balance did not exceed these limits at June 30, 2015 and 2014.

3. Net Position

Total Net Position is available to fund HealthTrust's designated total net position target with the remaining balance to be returned to member groups as surplus. Total net position, for HealthTrust, includes the following at June 30, 2015 and 2014:

	2015	2014
Board designated\ total net position target	$ 85,000,000	$ 75,350,000
Undesignated net position	-	-
	$ 85,000,000	$ 75,350,000

Regardless of the size or amount of stop loss (reinsurance) protection, there is always the risk of unpredictable claim fluctuations beyond expected levels. The following are some reasons why claims might exceed expected levels: (1) medical trend is significantly higher than expected; (2) a small number of very large randomly occurring claims; (3) influx of new participants that are not as healthy as average existing participants; (4) departure of participants that are healthier than average; (5) federal/state legislation that results in higher costs; and (6) new technologies/treatments such as high cost drugs, and advanced imaging techniques. In order to protect HealthTrust's participating risk pool groups and their covered employees and dependents from these potential unexpected costs; HealthTrust designates a certain level of net position, which it identifies as the capital adequacy reserve target, to ensure the availability of sufficient capital to cover these risks.

On March 4, 2014, the Board of Directors adopted a new policy, which was revised on August 28, 2015, on setting capital adequacy reserves required to satisfy the needs of the plan and to maintain solvency, in accordance with the New Hampshire Supreme Court's decision on the appeal issued on January 10, 2014. The policy states that on an annual basis, HealthTrust, Inc. will engage an independent actuary who is a member of the American Academy of Actuaries, and who is qualified

3. Net Position (Continued)

in the area of health coverage, to offer an opinion, based on an actuarial sound methodology, regarding the required capital adequacy reserve that is needed for the HealthTrust pooled risk management program to meet the needs of the plan, in addition to any other required reserves. The policy further states that the Board of Directors shall rely upon the opinion of the qualified actuary using an actuarially sound methodology to determine the required capital adequacy reserve for HealthTrust to satisfy the needs of the plan.

The policy makes clear that the purpose of the capital adequacy reserve is to ensure that to all obligations for the payment of claims and expenses can be met.

Consistent with this policy, HealthTrust engaged an independent consulting actuary, Milliman, to recommend a required capital adequacy reserve for HealthTrust as of June 30, 2015 and 2014, using a sound actuarial methodology. Milliman recommended that HealthTrust should target a required capital adequacy reserve of between $85 million to $130 million as of June 30, 2015 and $90 million to $140 million as of June 30, 2014. Milliman advised the HealthTrust Board that the lower end of the range is appropriate if HealthTrust has pricing flexibility and the upper range is appropriate if HealthTrust does not have pricing flexibility.

Prior to setting the capital adequacy reserve target as of June 30, 2015, HealthTrust retained the services of a second qualified consulting actuary, DeWeese Consulting, Inc., to review Milliman’s work. DeWeese was requested to independently determine whether Milliman’s recommendation was based on a sound actuarial methodology and was reasonable.

Based on the Milliman recommendation and the independent confirmation by a second qualified actuary that the Milliman recommendation was reasonable and used a sound actuarial methodology, the HealthTrust Board of Directors set HealthTrust’s capital adequacy reserve target as of June 30, 2015 at $85 million, the lowest point in the range recommended by Milliman.

Based on the October 29, 2014 agreement between HealthTrust, Inc. and its regulator, HealthTrust established its designated total net position target for the audit period ending June 30, 2014 equal to $75.35 million.

HealthTrust's invested in capital assets, used in operations, consists of the following at June 30, 2015 and 2014.

	2015	2014
Investment in property and equipment, net	$ 132,670	$ 450,284
Investment in CTP	7,419,136	7,677,347
	$ 7,551,806	$ 8,127,631

The net position for CTP which is invested in capital assets represents the amount of assets which have been invested in property and equipment, net of any depreciation.

4. Investments

During the twelve months ended June 30, 2015, HealthTrust realized a net gain of $1,313,869 from the sale of investments. During the ten months ended June 30, 2014, HealthTrust realized a net gain of $163,424 from the sale of investments. The calculation of the realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior years.

The following presents the fair value of investments held that represent 5% or more of HealthTrust's total investments at June 30, 2015 and 2014.

