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July 15, 2020

Via Electronic Mail

Mr. George Tsiopras
Chief Financial Officer
HealthTrust, Inc.
25 Triangle Park Drive
Concord, NH 03302

Re: HealthTrust Incurred but Not Paid Claim Reserves as of June 30, 2020

Dear George:

As requested, we have developed the incurred but not paid (IBNP) claim reserves for HealthTrust as of June 30, 2020. These reserves are for claims incurred prior to June 30, 2020 that are not yet paid as of that date.

Results

Our estimates of the June 30, 2020 claim reserves for medical (excluding prescription drugs), dental, and short-term disability are summarized below. We believe that these amounts make a good and sufficient provision, in the aggregate, for all unpaid claims.



June 30, 2020 IBNP Claim Reserves

1. Reserve for claims	
a. Medical (excl. prescription drugs)*	\$19,658,000
b. Dental	\$641,000
c. Short-term disability	<u>\$191,089</u>
d. Total reserve for claims	<u>\$20,490,089</u>
2. Reserve for administration	
a. Medical (excl. prescription drugs)	\$2,421,583
b. Dental	<u>\$306,024</u>
c. Total reserve for administration	<u>\$2,727,607</u>
3. Total reserve	
a. Medical (excl. prescription drugs)	\$22,079,583
b. Dental	\$947,024
c. Short-term disability	<u>\$191,089</u>
d. Total reserve for claims/admin	<u>\$23,217,696</u>

* Includes \$271,000 for SAU 60 claims.

The medical claim reserve is inclusive of SAU 60, HealthTrust's sole self-funded group. SAU 60 constitutes about 1.4% of HealthTrust medical claims, and it is reasonable to assume that about 1.4% of the medical claims reserve reported herein, or \$271,000, could be attributed to SAU 60.

Details of the reserve development for medical and dental claim reserves are shown in the following attached exhibits:

- Exhibit I: Claim runout method for medical IBNP claims reserve
- Exhibit II: Claim runout method for dental IBNP claims reserve

The June 30, 2020 medical and dental IBNP claim reserves are based on analyses of paid claims through June 30, 2020 broken down by incurred date and paid date as furnished by HealthTrust. A 5% explicit margin is included in the medical and dental claim reserves.

Restated 2019 Medical Claim Reserve

The restated the June 30, 2019 medical IBNP claim reserve, including SAU 60, is \$19,091,000. The June 30, 2019 IBNP reserve (including margin) was \$19,427,000. The restated estimate is 1.7% below the original reserve with margin and 3.2% above the original reserve without margin (\$18,502,000).

Methodology

The IBNP reserves were calculated using the “claim runout” method which examines past claims payment patterns and determines the portion of claims incurred during a month that are paid within specific time periods. For recent months, when paid claims data is too sparse to develop estimated incurred claims, we use trend assumptions and average claims per member projections to develop incurred claims. The claim reserves were calculated as estimated incurred claims through June 30, 2020, minus claims paid through June 30, 2020. We then added a 5% explicit margin to the reserve.

The IBNP reserve estimate accounts for the impact of the pandemic on incurred claims prior to June 30, 2020, namely the deferral of services for March through June. This reserve level is likely not adequate for the expected level of incurred claims if there were no deferral of services. Milliman will provide factors that should be used to set ongoing monthly reserve levels reflecting the expected return to normal claim levels.

We estimate the reserve for STD to be the amount of premium received for May and June 2020, as reported by HealthTrust.

The reserve for administration covers the cost of administering unreported claims. The termination provisions in HealthTrust’s contracts with Anthem and Delta Dental require payment of two months of administrative fees upon contract termination. Therefore, the reserve is equal to two months of medical and dental administrative fees based on the respective June 2020 contracts.

Data Reliance

We relied upon the membership, claims data, and premiums provided in the following files:

- *HealthTrust Claims and Member Matrix 2020-06 Exhibit.xlsx* - Medical claim triangles and monthly membership
- *3116 - HealthTrust Inc 6-30-2020 large tri.xlsx* - Dental claim triangle
- *HT Covered Lives Counts by Coverage Line 2020.xlsx* - Monthly dental membership
- *STD claims and Contributions FY2020.xlsx* - STD premiums
- *Monthly Reserve Reconciliation 06.30.20.xlsx* - medical and dental administrative fees
- HealthTrust staff estimate the claim reserve for prescription drugs paid through CVS/Caremark



Mr. George Tsiopras
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We evaluated the data for reasonableness and consistency to the extent practicable. As is our practice, we did not audit or verify the accuracy of the underlying data, but relied on it as provided to us. If the underlying data is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Caveats, Limitations, and Qualifications

It should be emphasized that the claim reserve estimates shown in this letter are estimates based upon certain assumptions. Actual experience may differ from these assumptions. To the extent that actual experience differs, the resulting claim reserves would be different from what is presented in this letter. The exact liability can only be determined after a significant passage of time permits the filing and payment of outstanding claims.

