HealthTrust

2025 Senate Bill 297 Written Testimony Submitted to House Commerce Committee

Submitted by: Scott DeRoche, Executive Director HealthTrust, Inc.

Date: April 23, 2025

Position: Opposes

HealthTrust opposes this bill in its current form because it does not permit health risk pools to hold adequate capital necessary for long-term financial stability. To be clear, HealthTrust recognizes that pooling of risk among political subdivisions of varied sizes and demographics is complex and nuanced and has become more challenging as health care claims have become more volatile. Because of that we are in favor of regulation through clearly articulated standards. The standards, however, must be actuarially sound and must allow risk pools to provide coverage in a manner that is both viable and valuable to the towns, cities, schools, counties, and other public sector employers and employees that we serve, and their taxpayers.

The system that has been proposed in SB297 is not based off of actuarial modeling nor reasonable standards. Since this bill became public two months ago, we have requested copies of the actuarial reports, models, and analysis that were used in developing the 12-16 percent contingency reserve at the center of this bill. We renewed our request last week and still have not received any documents showing that the framework is actuarially sound. Rather than modeling and testing the system through the application of sound actuarial methods, it appears that the system has been developed based on misapplying a short-term actuarial projection prepared for HealthTrust by HealthTrust's external actuaries. The report was provided to the Secretary of State's office last spring to keep the regulator up to date on HealthTrust's financial condition.

SB297, if passed, would require application of an arbitrary, low, and narrow level of reserves that quite literally relies upon assessments from the public sector (and through them, taxpayers) in order to remain solvent. SB297 takes away the stability that RSA 5-B is intended to provide that the public sector has come to rely on.

<u>We ask solely for a system to be introduced that is actuarially sound and provides a stable experience for the public sector entities that rely upon risk pools.</u>

Background

Risk pools were created in 1987 due to the inability of the private commercial market to meet the needs of New Hampshire's public sector. Today, risk pools typically provide more affordable and broader coverage than the private sector can provide. Additionally, as non-profits that exist solely to serve the public sector, we are able to offer rating cycles, services, and support that relieves the burden on public sector entities throughout the state. As commercial insurers continue to decline to quote public sector groups or quote excessively high rates, access to pooled risk management is needed now as much as, or more than, it was needed in 1987.

HealthTrust provides a welfare and benefit program for New Hampshire's cities, towns, counties and school districts. We currently serve 191 municipalities, six counties, 85 school districts and 74 other governmental entities such as water districts, libraries, charter schools, and fire districts. These entities represent employers with very few employees to nearly 1,000 employees. We currently cover over 72,000 distinct individuals. Importantly, we remain the only entity that does not decline to quote any eligible political subdivision regardless of size, demographics or health status.

Reserves

Over the past 10 years, both nationally and locally, health care affordability for employers and employees has become a major issue. During and after COVID, claims volatility spiked due to individuals first postponing, and then later seeking, care. Additionally, new and expensive technologies, increased provider costs, and new utilization have driven significant claims increases on a national level. These spikes further complicated the complex process of establishing renewal rates, and highlighted the need for risk pools to maintain adequate capital.

Reserves are critical, particularly in a volatile market, to ensure that claims are paid even in the face of larger than expected claims expenses.

SB297, as amended, would prevent HealthTrust from holding the reserves its actuaries have deemed necessary in order to ensure claims are paid. Instead, SB297 requires an arbitrary, low, and narrow level of reserves. In place of sufficient reserves, SB297 requires that if a shortfall occur, member groups will pay additional assessments and replenishments in order to maintain solvency. This shifts the risk to the very member groups that we are meant to serve and exposes them to the volatility that RSA 5-B was meant to protect against.

This will result in a system that is more volatile for public sector employers and employees. If a significantly bad year occurs, or a series of bad years, SB297 will rely upon imposing steep rate increases and assessing the public sector and its taxpayers to ensure claims are paid.

Protection from Risk in a Bad, or Significantly Bad, Year

It is critically important that risk pools have sufficient reserves in order to cover claims expenses, particularly if an unexpected spike in claims occurs. Claims are, by nature, volatile. When calculating reserves, it is important that they are sufficient to survive events (or a confluence of events) that are unlikely, but possible. For example, 1 in 20 year or, even, 1 in 50 year events.