	2015	2014
Vanguard Institutional Index Fund	$ 7,181,659	$ 8,273,220

Risks and Uncertainties

HealthTrust invests in various investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

CTP maintains commercial insurance coverage for its buildings and improvements. Coverage limits are set at replacement values with customary levels of deductibles.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. HealthTrust mitigates the risk that the market value of securities will fall due to changes in general interest rates by structuring the portfolio so securities mature to meet the cash requirements for ongoing operations, thus avoiding the need to sell securities on the open market prior to maturity. The matching of investments to expected cash is not applied to the required capital reserve, as consistent with the purpose of that reserve, it is needed to cover unexpected events at some unknown future date.

The cost and fair value of fixed-maturity securities at June 30, 2015 and 2014, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

4. Investments (Continued)

	June 30, 2015				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
U.S. Treasuries	$ 1,176,023	$ 3,710,502	$ 1,953,172	$ 73,365	$ 6,913,062
U.S. Agencies	-	473,687	965,049	10,013,636	11,452,372
Commercial MBS	-	-	-	3,231,119	3,231,119
Corporate Bonds	306,485	4,702,439	4,374,134	625,604	10,008,662
Municipal Bonds	459,179	1,965,229	474,846	529,623	3,428,877
Asset Backed	-	2,386,458	1,245,001	-	3,631,459
Total	$ 1,941,687	$ 13,238,315	$ 9,012,202	$ 14,473,347	$ 38,665,551

	June 30, 2014				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
U.S. Treasuries	$ 649,847	$ 2,318,076	$ 2,042,084	$ -	$ 5,010,007
U.S. Agencies	-	871,740	992,630	10,964,679	12,829,049
Commercial MBS	-	-	80,765	3,530,058	3,610,823
Corporate Bonds	665,559	3,611,998	4,241,715	346,538	8,865,810
Municipal Bonds	258,474	1,776,094	1,320,575	422,223	3,777,366
Asset Backed	30,205	3,994,771	1,261,825	-	5,286,801
Total	$ 1,604,085	$ 12,572,679	$ 9,939,594	$ 15,263,498	$ 39,379,856

The duration of the fixed-maturity securities portfolio, as calculated by the investment managers, is 3.94 and 4.17 years at June 30, 2015 and 2014, respectively.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, HealthTrust will not be able to recover the value of its investments that are in the possession of the outside party. At June 30, 2015 and 2014, HealthTrust did not have any investments subject to custodial credit risk.

Credit Risk

HealthTrust's investment policy mitigates credit risk by limiting investments to investment grade securities and diversifying the portfolio. As of June 30, 2015, HealthTrust's fixed-maturity securities were rated as follows:

4. Investments (Continued)

	U.S. Treasuries	U.S. Agencies	Corporate Bonds	Municipal Bonds	Commercial Mortgage Backed Securities	Asset Backed Securities	Total
Aaa	$ 402,000	$ -	$ 158,110	$ 123,292	$ 3,231,119	$ 3,631,459	$ 7,545,980
Aa1	6,511,062	11,452,373	-	23,630	-	-	17,987,065
Aa2	-	-	201,621	853,736	-	-	1,055,357
Aa3	-	-	299,766	856,953	-	-	1,156,719
A1	-	-	1,587,550	696,900	-	-	2,284,450
A2	-	-	1,532,367	329,907	-	-	1,862,274
A3	-	-	1,523,059	468,058	-	-	1,991,117
Baa1	-	-	2,155,285	-	-	-	2,155,285
Baa2	-	-	1,357,931	-	-	-	1,357,931
Baa3	-	-	1,192,971	76,402	-	-	1,269,373
	$ 6,913,062	$ 11,452,373	$ 10,008,660	$ 3,428,878	$ 3,231,119	$ 3,631,459	$ 38,665,551

** The credit rating agency used for this disclosure was Moody's.

At times after purchase, the rating of a security may fall below investment grade and the security may be retained if the risk of default is deemed low by the Investment Manager and Investment Advisor.

5. Investment in External Investment Pool

The investment in external investment pool represents HealthTrust's share of the New Hampshire Public Deposit Investment Pool (NHPDIP), which is reported at fair value. NHPDIP was established under State of New Hampshire Statute, RSA 383:24. The Bank Commissioner, in conjunction with its Advisory Committee, provides regulatory oversight of the investment pool's operations.