This letter is prepared solely for the internal business use of HealthTrust, Inc. for the preparation of US GAAP financial statements. The reserve estimates stated in this letter may not be appropriate for other purposes. Our work may not be provided to third parties without our prior written consent. Milliman does not intend to benefit any third party recipient of its work product, even if we consent to the release of the work product to such third party.

Catherine Murphy-Barron and Eric Buzby are Consulting Actuaries with Milliman. They are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Catherine Murphy-Barron".

Catherine Murphy-Barron, MBA, FSA, MAAA
Principal & Consulting Actuary

A handwritten signature in black ink that reads "Eric A. Buzby".

Eric A. Buzby, FSA, MAAA
Consulting Actuary

CC: Wendy Parker, HealthTrust
Kathleen Fox, HealthTrust

Exhibit I
HealthTrust
Reserve for Medical (excl. Rx) Claims as of June 30, 2020

	(A)	(B)	(C)	(D) = (B)/(C)	(E) = (C)/(A)	(F)	(G) = (C)-(B)
Incurring Month	Member Months	Cumulative Paid	Estimated Incurred	Completion Factor	Incurred Cost per Member Month	Rolling 3 Month Cost Per Member Month	Reserve (IBNP)
Jun-20	53,448	10,299,321	23,706,288	0.4345	443.54	332.04	13,406,967
May-20	53,473	14,291,869	16,800,232	0.8507	314.18	308.25	2,508,363
Apr-20	53,479	11,862,214	12,752,641	0.9302	238.46	347.47	890,427
Mar-20	53,440	19,218,797	19,888,671	0.9663	372.17	430.45	669,874
Feb-20	53,478	22,715,712	23,091,770	0.9837	431.80	454.26	376,058
Jan-20	53,450	25,765,396	26,050,269	0.9891	487.38	463.20	284,873
Dec-19	53,258	23,482,677	23,624,036	0.9940	443.58	451.38	141,359
Nov-19	53,251	24,302,739	24,419,401	0.9952	458.57	442.86	116,662
Oct-19	53,243	23,989,658	24,065,055	0.9969	451.99	439.10	75,397
Sep-19	53,204	22,184,257	22,239,784	0.9975	418.01	433.69	55,527
Aug-19	52,922	23,636,853	23,674,818	0.9984	447.35	441.61	37,965
Jul-19	52,713	22,945,094	22,972,555	0.9988	435.80	446.06	27,461
Jun-19	53,048	23,405,442	23,428,323	0.9990	441.64	453.07	22,881
May-19	53,156	24,465,214	24,486,200	0.9991	460.65	464.80	20,986
Apr-19	53,188	24,283,712	24,301,479	0.9993	456.90	447.49	17,767
Mar-19	53,226	25,364,719	25,380,816	0.9994	476.85	454.55	16,097
Feb-19	53,283	21,769,333	21,780,678	0.9995	408.77	435.79	11,345
Jan-19	53,124	25,388,099	25,398,895	0.9996	478.11	435.42	10,796
Dec-18	53,266	22,396,539	22,404,426	0.9996	420.61	431.96	7,887
Nov-18	53,214	21,684,732	21,690,722	0.9997	407.61	425.27	5,990
Oct-18	53,167	24,860,692	24,866,036	0.9998	467.70	440.13	5,344
Sep-18	53,144	21,281,647	21,285,086	0.9998	400.52	434.09	3,439
Aug-18	52,499	23,742,970	23,745,911	0.9999	452.31	452.95	2,941
Jul-18	51,986	23,392,455	23,394,598	0.9999	450.02	451.31	2,143
Jun-18	51,274	23,408,222	23,409,796	0.9999	456.56	446.32	1,574
May-18	51,319	22,957,252	22,958,124	1.0000	447.36	437.32	872
Apr-18	51,397	22,359,517	22,360,190	1.0000	435.05	432.96	673
Mar-18	51,443	22,097,810	22,098,232	1.0000	429.57	438.27	422
Feb-18	51,462	22,348,271	22,348,483	1.0000	434.27	423.04	212
Jan-18	51,497	23,223,231	23,223,299	1.0000	450.96	432.68	68
Dec-17	50,535	19,363,017	19,363,017	1.0000	383.16	428.25	0
Nov-17	50,457	23,392,175	23,392,175	1.0000	463.61	433.65	0
Oct-17	50,461	22,104,116	22,104,116	1.0000	438.04	425.99	0
Sep-17	50,384	20,116,499	20,116,499	1.0000	399.26	414.30	0
Aug-17	49,927	22,006,553	22,006,553	1.0000	440.77	424.45	0
Jul-17	49,828	20,079,346	20,079,346	1.0000	402.97	422.65	0
Jun-17	51,606	22,159,326	22,159,326	1.0000	429.39	412.66	0
May-17	51,699	22,483,032	22,483,032	1.0000	434.88	418.52	0
Apr-17	51,747	19,341,516	19,341,516	1.0000	373.77	396.56	0
Mar-17	51,846	23,168,222	23,168,222	1.0000	446.87	409.96	0
Feb-17	51,821	19,121,639	19,121,639	1.0000	368.99	391.50	0
Jan-17	51,791	21,442,431	21,442,431	1.0000	414.02	414.02	0
Total		\$917,902,316	\$936,624,686				\$18,722,370
						Provision for Adverse Deviation 5%	\$936,119
						Rounded Final Reserve	\$19,658,000
						CY 2017	\$0
						CY 2018	\$33,000
						CY 2019	\$582,000
						CY 2020	\$19,043,000