When setting reserves, it is paramount to understand how a given reserve level will operate under various adverse conditions. A lower reserve level will likely be sufficient in an average year, where claims are slightly better or slightly worse than predicted. However, a higher reserve level is needed to survive rarer, but much more adverse, years.

The ability of cities, towns, school districts and counties to raise funds from taxpayers to cover unexpected expenses is extraordinarily limited. Protection from risk can only occur if a risk pool has sufficient reserves to weather these challenging years.

Too Low and Too Narrow

The reserve range introduced in Senate Bill 297 as amended (12-16% of annual contributions) is too low and too narrow to provide such protection. While that range may work in a typical year, in a bad year (or worse two bad years in a row) it would prove insufficient to ensure solvency.

As amended, SB297 seems to acknowledge such insufficiency, requiring each group to create, fund, and maintain their own reserves of at least 4% of contributions, in order to pay required assessments and replenishments when the pool's reserves prove to be insufficient.

HealthTrust Experience

HealthTrust has experienced these events first-hand. In FY2021, we had a fully funded target contingency that equated to approximately 19.6% of expected contributions, having recently returned $57M to the public sector through returns of surplus. However, due to adverse claims experience in FY2022 and FY2023, the contingency reserve fell to 4.7% of expected contributions, a reduction of over 14.9% in two years. We are now in the midst of a multi-year rebuild plan.

This is an example of reserves working as expected. No claims were unpaid. The risk pool remained solvent. Additionally, a reasonable rebuild is underway. As a result of this significant and dramatic use of reserves, the Board has set a new target contingency reserve level that would equate to 22.7% of contributions, so as to not fall so low again. SB297 would not allow such prudent action. Rather, it would limit HealthTrust's ability to accumulate capital for the protection of members and covered individuals.

If we had begun the year towards the low or mid-point of the 12-16% range indicated by SB297, the pool would have either gone insolvent or had to issue millions of dollars of unexpected assessments that would have unnecessarily burdened taxpayers and the towns, schools, cities, counties, and other entities that we serve. Starting at the high end of the range, 16%, would have left HealthTrust with approximately 1% in reserves, below the amount needed to have a reasonable confidence of short-term solvency and, therefore, requiring the pool to rescind offers of coverage for the upcoming renewal.

Different Models, Shared Experience

The two other health risk pools in New Hampshire, SchoolCare and New Hampshire Interlocal Trust (NHIT), both currently operate in the reserve range required by SB297.

NHIT operates in accordance with a current Risk Pool Practices agreement with the Secretary of State that has been in place since 2020, which requires them to have *no more than a* 15% reserve. After being fully reserved and giving back millions of dollars in return of surplus just two years ago, they are now unexpectedly closing, citing insufficient reserves to cover a recent unexpected spike in claims.

SchoolCare operates in a manner consistent with their expired Risk Pool Practices Agreement with the Secretary of State. It is my understanding, that they ended FY2024 with a reserve equating to approximately 9% of contributions, below the approximately 14% of contributions that they determined was required to have a high confidence to remain solvent through the current year.

I reference these examples not in any way to disparage NHIT or SchoolCare, but to further illustrate that the low reserve range long championed by the Secretary's office and enshrined in SB297 is not sufficient in the case of an unlikely, but possible, spike in claims. These spikes in claims are not hypothetical – they occur, particularly in the current highly volatile health industry, and have occurred to all three risk pools over the last several years.

Claims vs. Rating Practices

The Secretary of State's office has stated that the impact to reserves was due to rating practices, rather than due to claims spikes. This is incorrect.

We have conducted actuarial gain/loss reports that indicate the drivers of these losses were truly due to unexpectedly high claims. In one recent renewal, we rated for a 5.8% trend but experienced a 14.5% trend, an increase of two and half times what our actuaries projected.

The fact remains that risk pools provide coverage that, by nature, contains risk. Actuaries cannot predict future claims based on expenses incurred almost two years in advance with certainty. When reality runs different than expectation, reserves are critical to protecting against insolvency. Any viable reserve model must be able to ride through unexpected claims in the current rating cycle and allow for recovery in future rating cycles.

The political subdivisions of New Hampshire, and their taxpayers, need rate stability and protection from sudden losses. Mid-year or otherwise unexpected increases (whether through rate increases, assessments, or replenishments) of the second highest budget item on municipal budgets is not an acceptable solution.