6. Premium Deficiency

In accordance with GASB Statement No. 30, "Risk Financing Omnibus," premium deficiencies are required to be calculated and reported by public entity risk pools. A premium deficiency can result when expected costs for coverage obligations as of the financial statement date exceed expected contributions (based on rates set prior to the financial statement date) for such coverage. HealthTrust recorded a premium deficiency reserve in the amount of $2,400,000 as of June 30, 2015. No premium deficiency reserve was recorded as of June 30, 2014. Investment income was included as part of the calculation in determining if a premium deficiency existed. HealthTrust used the work of a consulting actuary to determine the premium deficiency reserve at June 30, 2015.

7. Property and Equipment

Property and equipment of HealthTrust consists of the following:

	Year ended June 30, 2015			
	Beginning Balance	Additions/ Reclassifications	Disposals	Ending Balance
Office equipment	$ 116,995	$ -	$ -	$ 116,995
Computer equipment	3,353,069	-	-	3,353,069
	3,470,064	-	-	3,470,064
Less accumulated depreciation	(3,019,780)	(317,614)	-	(3,337,394)
	$ 450,284	$ (317,614)	$ -	$ 132,670

	Ten-month period ended June 30, 2014			
	Beginning Balance	Additions/ Reclassifications	Disposals	Ending Balance
Office equipment	$ 120,758	$ 8,266	$ (12,029)	$ 116,995
Computer equipment	3,341,017	130,558	(118,506)	3,353,069
	3,461,775	138,824	(130,535)	3,470,064
Less accumulated depreciation	(2,529,923)	(589,895)	100,038	(3,019,780)
	$ 931,852	$ (451,071)	$ (30,497)	$ 450,284

Property and equipment of CTP consists of the following:

	Year ended June 30, 2015			
	Beginning Balance	Additions/ Reclassifications	Disposals	Ending Balance
Land and land improvements	$ 2,272,989	$ -	$ -	$ 2,272,989
Buildings and building improvements	7,387,947	45,306	-	7,433,253
Equipment	530,739	-	-	530,739
Furniture and fixtures	431,397	-	-	431,397
	10,623,072	45,306	-	10,668,378
Less accumulated depreciation	(3,023,484)	(233,505)	-	(3,256,989)
	$ 7,599,588	$ (188,199)	$ -	$ 7,411,389

7. Property and Equipment (Continued)

	Ten-month period ended June 30, 2014			
	Beginning Balance	Additions/ Reclassifications	Disposals	Ending Balance
Land and land improvements	$ 2,272,989	$ -	$ -	$ 2,272,989
Buildings and building improvements	7,358,496	29,451	-	7,387,947
Equipment	505,848	24,891	-	530,739
Furniture and fixtures	369,990	61,407	-	431,397
	10,507,323	115,749	-	10,623,072
Less accumulated depreciation	(2,774,144)	(249,339)	-	(3,023,483)
	$ 7,733,179	$ (133,590)	$ -	$ 7,599,589

8. Claims Reserves

As discussed in Note 1, HealthTrust establishes a liability for both reported and unreported covered events, which includes estimates of both future payments of losses and related claim adjustment credits. The following represents changes in the aggregate undiscounted claims reserves for HealthTrust during the year ended June 30, 2015 and the ten-month period ended June 30, 2014.

	2015	2014
Claims reserves at beginning of year/period	$ 18,583,891	$ 18,398,427
Incurred claims and claim adjustment expenses:		
Provision for covered events of current year	368,208,157	301,332,245
Adjustments to provision for covered events of prior years	(2,456,212)	(5,320,302)
Total incurred claims and claim adjustment expenses	365,751,945	296,011,943
Payments of claims and claim adjustment expenses:		
Payments attributable to covered events of current year	(347,792,350)	(282,393,540)
Payments attributable to covered events of prior years	(16,413,725)	(13,432,939)
Total payments	(364,206,075)	(295,826,479)
Total claims reserves at end of year/period	$ 20,129,761	$ 18,583,891

8. Claims Reserves (Continued)

Incurred claims and claim adjustment expenses included in claims payable in the statements of financial position as of June 30, 2015 and 2014 are considered to have been paid for purpose of the claims reserves reconciliation as of and for the year ended June 30, 2015 and the ten-month period ended 2014.

9. Transactions With Other Entities

HealthTrust leases office space from CTP. Rent expense under this arrangement was $371,942 and $308,654 for the year ended June 30, 2015 and the ten-month period ended June 30, 2014, respectively, to cover its share of CTP's operating expenses based on HealthTrust's proportional usage of the building. CTP has included those amounts as operating revenues in the same year.

