

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

IN THE MATTER OF:)
)
Hoosier Heartland School Trust)
702 Elm Street)
Madison, Indiana 47250-3317)

Examination of: **Hoosier Heartland School Trust**

NOTICE OF ENTRY OF ORDER

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

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

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

3/5/2019
Date _____ Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0335

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702 Elm Street)
Madison, Indiana 47250-3317)

Examination of: **Hoosier Heartland School Trust**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Hoosier Heartland School Trust (hereinafter "Company") for the time period September 1, 2010 through August 31, 2015.

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

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

The Company did not file any objections.

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

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Hoosier Heartland School Trust as of August 31, 2015.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Hoosier Heartland School Trust to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

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

Signed this _____ day of

Mark E. H.
_____ 2019

Stephen W. Robertson

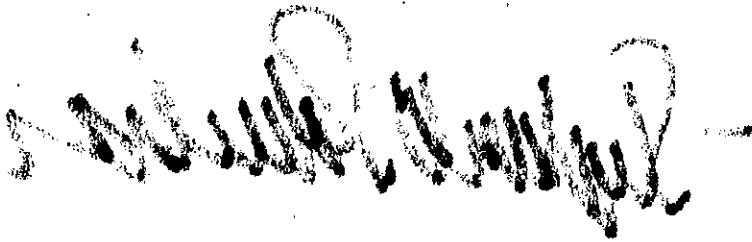
Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

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

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

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

A handwritten signature in black ink, appearing to be "John J. ...".A handwritten signature in black ink, appearing to be "J. ...".

STATE OF INDIANA

Department of Insurance

REPORT ON THE LIMITED SCOPE EXAMINATION

OF

HOOSIER HEARTLAND SCHOOL TRUST

A MULTIPLE EMPLOYER WELFARE ARRANGEMENT

NAIC CO. CODE 14470

As of

August 31, 2015



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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

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

November 30, 2018

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

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3892, a limited scope examination has been made of the affairs and financial condition of:

Hoosier Heartland School Trust
702 Elm Street
Madison, Indiana 47250

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

The Report on the Limited Scope Examination, reflecting the status and statutory compliance of the Trust as of August 31, 2015, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
317-232-2413

COMPANY COMPLIANCE
317-232-3495

CONSUMER SERVICES
317-232-2395/1-800-622-4461

FINANCIAL SERVICES
317-232-2390

MEDICAL MALPRACTICE
317-232-2402

COMPANY RECORDS
317-232-5692

STATE HEALTH INSURANCE PROGRAM
1-800-452-4800

SCOPE OF EXAMINATION

The Trust was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from September 1, 2006 through August 31, 2010. The present limited scope examination was conducted by Noble Consulting Services, Inc. (Noble), and covered the period from September 1, 2010 through August 31, 2015, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this limited scope examination.

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

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

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

HISTORY

The Trust was created in 1999 by eight (8) participating employers. As of the previous examination, August 31, 2010, the Trust had nine (9) participating employers. As of August 31, 2015, the Trust is comprised of seventeen (17) participating employers. The Trust is a MEWA and the Trust agreement, as amended on October 1, 2011, provides that the Trust be administered as a voluntary employees' beneficiary association under Section 115(1) of the Internal Revenue Code.

PLAN OF OPERATION AND TERRITORY

The Trust's objective is to provide insurance benefits to eligible employees, dependents, and retirees of the participating employers. The Trust provides self-funded medical and prescription drug insurance benefits, which are administered by Anthem Insurance Companies, Inc. (Anthem). As of August 31, 2015, the Trust provides coverage to approximately 1,736 members.

GROWTH OF THE TRUST

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

Year	Assets	Liabilities *	Fund Balance	Change in Fund Balance
2015	\$ 3,928,943	\$ 1,667,927	\$ 2,261,016	\$ (1,609,434)
2014	5,025,889	1,155,439	3,870,450	(1,165,203)
2013	6,158,845	1,123,192	5,035,653	155,706
2012	5,492,063	612,504 **	4,879,559	1,298,701
2011	4,247,897	667,039	3,580,858	742,222

* For analytical purposes, amounts include administrative expenses, claims payable, third party administrator reimbursements payable, and incurred but not reported (IBNR) reserve line items as applicable.

** As part of restatement of the 2013 financial statements as of August 30, 2014, IBNR claims as of September 1, 2012 were listed at \$616,000 instead of \$612,000. No restatement of 2012 financial statements were made.