**Exhibit II
HealthTrust
Reserve for Dental Claims as of June 30, 2020**

	(A)	(B)	(C)	(D) = (B)/(C)	(E) = (C)/(A)	(F)	(G) = (C)-(B)
Incurring Month	Member Months	Cumulative Paid	Estimated Incurred	Completion Factor	Incurred Cost per Member Month	Rolling 3 Month Cost Per Member Month	Reserve (IBNP)
Jun-20	56,118	\$1,361,330	\$1,903,105	0.7153	\$33.91	\$15.42	\$541,775
May-20	56,198	587,279	811,016	0.9612	10.87	10.82	23,737
Apr-20	56,236	82,836	84,165	0.9842	1.50	18.93	1,329
Mar-20	56,258	1,121,158	1,130,523	0.9917	20.10	31.66	9,365
Feb-20	56,235	1,969,802	1,979,702	0.9950	35.20	35.35	9,900
Jan-20	56,282	2,225,147	2,232,870	0.9965	39.67	34.75	7,723
Dec-19	56,241	1,748,942	1,752,956	0.9977	31.17	34.34	4,014
Nov-19	56,224	1,875,051	1,878,011	0.9984	33.40	35.31	2,960
Oct-19	56,078	2,154,775	2,157,213	0.9989	38.47	39.33	2,438
Sep-19	55,880	1,902,304	1,903,890	0.9992	34.07	43.19	1,586
Aug-19	55,432	2,521,066	2,522,611	0.9994	45.51	43.69	1,545
Jul-19	55,407	2,773,194	2,774,656	0.9995	50.08	39.78	1,462
Jun-19	55,617	1,974,797	1,975,591	0.9996	35.52	35.32	794
May-19	55,677	1,881,372	1,881,808	0.9998	33.80	34.77	436
Apr-19	55,702	2,040,149	2,040,526	0.9998	36.63	35.20	377
Mar-19	55,795	1,889,536	1,889,856	0.9998	33.87	35.96	320
Feb-19	55,852	1,959,301	1,959,530	0.9999	35.08	35.29	229
Jan-19	55,840	2,172,430	2,172,656	0.9999	38.91	34.94	226
Dec-18	55,657	1,774,090	1,774,223	0.9999	31.88	34.77	133
Nov-18	55,600	1,891,725	1,891,863	0.9999	34.03	34.49	138
Oct-18	55,511	2,131,845	2,131,845	1.0000	38.40	39.16	0
Sep-18	55,299	1,716,122	1,716,122	1.0000	31.03	42.47	0
Aug-18	54,653	2,632,093	2,632,093	1.0000	48.16	43.99	0
Jul-18	54,672	2,642,874	2,642,874	1.0000	48.34	39.54	0
Jun-18	56,002	1,997,711	1,997,711	1.0000	35.67	35.07	0
May-18	56,059	1,951,738	1,951,738	1.0000	34.82	34.45	0
Apr-18	56,116	1,948,795	1,948,795	1.0000	34.73	34.07	0
Mar-18	56,125	1,897,910	1,897,910	1.0000	33.82	34.59	0
Feb-18	56,138	1,890,078	1,890,078	1.0000	33.67	33.47	0
Jan-18	56,127	2,037,291	2,037,291	1.0000	36.30	33.61	0
Dec-17	55,982	1,703,019	1,703,019	1.0000	30.42	33.10	0
Nov-17	55,892	1,905,382	1,905,382	1.0000	34.09	33.55	0
Oct-17	55,795	1,941,155	1,941,155	1.0000	34.79	38.67	0
Sep-17	55,583	1,765,210	1,765,210	1.0000	31.76	42.11	0
Aug-17	54,975	2,726,406	2,726,406	1.0000	49.59	43.75	0
Jul-17	54,931	2,477,025	2,477,025	1.0000	45.09	38.49	0
Jun-17	55,122	2,016,294	2,016,294	1.0000	36.58	33.77	0
May-17	55,231	1,869,082	1,869,082	1.0000	33.84	33.31	0
Apr-17	55,287	1,708,289	1,708,289	1.0000	30.90	32.25	0
Mar-17	55,300	1,945,755	1,945,755	1.0000	35.19	33.99	0
Feb-17	55,295	1,695,191	1,695,191	1.0000	30.66	33.39	0
Jan-17	55,244	1,995,996	1,995,996	1.0000	36.13	36.13	0
Total		\$80,501,545	\$81,112,032				\$610,487
						Provision for Adverse Deviation 5%	\$30,524
						Rounded Final Reserve	\$641,000
						CY 2017	\$0
						CY 2018	\$300
						CY 2019	\$17,200
						CY 2020	\$623,500