The current lease with CTP for office space is effective through June 30, 2016. Expected future minimum lease payments through June 30, 2016 under this agreement are $370,464.

HealthTrust receives administrative and other business support services income from CTP, PLT and NHMA per service agreements ratified by each entity's governing board. Per its agreement with PLT, HealthTrust also pays for Director of Risk Pool Operations Services. Under those agreements, HealthTrust received $513,110 and $900,229 of service income and paid $81,988 and $67,857 for Director of Risk Pool Operations Services for the year ended June 30, 2015 and ten-month period ended June 30, 2014. While PLT and NHMA are not technically related parties to HealthTrust, Inc., transactions with those entities are reported here due to the historical relationship that previously existed between the parties.

10. Reinsurance

Through the purchase of reinsurance, HealthTrust ceded claims exceeding the attachment point to other insurers or reinsurers through the purchase of excess loss reinsurance contracts. From September 1, 2013 through November 30, 2013 the attachment point for the reinsurance was $1,000,000 and between December 1, 2013 and June 30, 2014 the attachment point was $2,500,000. Ceded reinsurance is treated as the risk and liability of the assuming companies, though these reinsurance contracts do not relieve HealthTrust from its obligations to participating risk pool groups. Failure of reinsurers to honor their obligations would result in losses to HealthTrust. As of June 30, 2014, there were no reinsurance receivables or prepaid reinsurance premium. Claim reserves would be reported net of applicable reinsurance receivables when determined.

On January 10, 2014, the Supreme Court struck down the Administrative Order's requirement that HealthTrust purchase reinsurance. As a result, HealthTrust, Inc. ceased its practice of purchasing reinsurance effective July 1, 2014.

11. Self Funded Plus Option

HealthTrust provides a claim servicing arrangement to a participating risk pool group in the Self-Funded Plus option whereby separate accounts are maintained for the participating risk pool group from which losses are paid. The participating risk pool group is assessed fees by HealthTrust for the claims administrative services provided. The net activity from the program is recorded as part of operating revenues in the statements of revenues, expenses, and changes in net position.

12. Prescription Benefit Program Administration

HealthTrust served as the administrator of the State of New Hampshire's and the Community College System of New Hampshire's (CCSNH) prescription benefit management through Caremark until December 31, 2013 at which time the Agreements were terminated.

During the ten months ended June 30, 2014, the State of New Hampshire prescription benefit claims and related third-party (non-HealthTrust) administrative expenses totaled $20,524,948. CCSNH prescription benefit claims and related third-party administrative expenses totaled $750,738 for the ten-month period ended June 30, 2014. There were no expenses paid related to the year ended June 30, 2015 as this program was discontinued in December 2013.

HealthTrust paid these expenses on behalf of the State of New Hampshire and CCSNH; the State of New Hampshire and CCSNH then reimbursed HealthTrust for these costs.

13. Life Insurance and Long Term Disability Programs

HealthTrust provides access to life insurance and long-term disability coverage to its risk pool groups provided by other insurance companies. HealthTrust pays the premiums to the insurance provider on behalf of the risk pool groups, which are then reimbursed to HealthTrust by the participating risk pool groups. During the year ended June 30, 2015 and the ten-month period ended June 30, 2014, HealthTrust paid $1,603,660 and $1,376,415, respectively, in premiums for life insurance and long term disability coverage.

14. Exemption from Statutory Accounting Practices

HealthTrust and its risk pool were established for the benefit of the political subdivisions of the State of New Hampshire. As such, HealthTrust is not considered an insurer under the laws of the State, and administration of the activities of HealthTrust do not constitute conducting an insurance business for purposes of regulation or taxation. At June 30, 2015 and 2014, Statements of Statutory Accounting Practices as promulgated by the National Association of Insurance Commissioners are not applicable to HealthTrust.

15. <u>Defined Benefit Pension Plan</u>

A. Plan Description

The HealthTrust/PLT/NHMA Pension Plan ("HealthTrust/PLT/NHMA PP" or "Plan") is a cost sharing multiple employer plan. The Boards of Directors of the participating employers in the Plan, HealthTrust (HT), PLT, and NHMA, collectively retains the authority to establish, amend or terminate the Plan and its provisions at any time subject to any legal limitations. The Boards of Directors also established a Retirement Committee to administer the Plan. The Retirement Committee serves as the Plan administrator to the Plan and has discretionary authority to interpret the terms of the Plan and its decisions regarding administration, interpretation, and application. All active, non-temporary employees of HT, PLT, and NHMA are required to participate in the Plan as a condition of employment. The Plan provides a monthly benefit when a Plan participant retires or leaves after qualifying for benefits. The Plan does not issue a standalone financial report.