The Trust assets are held in qualified financial institutions. From September 1, 2010 through August 31, 2015, the Trust's Fund Balance exceeded the minimum statutory balance requirements.

The Trust experienced significant losses in fiscal years 2014 and 2015, due to net operating losses.

MANAGEMENT AND CONTROL

Trustees

As of August 31, 2015, the Trust included seventeen (17) participating employers and provided benefits to approximately 1,736 participating employees. In accordance with the Trust Agreement, every participating employer is represented by at least one (1) Trustee.

The following is a listing of persons serving as Trustees as of August 31, 2015, and their respective participating employer:

Name	Participating Employer
Dan Sighting and Cindy Lincicome	Bloomfield School District
Kirk Booe and Scott Myers	Covington Community Schools
Henry Brewster and Jane Reed	East Gibson School Corporation
Ted Baechold and Aaron Buskirk	Eastern Greene Schools
Karen Niemeier	Hancock Shelby Madison Educational Services
Ginger Studebaker-Bolinger and Mark Stewart	Madison Consolidated Schools
Chris Trader and Cathy Fox	Madison Area Educational Special Services Unit
Jim Diagostino and Amy Church	Mill Creek Community School Corporation
William Roberson and Jennifer Armour	Monroe Gregg School District
Bill Hochgesang and Shanna Steckler	Northeast Dubois County Schools
Shane Robbins and Jenny Segó	Northwestern Consolidated Schools of Shelby County
Richard King and David Hobough	North West Hendricks County School Corporation
Gary McClintic and Joe Chrisham	Orleans Community Schools

Douglas Allison and Alisa Stewart-Merryman	Southeast Fountain School Corporation
Trevor Jones and Sue Siekman	Southwestern Jefferson County School Corporation
Chris Smith and Corey Smith	Taylor Community School Corporation*
Tim Garland and Michael Brahm	Tri-Central School Corporation
Greg Parsley and Casey Butler	Vincennes Community School Corporation

* Note: Joined Trust effective January 1, 2016.

Trust Officers

The following is a listing of persons serving as officers of the Trust as of August 31, 2015:

<u>Name</u>	<u>Title</u>
Kirk Boöe	Chairman
Greg Parsley	Vice Chairman
Jenny Segó	Secretary/Treasurer

Board of Trustees

The Trust is managed by a Board of Trustees (Board) that meets quarterly. Their duties include overseeing the administration of the Trust, approving premium rates, and managing investments pursuant to the provisions of the Trust Agreement. The Trust Director of Operations is a contracted employee of the Northwestern Consolidated Schools of Shelby County.

The Trust operates from rented office space from Madison Area Educational Special Services Unit. Marta Tingle, Director of Trust Operations (Director), has worked with the Trust since 1999 and is very knowledgeable of the Trust and its operations. The Director is responsible for administering all aspects of daily operations and reports to the Board. The Director attends all Board meetings and the majority of the Committee meetings.

With limited staff, the lack of segregation significantly compromises formal internal controls. However, the Trust has developed an extensive network of actuaries, advisors, auditors, committees, and legal counsel to provide oversight in order to mitigate risk, promote transparency, and assist the Trust in achieving its goals. The Trust maintains the following committees:

- Administrative Review Committee
- Benefits Committee
- Clinic Oversight Committee
- Executive Committee
- Finance Committee
- Membership Committee

Claims Appeals and Complaints

The Benefits Committee of the Trust acts as the appeals committee in accordance with Indiana Public Law 232. If a claimant has exhausted their appeal options with the TPA, they can submit their claim to the Benefits Committee. The Benefits Committee will review the claim and make recommendations to the Board. During the examination period, no claims that were disapproved by the TPA were overturned by the Board.

CORPORATE RECORDS

Trust Agreement

The Amended and Restated Hoosier Heartland School Trust Agreement, effective October 1, 2011, and signed by all participating employers, addressed the design and operation of the Trust which includes:

- Administrative organization of the Trust
- Responsibilities of the Trustees
- Terms for addition of participating employers, premium payments, withdrawal of participating employers, and responsibilities for obligations of participating employers upon termination of the Trust
- Participating employer's guidelines and defined rights
- Various other benefit and fund requirements and restrictions

Bylaws

There were no amendments to the Bylaws during the examination period.

