



463 7th Avenue
19th Floor
New York, NY 10018
USA

Tel +1 646 473 3000

milliman.com

August 1, 2024

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, 2024

Dear George:

As requested, we have developed the incurred but not paid (IBNP) claim reserves for HealthTrust as of June 30, 2024. These reserves are for claims incurred prior to June 30, 2024 that are not yet paid as of that date.

Results

Our estimates of the June 30, 2024 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, 2024 IBNP Claim Reserves

1. Reserve for claims	
a. Medical (excl. prescription drugs)	\$29,543,000
b. Dental	\$990,000
c. Short-term disability	<u>\$283,969</u>
d. Total reserve for claims	<u>\$30,816,969</u>
2. Reserve for administration	
a. Medical (excl. prescription drugs)	\$2,512,914
b. Dental	<u>\$324,624</u>
c. Total reserve for administration	<u>\$2,837,538</u>
3. Total reserve	
a. Medical (excl. prescription drugs)	\$32,055,914
b. Dental	\$1,314,624
c. Short-term disability	<u>\$283,969</u>
d. Total reserve for claims/admin	<u>\$33,654,507</u>

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, 2024 medical and dental IBNP claim reserves are based on analyses of paid claims through June 30, 2024 broken down by incurred date and paid date as furnished by HealthTrust. A 10% explicit margin is included in the medical claim reserve and a 5% explicit margin is included in the dental claim reserve.

Restated June 30, 2023 Medical Claim Reserve

The restated June 30, 2023 medical IBNP claim reserve is \$24,559,000. The June 30, 2023 IBNP reserve (including margin) was \$34,565,000. The restated estimate is 29.0% below the original reserve with margin and 25.4% below the original reserve without margin (\$32,920,000). This decrease is driven by a change in run-out pattern from the prior period. When comparing the 12-month run-out period for the incurred claims of the year ending June 30, 2022 (\$32.6M) and the year ending June 30, 2023 (\$23.3M), there was a reduction of \$9.3M, or 28.5%, resulting in the lower restated estimate.

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, 2024, minus claims paid through June 30, 2024.

We add an explicit margin to our reserve estimate to allow for volatility. We added a 10% explicit margin to the medical reserve and a 5% explicit margin to the dental reserve. The change in payment pattern noted above is reflected in the medical IBNP reserve estimate as of June 30, 2024. We increased the medical margin to 10% from our historical 5% margin due to the uncertainty related to the variability of the payment pattern for the most recent period versus the prior periods. We contacted Anthem regarding this change in payment pattern to gain a better understanding of the reason for the significant change and the likelihood that it will continue into future years. While no specific reasons were provided, Anthem does not anticipate a significant increase for the next year.

We estimate the reserve for STD to be the amount of premium received for May and June 2024, 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 2024 contracts.

Data Reliance

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

- *Anthem Lag 6.30.2024.xlsx* - Medical claim triangles and monthly membership
- *Delta Lag 06.30.2024.xlsx* - Dental claim triangle and monthly membership
- *Healthtrust Capital Analysis as of 6.30.24 for Milliman.xlsx* - STD premiums
- *HT Reserve Balances 6.30.24 Prelim.xlsx* - medical and dental administrative fees

HealthTrust staff estimate the claim reserve for prescription drugs paid through Caremark.

Caveats, Limitations, and Qualifications

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to estimate HealthTrust's IBNP claim reserve amount as of June 30, 2024. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness for their intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs).

The models rely on data and information as input to the models. We have relied upon certain data and information provided by HealthTrust for this purpose and accepted it without audit. HealthTrust staff estimates the claim reserve for prescription drugs paid through Caremark. To the extent that the underlying data or information is inaccurate or incomplete, our assessment may likewise be inaccurate or incomplete.

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.