On June 25, 2012, GASB voted to approve Statement No. 68, "Accounting and Financial Reporting for Pensions", which revises and establishes new financial reporting requirements for most governmental organizations that provide their employees with pension benefits. GASB Statement No. 68 will be effective for fiscal years beginning after June 15, 2014, with earlier application encouraged. GASB Statement No. 68 requires governments providing defined pension benefits to recognize their long term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

HealthTrust adopted GASB Statement No. 68 on July 1, 2014 resulting in a cumulative effect of change in accounting principle adjustment reducing net position by $384,521. The cumulative effect adjustment represents the impact of adopting GASB Statement No. 68 on HealthTrust's net position as of July 1, 2014 and is comprised of HealthTrust's proportionate share of the net pension liability based upon the December 31, 2013 valuation report of $560,521 adjusted for deferred outflows of resources totaling $176,000 associated with contributions paid to the plan between the December 31, 2013 valuation date and the July 1, 2014 effective date.

B. Contributions

The contribution requirements of the participating employers under the Plan are established and may be amended by the Retirement Committee based on the annual actuarial valuation of the Plan. The contribution requirements of the participating employees is established in the Plan and could be changed only with an amendment to the Plan. A participant's benefit is determined under a formula that multiplies the participant's final average earnings by her/his credited service. The formula is 1.50% of the final average earnings for each year of credited services not to exceed 50% of the participant’s average salary. Final average earnings is defined as the average of the highest three years of the last ten years base salary prior to retirement or termination. If a participant chooses early retirement, the benefit will be reduced by 0.25% for each month prior to the normal retirement date. If a participant remains employed after age 65, benefits will continue to accrue without any actuarial adjustment for late retirement.

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

15. Defined Benefit Pension Plan (Continued)

Participants contribute 5% of their base earnings to the Plan. The employers shall contribute to the Plan an amount determined by the Retirement Committee. For the 2015, 2014 and 2013 plan years the employers contributed 7.54%, 8.14% and 8.27%, respectively, of each participant's earnings to the Plan. The required schedule of funding progress immediately following the notes to the financial statements presents information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits. Investments are reported at fair value based upon quoted market prices.

Schedule of plan net position as of December 31, 2014 and 2013:

	12/31/2014	12/31/2013
Cash and cash equivalents, and receivables	$ 323,195	$ 137,226
Receivables	19,704	13,417
Investments, at fair value:		
Equities	6,878,975	6,183,393
Corporate Bonds	1,798,550	1,869,288
US Government Bonds	1,611,938	754,883
Bond Mutual Funds	-	532,580
Other	(13,514)	543,389
Net position available for pension benefits	$ 10,618,848	$ 10,034,176

15. Defined Benefit Pension Plan (Continued)

Schedule of change in plan net position for the plan year ended December 31, 2014 and 2013:

	12/31/2014	12/31/2013
Contributions		
Employer	$ 498,632	$ 491,331
Plan members	306,285	296,679
Total contributions	$ 804,917	$ 788,010
Investment income		
Net realized and unrealized gains (losses)	$ 85,034	$ 1,351,324
Interest, dividends and other income	185,536	147,797
Less Investment Fees	(62,774)	(52,438)
Net investment income	$ 207,796	$ 1,446,683
Deductions		
Benefits paid directly to participants	$ (222,670)	$ (163,274)
Refunds of employee contributions	(155,816)	(73,763)
Administrative expenses	(49,587)	(27,228)
Total deductions	$ (428,073)	$ (264,265)
Post Valuation Adjustments	32	-
Net increase in net position available for pension benefits	$ 584,672	$ 1,970,428
Net position available for pension benefits as of January 1	10,034,176	8,063,748
Net position available for pension benefits as of December 31	$ 10,618,848	$ 10,034,176

15. Defined Benefit Pension Plan (Continued)

A schedule of changes to the total pension liability and net pension liability are as follows for the plan year ended December 31, 2014.