Best Protection Against Low Reserves

All three health risk pools ended FY2024 with lower reserves than targeted, as a result of adverse claims experience. We agree that reserves should be higher than they currently are.

In the face of low reserves, the solution is **not** to enshrine into law a lower reserve range. Nor is the solution to simply bill cities, towns, schools, counties, and other public sector entities millions of dollars in unexpected assessments and replenishments.

The solution is to implement an actuarially sound methodology that ensures the public sector employers, employees, and taxpayers are protected.

System

Any viable system for the financial stability of New Hampshire's risk pools must rely upon actuarial modeling as its backbone. There are many available models in use throughout the country and in New Hampshire that can be adapted to apply to New Hampshire risk pools. Chief among them is the Risk Based Capital (RBC) model developed by the National Association of Insurance Commissioners (NAIC) and in use by the New Hampshire Insurance Department to ensure financial stability of insurers. The RBC model's entire focus is to ensure that appropriate levels of reserves are retained in order to ensure the solvency and viability of an insurer. It is a tried-and-true, proven methodology supported by a full set of well-developed systems and standards. Rather than a fixed percentage of reserves, the system adapts to changes in the wider ecosystem, which is critical in a period of volatility.

Conclusion

Risk pooling is complex and nuanced system that requires careful and thoughtful regulation. This is particularly true in a volatile health care market. The impacts and ramifications of SB297 run far beyond an overly simplistic application of reserve requirements.

Our member groups strongly desire rate stability and protection from risk. To date, the dialogue has been singularly focused on allowing only one model of health risk pool in New Hampshire and debating the absolute minimum reserve level needed to operate that model. SB297 requires undercapitalization and relies upon assessments and 1-year replenishments for solvency. The discussion should instead be focused on designing a system that allows more models of risk pools to exist, including those that provide additional protections and a more stable experience for political subdivisions and taxpayers.

By forcing New Hampshire's cities, towns, counties and school districts to bear the risk of required undercapitalization, Senate Bill 297 threatens the very existence of the pooled risk management program that HealthTrust offers and has served the vast majority of public sector employers well for nearly 40 years. If passed, this bill would limit coverage choices at a time when some political subdivisions, due to recent claims experience, are not able to even get a quote for medical coverage in the commercial market.

We support reasonable standards and stand ready to work with any and all stakeholders to evaluate, craft, and implement such standards that will work for the public sector of New Hampshire.

Different Models of Risk Pools

Level of Risk Protection

High Protection

Pool Holds Risk – Members are Insured

Higher Reserves Held by Pool

Surplus Retained by Pool

Replenishments Gradual via Multi-Year Rebuild

No Assessments

Prioritizes Long-Term Stability of Pool and Protection of Member Against Volatility