Minutes

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

CONTRACT DOCUMENTATION

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

Plan Documents

The Trust's three (3) Plan Documents, updated annually, define the Trust's health insurance benefit offerings as administered by Anthem Insurance Companies, Inc., doing business as (d/b/a) Anthem Blue Cross Blue Shield (Anthem). The Health Benefit Booklets are comprehensive documents with notices of federally mandated patient protections, member rights and responsibilities, schedule of benefits, covered services, obtaining covered services, claims processes, and general provisions to include compliance to statutory requirements. The examination noted no instances where the Trust provided benefits contrary to the benefits defined in the Health Benefit Booklet.

Administrative Service Agreement

Effective September 1, 2007, and amended and restated on September 2, 2014, the Trust and Anthem entered into an Administrative Service Agreement. Anthem shall process claims, process claims appeals, administer complaints and appeals, maintain and build the Trust's provider network, perform case management, and perform any other administrative services required by the Trust. Amendments are made at least annually and the amendment as of September 2, 2014, was effective for the most current examination period as of August 31, 2015.

Consultant Service Agreement

Effective September 1, 2014, the Trust and R. E. Sutton & Associates entered into a Consultant Service Agreement to provide for the services to assist in developing a strategic plan, assist in review of fee proposals, attend Trust meetings, coordinate wellness programs, ensure strategic benchmarks, identify educational opportunities, manage vendor relationships, verify employee contributions, and select and procure appropriate stop-loss terms.

Independent Auditor

Effective October 23, 2015, the Trust entered into an Independent Auditor Agreement for the August 31, 2015, fiscal year with Brady, Ware & Schoenfeld, Inc. (Brady), to conduct the annual audit. The independent audit report issued as of August 31, 2015, was issued with an unqualified opinion on the financial statements. Larry E. Nunn and Associates served as the Trust's independent auditor through the issuance of the August 31, 2013, financial statements.

Actuarial Agreement

Effective September 17, 2015, the Trust entered into an Actuarial Agreement with Nyhart to provide the actuarial certification of the Trust's operations and funding as of August 31, 2015. The actuarial report of the Trust for the 2015 plan year was signed by Randy Gomez, FSA, MAAA.

Legal Services Agreement

Effective January 1, 2013, the Trust entered into a Legal Services Agreement with Bose McKinney & Evans LLP to provide legal support services. The agreement shall be automatically extended for twelve (12) month periods unless one (1) party of the agreement provides notice of non-renewal. As of August 31, 2015, there was no pending litigation identified during the examination. Additionally, no instances of federal regulatory noncompliance were identified during the examination.

Reciprocal Clinic Agreement

Effective February 16, 2015, the Trust entered into an agreement with Hancock Physician Network, LLC to offer reciprocity use of clinics to named participating members, including the Trust.

COBRA Management Agreement

Effective June 1, 2009, the Trust entered into an agreement with Infinisource Inc., to assist the Trust with providing notices to qualified beneficiaries and various other duties related to COBRA.

Clinic Development and Monitoring Agreement

Effective July 1, 2012, the Trust entered into an agreement with MTW Consulting, Inc., to provide monitoring of multiple clinics and clinic related services.

Critical Care Plan Document

Effective September 1, 2012, the Trust entered into agreement with Reliance Standard Life Insurance Company to provide fully-insured critical illness coverage to the Trust's eligible members.

Clinic Management Agreement

Effective November 1, 2013, the Trust and Indiana University Health Workplace Services (IUHWS) entered into a clinical management agreement in which IUHWS owns and operates a program designed to coordinate and manage an on-site health care clinic for eligible employees.

Clinic Management Agreement

Effective January 5, 2015, the Trust and WeCareTLC, LLC (WeCare) entered into an agreement to provide on-site health care clinic for eligible employees.

Clinic Management Agreement

Effective April 30, 2013, the Trust and OnSiteSolutions, LLC (OnSite) entered into a Clinic Management Agreement in which OnSite owns and operates a program designed to coordinate a health care clinic for local employers. OnSite will operate and manage the program and provide medical services for the Trust's clinic.

Clinic Services Agreement

Effective June 28, 2013, the Trust and Good Samaritan Hospital Physician Services, Inc. (GS), entered into an agreement whereby GS owns and operates a health care clinic to provide medical services to eligible employees.