Schedule of the Total Pension Liability

Service Cost	$ 675,963
Interest on the Total Pension Liability	712,427
Benefit Changes	-
Difference between Expected and Actual Experience	(200,126)
Assumption Changes	-
Benefit Payments	(222,670)
Refunds	(155,816)
Net Change in Total Pension Liability	809,778
Total Pension Liability - Beginning	10,811,682
Total Pension Liability - Ending	$ 11,621,460

Schedule of the Net Pension Liability

Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Pension as a % of Total Pension Liability	Covered Payroll	Net Pension as a % of Covered Payroll
$11,621,460	$10,618,848	$ 1,002,612	91.37 %	$ 5,991,480	16.73 %

15. Defined Benefit Pension Plan (Continued)

The funded ratio measures the relationship between valuation assets and the actuarial accrued liability. Information regarding the Plan's funded ratio as of December 31, 2014 and 2013, the most recent valuation date, is as follows:

	2014	2013
Actuarial accrued liability	$ 11,621,460	$ 10,881,682
Actuarial value of plan assets	10,496,896	9,404,446
Unfunded actuarial accrued liability	$ 1,124,564	$ 1,407,236
Funded ratio	90.32%	86.98%
Annual covered payroll	$ 5,991,480	$ 6,048,614
Unfunded actuarial accrued liability to annual covered payroll	18.77%	23.27%

A summary of the funding progress of the Plan as of December 31, 2014 and 2013 is as follows:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded (ratio)	Covered payroll	UAAL as a percentage of covered payroll
December 31, 2014	$10,496,896	$11,621,460	$1,124,564	90.32%	$5,991,480	18.77%
December 31, 2013	$9,404,446	$10,811,682	$1,407,236	86.98%	$6,048,614	23.27%

An actuary was engaged to perform the annual actuarial valuation report as of December 31, 2014 and 2013. The information included in the schedule of funding progress from the December 31, 2014 and 2013 actuarial valuation was prepared using the entry age cost method. The purpose of providing the above schedule is to provide information that serves as a surrogate for the funded status and funding progress of the plan.

A summary of employer and employee contributions to the Plan for the plan years ended December 31, 2014 and 2013 is as follows:

Plan year ended	Annual required contributions	Employer contributions	Employee contributions	Percentage contributed
December 31, 2014	$498,632	$498,632	$306,285	100%
December 31, 2013	$491,331	$491,331	$296,679	100%

15. <u>Defined Benefit Pension Plan</u> (Continued)

C. Actuarial Assumptions

Additional information as of the latest actuarial valuation of December 31, 2014 and 2013 is as follows:

	2014	2013
Actual cost method	Entry age normal cost method	Entry age normal cost method
Asset valuation method	4-year smoothed market	4-year smoothed market
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed
Equivalent Single Amortization Period	17 Years	18 Years
Actuarial assumptions		
Investment rate of return	6.5%	6.5%
Inflation rate	2.5%	2.5%
Projected salary increases	4.0%	4.0%
Cost-of-Living Adjustments	None	None
Mortality assumptions	Utilized RP-2000 combined healthy mortality table projected to 2020 for males and females using scale AA	Utilized RP-2000 combined healthy mortality table projected to 2020 for males and females using scale AA
Section 417(e) interest rate	Option factors are currently based on the IRC Section 417(e) applicable mortality and interest. The actuaries have estimated that this basis creates an implicit subsidy, since it differs from the valuation assumptions. The actuaries have increased liabilities and normal cost by a 2% liability adjustment to account for this subsidy.	Option factors are currently based on the IRC Section 417(e) applicable mortality and interest. The actuaries have estimated that this basis creates an implicit subsidy, since it differs from the valuation assumptions. The actuaries have increased liabilities and normal cost by a 2% liability adjustment to account for this subsidy.

D. Discount Rate

The discount rate used to measure total pension liability was 6.50%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

15. <u>Defined Benefit Pension Plan</u> (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocations as of December 31, 2014, these best estimates are summarized in the following table:

Asset Class	Target Allocation %	Long-term Expected Real Rate of Return %	Allocation-Weighted Long-term Expected Real Rate of Return %
Domestic Fixed Income	38	2.2	0.8
Domestic Equity	55	6.0	3.3
International Equity	5	6.3	0.3
Cash	2	1.2	-
Total	100		4.4
Expected Inflation			3.0
Total Return			**7.4**