Low Protection

Member Holds Risk – Pool is Administrator

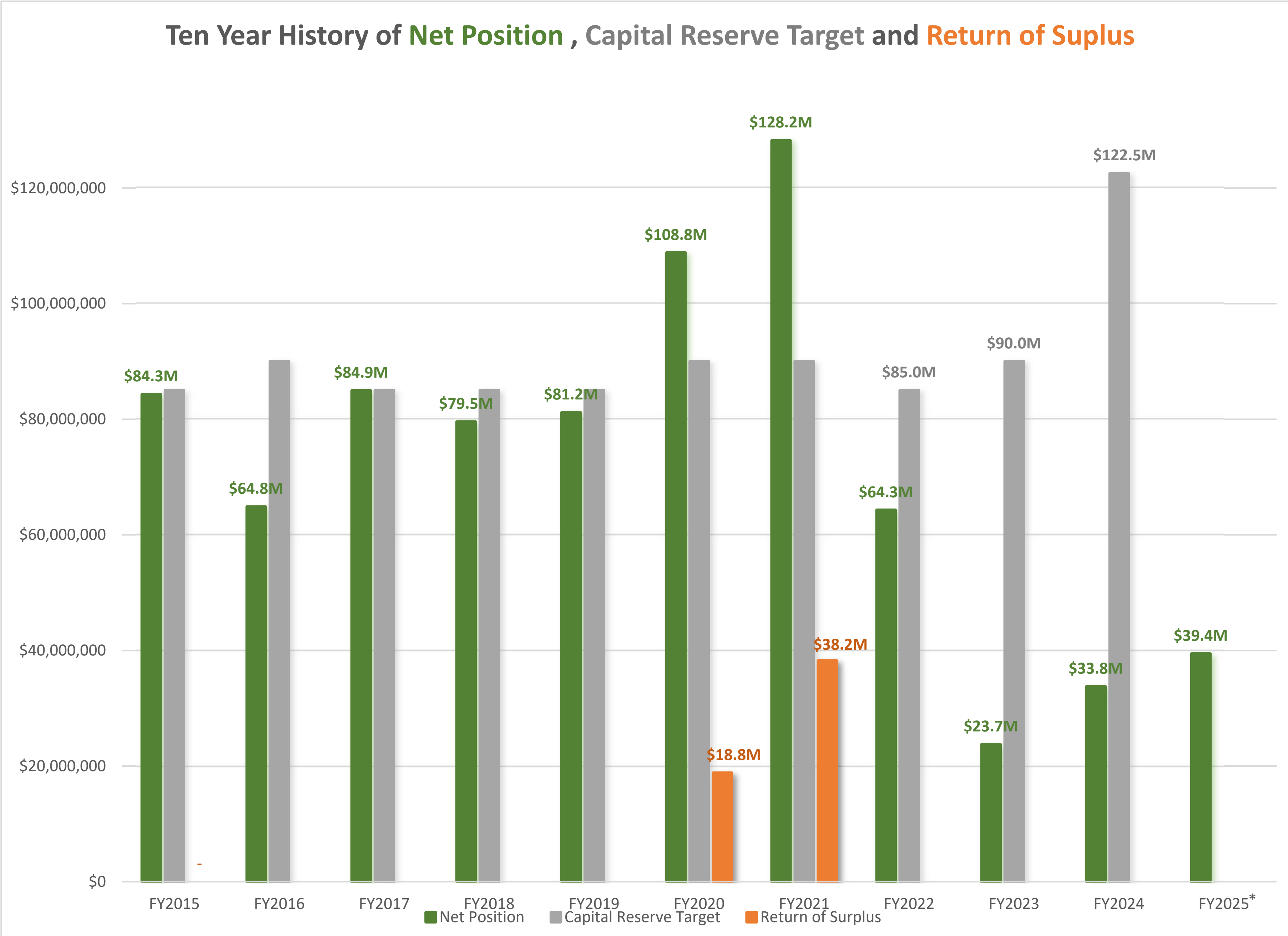
Lower Reserves Held by Pool

“Pass Through” Costs and Surplus

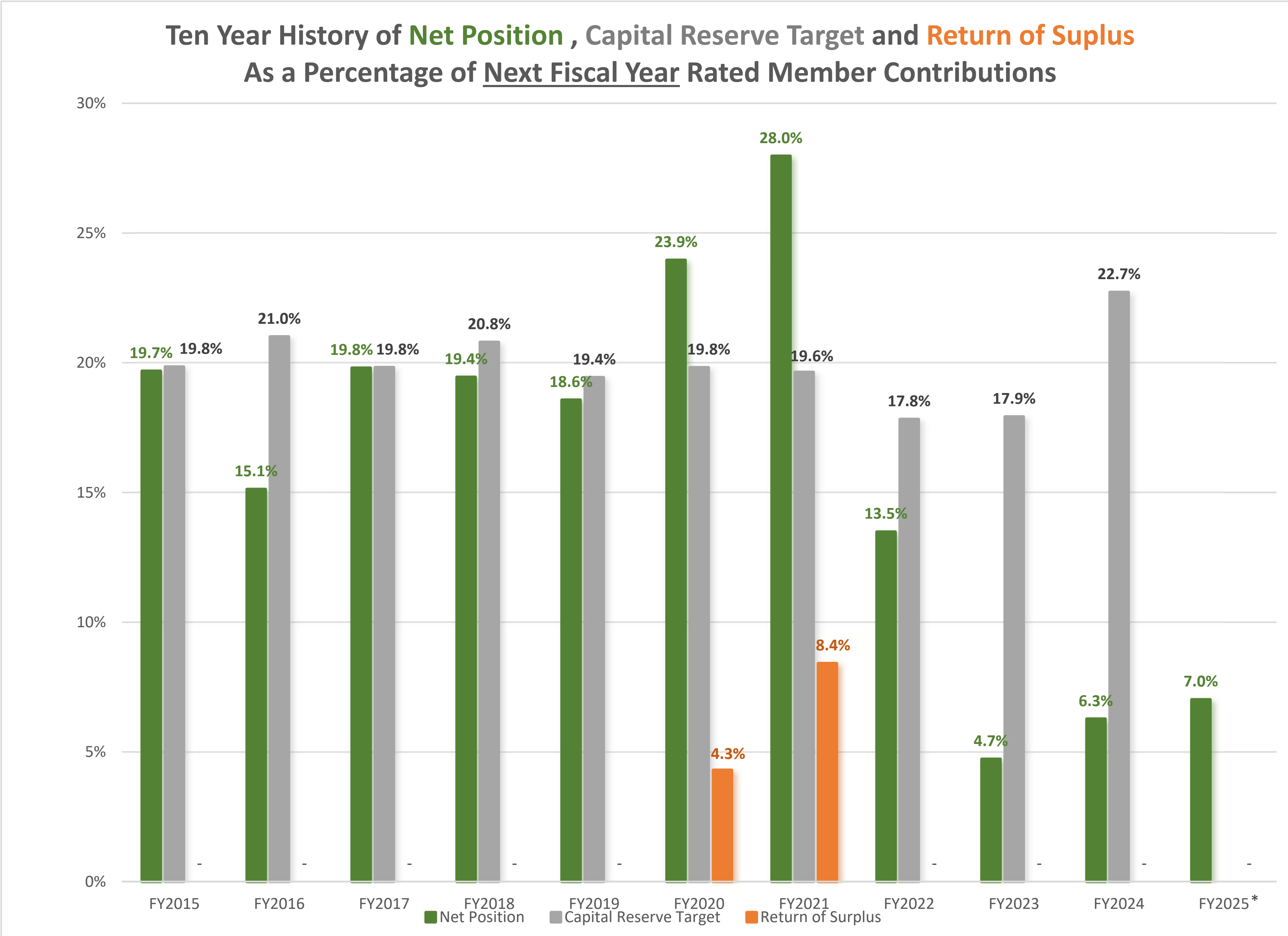
Replenishments are Rapid

Assessments Occur

Prioritizes Member Choice in Managing Plan Design and Requires High Risk Tolerance



*FY2025 is Fiscal Year to Date through March 2025 (9 months)



*FY2025 is Fiscal Year to Date through March 2025 (9 months)

HEALTHTRUST, INC
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
Year to date through March 31, 2025*