Clinic Services Agreement

Effective May 1, 2013, the Trust and Wellness for Life Medical LLC (WFL) entered into an agreement to establish and operate a health care clinic for eligible employees. This agreement also gives full personnel authority to WFL.

Software Agreement

Effective January 27, 2014, the Trust entered into an agreement with Gordon Flesch Company, Inc., to provide IT support, electronic document cloud storage, website, and email services.

FIDELITY BOND

The Trust protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Travelers Casualty and Surety Company of America for Trustee and Fiduciary Liability and Employee Benefits Administration Coverage. The bond has an aggregate loss coverage limit of \$1,000,000, with a \$10,000 retention. No exceptions noted with regard to fidelity coverages held.

REINSURANCE

Stop Loss Policy

Effective September 1, 2014, the Trust and Anthem entered into a Stop Loss Policy. The policy includes specific stop loss limit of \$225,000 per member and an aggregate stop loss limit of \$18,061,000.

ACCOUNTS AND RECORDS

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

HOOSIER HEARTLAND SCHOOL TRUST
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
As of August 31, 2015

<u>ASSETS</u>	<u>Per Examination*</u>
Cash	\$ 3,901,547
Prepaid expenses	27,396
Totals	<u>\$ 3,928,943</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	\$ 12,005
Unearned member assessments	331,536
Obligations for claims incurred but not reported	1,324,386
Totals Liabilities	<u>1,667,927</u>
Fund Balance	
Restricted reserves – supplemental contribution reserve	3,628,708
Unrestricted reserves	(1,367,692)
Total Fund Balance	<u>2,261,016</u>
Total Liabilities and Fund Balance	<u>\$ 3,928,943</u>

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

HOOSIER HEARTLAND SCHOOL TRUST
STATEMENT OF REVENUE, EXPENSE AND CHANGE IN FUND BALANCE
As of August 31, 2015

<u>REVENUE</u>	<u>Per Examination*</u>
Premiums – school district contributions	\$ 16,993,099
Premiums – COBRA contributions	27,090
Total premium revenue	<u>17,020,189</u>
Less, premiums paid for critical care insurance (<i>pass-through revenue</i>)	(34,656)
Less, reinsurance premiums paid	<u>(1,407,230)</u>
Net health insurance premiums	15,578,303
Investments – Interest income	4,290
Other income	6,834
Total Revenue	<u>15,589,427</u>
<u>EXPENSES</u>	
Claims – healthcare	\$ 14,766,297
Claims – change in liability	<u>187,727</u>
Net claims expense	14,954,024
Clinic expense	870,757
Wellness programs	91,411
Administrative expense	<u>1,282,669</u>
Total Expenses	<u>17,198,861</u>
<u>CHANGE IN FUND BALANCE</u>	
Net income (loss)	(1,609,434)
Fund balance, beginning of period	<u>3,870,450</u>
Fund balance, end of period	<u>\$ 2,261,016</u>

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

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of August 31, 2015, based on the results of this limited scope examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues as of August 31, 2015 based on the results of this limited scope examination.

SUBSEQUENT EVENTS

The Trust maintains a supplemental contribution fund (SCF) of \$3,628,708. The Trust's restricted reserves as of August 31, 2015, exceeded the fund balance of \$2,261,016. The Trust should continue to monitor the SCF balance with the release of each actuarial report going forward to ensure SCF adequacy.

Bylaws were amended effective September 25, 2015, by unanimous vote of the Trustees. The amended Bylaws include the date of the beginning of the fiscal year as September 1 and outline other governance measures for the Trust including titles of the officers and provisions for meetings held and/or actions taken by Trustees by means of written consents.

Taylor Community School Corporation joined the Trust as a participating employer effective January 1, 2016.

The Critical Care Coverage Agreement with Reliance Standard Life Insurance Company was terminated by the Trust effective August 31, 2016.


AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., performed an examination of Hoosier Heartland School Trust, as of August 31, 2015.

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

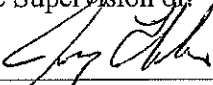
This examination was performed in accordance with those limited scope procedures guided by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted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

The attached Report on the Limited Scope Examination is a true and complete report of condition of Hoosier Heartland School Trust as of August 31, 2015, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

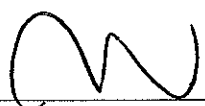
State of: Indiana
County of: Marion

Under the Supervision of:


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

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

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

My commission expires: July 4, 2019 

Notary Public