E. Discount Rate Sensitivity Analysis

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 6.5%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease in Discount Rate (5.5%)	Current Single Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
HealthTrust's proportionate share of the net pension liability:	$ 1,888,044	$ 722,805	$ (254,410)

15. Defined Benefit Pension Plan (Continued)

F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, HealthTrust reported a liability of $722,805 and a pension expense of $383,101 for its proportionate share of the HealthTrust/PLT/NHMA Pension Plans net pension liability. A summary of the proportionate share and total net pension liability and pension expense is as follows:

	Net Pension Liability as of June 30, 2015	Pension Expense for the year ended June 30, 2015
HealthTrust's Proportionate Share	$ 722,805	$ 383,101
PLT's Proportionate Share	161,572	81,636
NHMA's Proportionate Share	118,235	62,667
	$ 1,002,612	$ 527,404

The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period from January 1, 2014 thru December 31, 2014.

At December 31, 2014, HealthTrust's proportion of the collective net pension liability and pension expense was 72.092%, which was unchanged from its proportion measured on December 31, 2013.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

15. Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2015, HealthTrust reported its proportionate share of the Plan's deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows Resources
Difference between expected & actual economic experience	$ -	$ (124,701)
Changes in Assumptions	-	-
Difference between projected and actual earnings on investments	263,381	-
Contributions paid to Pension Plan subsequent to the measurement date	168,846	-
Total	$ 432,227	$ (124,701)

The net amounts of HealthTrust's balances of deferred outflows and inflows of resources as of June 30, 2015 related to pensions will be recognized as pension expense as follows:

Year Ended June 30:	Pension Expense Amount
2016	$ 215,117
2017	46,271
2018	46,271
2019	46,271
2020	(19,575)
Thereafter	(26,829)
Total	$ 307,526

16. Subsequent Events and Litigation Update

On January 15, 2015, Center at Triangle Park, Inc. executed a purchase and sale agreement to sell approximately 8.6 acres of land to be subdivided from land it owns for a purchase price of $800,000. The agreement contained numerous purchaser contingencies, including purchaser's discretionary right not to proceed with the purchase. During the week of September 7, 2015, the purchaser notified Center at Triangle Park, Inc. that all of its contingencies had been met and that it intended to close on the property later in September 2015. The sale of the parcel of real estate closed on October 1, 2015.

On June 22, 2015, the New Hampshire Supreme Court affirmed the Merrimack County Superior Court's ruling that HealthTrust's September 2013 reorganization did not violate state law. HealthTrust requested such a ruling to remove any concern or doubt related to the validity of the reorganization.

17. Contingencies

A group of about ten former member groups, who ceased to participate in the HealthTrust Pooled Risk Management Program prior to the issuance of an August 16, 2012 administrative order, and thus were not eligible to receive a portion of the $33.2 million return of surplus pursuant to the express terms of the Administrative Order, filed a complaint in Strafford County Superior Court claiming that that they should have been entitled to a portion of the ordered return. The Superior Court dismissed their claim.

The former members also intervened in a subsequent administrative matter, claiming that they were entitled to a portion of a subsequent return of $17.1 million of surplus, even though they were no longer members of HealthTrust. The administrative hearing officer denied their claim in the administrative proceeding as well.

The former members appealed both of these decisions to the New Hampshire Supreme Court, which held oral arguments on the consolidated appeal on September 10, 2015. HealthTrust has assessed these claims and concludes that the loss is not probable as the distributions were made by HealthTrust pursuant to valid legal orders, the claim is a statutorily prohibited collateral attack on a valid administrative order and HealthTrust's agreement with its members includes terms specifically stating that members are not entitled to any return of surplus once they leave.

HealthTrust assesses potential liabilities in connection with lawsuits and threatened lawsuits under U.S. generally accepted accounting principles. HealthTrust accrues an estimated loss for loss contingencies if both of the following conditions are met: information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. As of June 30, 2015, HealthTrust has not accrued any contingent liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

HealthTrust, Inc.

Reconciliation of Claims Liabilities by Type of Contract (Unaudited)

As of and for the year ended June 30, 2015

The schedule below presents the changes in claims liabilities for HealthTrust's three types of contracts: employee health, dental benefits, and short term disability for the year ended June 30, 2015.