	July	August	September	October	November	December	January	February	March	FY2025 YTD
REVENUES:										
Contributions - Enrollment	$44,849,775	$45,104,317	$44,944,993	$45,343,793	$45,116,694	$45,085,518	$42,205,960	$42,187,900	$42,124,815	$396,963,765
Contributions - Medicare Advantage	-	-	-	-	-	-	$1,730,634	$1,732,859	$1,717,748	5,181,241
Support Services (CTP)	-	-	24,054	-	-	21,478	-	-	26,362	71,895
Ancillary Services	1,156,012	1,137,847	961,788	1,001,278	923,911	962,625	1,054,667	913,507	888,613	9,000,249
Cobra and Medicare D	2,459	1,023	2,415	1,610	536	1,460	1,180	1,276	3,523	15,483
Miscellaneous Income	18	5,515	62,560	864,262	16,324	3,542	7,197	(46,764)	449	913,102
Total Revenues	**$46,008,265**	**$46,248,703**	**$45,995,810**	**$47,210,942**	**$46,057,465**	**$46,074,623**	**$44,999,637**	**$44,788,778**	**$44,761,509**	**$412,145,734**
EXPENSES:										
Claims paid or accrued	$41,114,090	$44,024,526	$36,590,851	$42,045,314	$45,707,875	$44,486,235	$41,853,589	$37,393,419	$35,442,935	$368,658,835
Medicare Advantage Premium	-	-	-	-	-	-	1,578,847.50	1,580,893.15	1,566,811.55	4,726,552.20
Claims administration-Vendor (Service Exp.)	1,412,685	1,443,994	1,434,442	1,453,912	1,456,939	1,443,586	1,332,542	1,340,698	1,329,757	12,648,556
Ancillary Services	1,197,249	1,140,118	960,839	1,002,061	924,411	963,723	1,081,893	914,913	890,494	9,075,702
Operating expenses	867,965	870,659	887,472	905,024	880,450	892,849	918,194	913,195	913,480	8,049,289
Stop Loss Premiums	-	-	-	-	-	-	433,589	434,312	433,869	1,301,769
Wellness Programs	274,150	297,214	362,318	234,332	289,963	423,641	374,073	371,019	530,219	3,156,929
Depreciation and Amortization Expense	13,151	13,151	16,219	16,219	16,219	16,219	8,338	8,338	8,338	116,193
Vaccine Program	138,718	145,654	136,700	139,211	145,657	136,700	142,033	151,283	142,033	1,277,989
Affordable Care Act-Federal Taxes	14,241	14,241	14,241	14,241	14,241	20,353	15,260	15,260	15,260	137,338
Change in Premium Deficiency Reserve	-	-	-	-	-	-	-	-	-	-
Gain/Loss on CTP	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in reserve for claims	(260,095)	5,407	1,005	117,506	36,050	8,738	(256,710)	10,294	(53,394)	(391,199) **
Increase (decrease) in reserve for administration	(41,297)	31,785	(17,156)	40,450	(14,744)	(2,672)	(17,492)	13,503	(11,716)	(19,337) **
Total Expenses	**$44,730,858**	**$47,986,750**	**$40,386,932**	**$45,968,271**	**$49,457,061**	**$48,389,372**	**$47,464,156**	**$43,147,128**	**$41,208,088**	**$408,738,617**
OPERATING GAIN / (LOSS)	**$1,277,407**	**($1,738,046)**	**$5,608,877**	**$1,242,671**	**($3,399,596)**	**($2,314,748)**	**($2,464,519)**	**$1,641,650**	**$3,553,421**	**$3,407,117**
NON-OPERATING INCOME:										
Investment & interest revenue	$158,966	$174,248	$169,103	$178,533	$177,305	$176,380	$165,730	$171,168	$172,868	$1,544,302
Net Change in Fair Value of Investments	421,812	289,827	180,962	(510,700)	221,680	(322,487)	75,433	391,395	(54,836)	693,084
Total Non-Operating income	**$580,777**	**$464,075**	**$350,065**	**($332,167)**	**$398,985**	**($146,107)**	**$241,163**	**$562,563**	**$118,032**	**$2,237,385**
INCREASE / (DECREASE) IN NET POSITION	**$1,858,184**	**($1,273,971)**	**$5,958,942**	**$910,504**	**($3,000,611)**	**($2,460,855)**	**($2,223,356)**	**$2,204,213**	**$3,671,454**	**$5,644,502**

ADDITIONAL NOTES:

*   Unaudited

** On March 9, 2025, our external actuaries developed the incurred but not paid (IBNP) claim reserves for HealthTrust as of 12/31/24. The IBNP reserves are for claims incurred prior to December 31, 2024 that are not paid as of that date. The results of the analysis indicated that IBNP could be reduced by approximately $5M, which would result in a corresponding increase to Net Position of the same amount. However, due to the precipitous decrease in the estimated reserve and recent large variability in Anthem claims payment patterns, our actuaries advised us to maintain the current reserve amount and continue to monitor the reserve on a more frequent basis. The HealthTrust Board of Directors concurred with the recommendation of the acturaries and requeted an update to the analysis be performed for the period ending March 31, 2025.

HEALTHTRUST, INC
STATEMENT OF NET POSITION
Year to date through March 31, 2025*

	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	January 2025	February 2025	March 2025
ASSETS									
Cash and Cash Equivalents	$33,548,697	$35,098,641	$45,451,720	$44,750,184	$46,164,241	$44,819,500	$44,622,583	$45,904,175	$60,886,167
Fixed Maturity Securities	25,810,448	25,215,363	25,251,643	24,539,129	24,542,218	23,985,579	23,828,440	23,551,833	23,493,742
Contributions receivable from members	9,629,138	7,821,851	1,167,761	6,268,660	5,027,738	6,186,751	2,773,176	4,895,789	(6,770,493)
Accounts receivable	2,694,606	3,175,109	3,677,218	3,254,232	2,852,070	3,330,646	2,645,950	1,635,036	1,907,814
Accrued interest receivable	119,342	118,990	119,446	97,311	94,207	105,877	112,552	110,240	116,550
Deposits - Vendor & Contractual	2,011,724	2,011,724	2,011,724	2,011,724	2,011,724	2,011,724	2,011,724	2,011,724	2,011,724
Prepaid expenses	442,095	393,342	353,126	346,645	312,114	350,311	405,419	366,825	327,493
Property & equipment, net	271,254	266,442	442,655	434,775	426,894	419,014	411,133	403,253	395,372
Right-of-Use Asset OneSource, net	2,745,868	2,745,868	2,745,868	2,745,868	2,745,868	2,745,868	2,745,868	2,745,868	2,745,868
Right-of-Use Asset Rent, net	519,847	519,847	519,847	519,847	519,847	519,847	519,847	519,847	519,847
Right-of-Use Asset IT Leases, net	59,093	50,754	42,416	34,077	25,739	17,400	16,942	16,484	16,026
Majority interest in CTP	4,795,744	4,795,744	4,795,744	4,795,744	4,795,744	4,795,744	4,795,744	4,795,744	4,795,744
	$82,647,856	$82,213,676	$86,579,168	$89,798,195	$89,518,402	$89,288,261	$84,889,379	$86,956,817	$90,445,854
DEFERRED PENSION OUTFLOWS	$2,602,782	$2,602,782	$2,602,782	$2,602,782	$2,602,782	$2,602,782	$2,602,782	$2,602,782	$2,602,782
Total Assets	**$85,250,638**	**$84,816,458**	**$89,181,950**	**$92,400,977**	**$92,121,184**	**$91,891,042**	**$87,492,161**	**$89,559,599**	**$93,048,635**
LIABILITIES									
Claims Payable	$6,788,954	$7,085,441	$5,446,142	$7,938,963	$10,616,752	$12,816,034	$10,351,514	$11,400,897	$11,229,600
Claims Reserves	30,556,874	30,562,280	30,563,286	30,680,792	30,716,842	30,725,580	30,468,870	30,479,164	30,425,770 **
Claims Administration Reserve	2,796,242	2,828,027	2,810,871	2,851,321	2,836,578	2,833,906	2,816,414	2,829,917	2,818,201 **
Accounts Payables and Accrued Expenses	2,874,318	3,295,262	3,266,124	2,832,764	2,763,412	2,972,057	4,355,264	3,045,756	3,000,196
Net Pension Liability	2,647,970	2,647,970	2,647,970	2,647,970	2,647,970	2,647,970	2,647,970	2,647,970	2,647,970
Capitalized Lease Liability	63,329	54,507	45,654	36,769	27,854	18,908	18,471	18,032	17,591
Subscription Liability - OneSource	1,583,424	1,677,415	1,777,406	1,877,396	1,977,387	1,803,053	983,480	1,083,471	1,183,461
Lease Liability - Rent	519,847	519,847	519,847	519,847	519,847	519,847	519,847	519,847	519,847
Total Liabilities	**$47,830,958**	**$48,670,749**	**$47,077,299**	**$49,385,823**	**$52,106,641**	**$54,337,354**	**$52,161,829**	**$52,025,054**	**$51,842,637**
DEFERRED PENSION INFLOWS	$1,806,739	$1,806,739	$1,806,739	$1,806,739	$1,806,739	$1,806,739	$1,806,739	$1,806,739	$1,806,739
NET ASSETS									
Net Assets-Unrestricted	$32,281,628	$30,822,149	$36,517,393	$38,045,922	$34,930,925	$32,625,498	$29,515,038	$31,435,747	$35,269,924
Net Assets-Unrealized gain on investment securities	(2,893,893)	(2,604,067)	(2,423,105)	(2,933,805)	(2,712,126)	(3,034,613)	(2,959,180)	(2,567,785)	(2,622,621)
Majority interest in CTP	4,795,744	4,795,744	4,795,744	4,795,744	4,795,744	4,795,744	4,795,744	4,795,744	4,795,744
Invested in Capital Assets	1,429,463	1,325,143	1,407,881	1,300,555	1,193,261	1,360,321	2,171,991	2,064,101	1,956,213
Total Net Assets	**$35,612,941**	**$34,338,970**	**$40,297,912**	**$41,208,416**	**$38,207,805**	**$35,746,949**	**$33,523,593**	**$35,727,806**	**$39,399,260**
Total Liabilities and Net Position	**$85,250,638**	**$84,816,458**	**$89,181,950**	**$92,400,977**	**$92,121,184**	**$91,891,042**	**$87,492,161**	**$89,559,599**	**$93,048,635**

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