	Health	Dental	Short-Term Disability	Total
Claims and administration reserves at beginning of fiscal period	$ 17,402,114	$ 989,002	$ 192,775	$ 18,583,891
Incurred claims and claim adjustment expenses				
Provision for covered events of current year	344,219,584	23,033,302	955,271	368,208,157
Adjustments to provision for covered events of prior years	(2,128,237)	(262,205)	(65,770)	(2,456,212)
Total incurred claims and claim adjustment expenses	342,091,347	22,771,097	889,501	365,751,945
Payments of claims and claim adjustment expenses				
Payments attributable to covered events of current year	(325,038,845)	(21,997,168)	(756,337)	(347,792,350)
Payments attributable to covered events of prior years	(15,579,708)	(707,012)	(127,005)	(16,413,725)
Total payments	(340,618,553)	(22,704,180)	(883,342)	(364,206,075)
Total claims and administration reserves at end of year	$ 18,874,908	$ 1,055,919	$ 198,934	$ 20,129,761

HealthTrust, Inc.

Reconciliation of Claims Liabilities by Type of Contract (Unaudited)

As of and for the ten-month period Ended June 30, 2014

The schedule below presents the changes in claims liabilities for HealthTrust's three types of contracts: employee health, dental benefits, and short term disability for the ten-months ended June 30, 2014.

	Health	Dental	Short-Term Disability	Total
Claims and administration reserves at beginning of fiscal period	$ 17,302,735	$ 918,288	$ 177,404	$ 18,398,427
Incurred claims and claim adjustment expenses				
Provision for covered events of current year	282,541,478	17,917,151	873,616	301,332,245
Adjustments to provision for covered events of prior years	(5,055,699)	(177,620)	(86,983)	(5,320,302)
Total incurred claims and claim adjustment expenses	277,485,779	17,739,531	786,633	296,011,943
Payments of claims and claim adjustment expenses				
Payments attributable to covered events of current year	(264,669,862)	(17,042,837)	(680,841)	(282,393,540)
Payments attributable to covered events of prior years	(12,716,538)	(625,980)	(90,421)	(13,432,939)
Total payments	(277,386,400)	(17,668,817)	(771,262)	(295,826,479)
Total claims and administration reserves at end of period	$ 17,402,114	$ 989,002	$ 192,775	$ 18,583,891

HealthTrust, Inc.

Ten-Year Claims Development Information (Unaudited)

For the periods ended June 30, 2015 and 2014

(000's omitted)

The following claims development information includes health, dental and short-term disability contracts. The table illustrates how HealthTrust's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by HealthTrust subsequent to the September 1, 2013 transfer of operations and for the periods ended June 30, 2015 and 2014. The rows of the table are defined as follows:

1. The total of each fiscal period's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. Operating costs of HealthTrust including overhead and claims expense not allocable to individual claims for each fiscal period.
3. HealthTrust's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of each fiscal period in which the event that triggered coverage under the contract occurred (called *policy year*).
4. This section shows the net amounts paid as of the end of each fiscal period and annually thereafter.
5. The latest re-estimated amount of claims assumed by reinsurers as of the end of each fiscal period and annually thereafter.
6. This section of rows shows how the policy year's net incurred claims increased or decreased as of the end of each fiscal period and annually thereafter. This re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. Comparison of the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net 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 commonly is used to evaluate the accuracy of net incurred claims currently recognized in less matured policy years.

HealthTrust, Inc.

Ten-Year Claims Development Information (Unaudited) (Continued)

For the periods ended June 30, 2015 and 2014

(000's omitted)

	2015	2014
1) Required contribution and investment revenue		
Earned	408,965	359,834
Ceded	-	569
Net earned	408,965	359,265
2) Unallocated expenses	33,187	27,489
3) Estimated claims and expenses, end of policy year incurred	368,208	301,332
Ceded claims	-	-
Net incurred	368,208	301,332
4) Net paid (cumulative) as of		
End of policy year	347,792	282,394
One year later	-	299,130
5) Reestimated ceded claims and expenses,		
End of policy year	-	-
One year later	-	-
6) Reestimated net incurred claims and expenses		
End of policy year	368,208	301,332
One year later	-	298,989
7) Decrease in estimated net incurred claims and expenses from end of policy year	-	(2,343)

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
HealthTrust, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of HealthTrust, Inc. (HealthTrust), as of and for the year ended June 30, 2015 and the related notes to the financial statements, and have issued our report thereon dated October 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HealthTrust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HealthTrust's internal control. Accordingly, we do not express an opinion on the effectiveness of HealthTrust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Johnson Lambert LLP

Burlington, Vermont
October 29, 2015