Mr. George Tsiopras
August 1, 2024
Page 4 of 4

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
Senior Consulting Actuary

CC: Scott DeRoche, HealthTrust
Kathleen Fox, HealthTrust
Alexander Hart, Milliman
Ananya Sridharan, Milliman

Exhibit I
HealthTrust
Reserve for Medical (excl. Rx) Claims as of June 30, 2024

	(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-24	52,686	\$12,467,954	\$30,049,282	0.4149	\$570.35	\$564.32	\$17,581,328		
May-24	52,808	26,678,580	30,431,021	0.8767	576.26	559.51	3,752,441		
Apr-24	52,834	27,471,076	28,867,657	0.9516	546.38	541.99	1,396,581		
Mar-24	52,910	28,597,755	29,412,261	0.9723	555.89	553.71	814,506		
Feb-24	52,891	27,158,293	27,698,598	0.9805	523.69	544.05	540,305		
Jan-24	52,958	30,293,825	30,795,348	0.9837	581.51	553.55	501,523		
Dec-23	52,907	27,457,309	27,876,477	0.9850	526.90	534.50	419,168		
Nov-23	52,845	28,821,079	29,182,256	0.9876	552.22	509.34	361,177		
Oct-23	52,713	27,384,280	27,641,051	0.9907	524.37	505.48	256,771		
Sep-23	52,607	23,570,779	23,736,437	0.9930	451.20	492.59	165,658		
Aug-23	52,403	28,177,516	28,348,655	0.9940	540.97	528.41	171,139		
Jul-23	52,394	25,340,347	25,450,808	0.9957	485.76	542.93	110,461		
Jun-23	53,038	29,492,738	29,602,220	0.9963	558.13	544.15	109,482		
May-23	53,059	30,896,440	30,997,018	0.9968	584.20	545.28	100,578		
Apr-23	53,096	25,951,005	26,025,254	0.9971	490.15	513.46	74,249		
Mar-23	53,095	29,741,695	29,813,880	0.9976	561.52	530.92	72,185		
Feb-23	53,180	25,940,288	25,991,802	0.9980	488.75	506.83	51,514		
Jan-23	53,250	28,836,180	28,889,264	0.9982	542.52	512.28	53,084		
Dec-22	53,305	26,035,945	26,077,902	0.9984	489.22	485.31	41,957		
Nov-22	53,302	26,884,384	26,924,401	0.9985	505.13	478.69	40,017		
Oct-22	53,296	24,567,541	24,600,336	0.9987	461.58	479.69	32,795		
Sep-22	53,297	24,984,247	25,015,564	0.9987	469.36	469.60	31,317		
Aug-22	52,979	26,898,103	26,929,541	0.9988	508.31	491.82	31,438		
Jul-22	53,052	22,850,039	22,874,727	0.9989	431.18	479.56	24,688		
Jun-22	52,879	28,325,137	28,351,440	0.9991	536.16	503.04	26,303		
May-22	52,934	24,938,170	24,958,388	0.9992	471.50	503.16	20,218		
Apr-22	53,029	26,574,976	26,593,730	0.9993	501.49	494.56	18,754		
Mar-22	53,125	28,476,333	28,495,113	0.9993	536.38	481.95	18,780		
Feb-22	53,194	23,713,077	23,719,065	0.9997	445.90	459.94	5,988		
Jan-22	53,266	24,692,247	24,698,041	0.9998	463.67	468.42	5,794		
Dec-21	53,540	25,168,223	25,172,828	0.9998	470.17	466.54	4,605		
Nov-21	53,471	25,201,278	25,205,597	0.9998	471.39	462.01	4,319		
Oct-21	53,477	24,492,408	24,496,207	0.9998	458.07	459.60	3,799		
Sep-21	53,473	24,411,509	24,414,931	0.9999	456.58	464.92	3,422		
Aug-21	53,136	24,660,526	24,663,872	0.9999	464.17	480.69	3,346		
Jul-21	53,173	25,204,593	25,207,551	0.9999	474.07	470.44	2,958		
Jun-21	53,503	26,945,407	26,948,241	0.9999	503.68	477.43	2,834		
May-21	53,688	23,283,620	23,285,225	0.9999	433.71	473.07	1,605		
Apr-21	53,719	26,588,948	26,589,102	1.0000	494.97	473.53	154		
Mar-21	53,795	26,386,278	26,386,278	1.0000	490.50	458.29	0		
Feb-21	53,845	23,432,726	23,432,726	1.0000	435.19	442.22	0		
Jan-21	53,936	24,230,280	24,230,280	1.0000	449.24	449.24	0		
Total		\$1,093,223,134	\$1,120,080,375				\$26,857,241		
						Provision for Adverse Deviation	10%	\$2,685,724	
								Rounded Final Reserve	\$29,543,000
								CY 2021	\$30,000
								CY 2022	\$328,000
								CY 2023	\$2,140,000
								CY 2024	\$27,045,000

Exhibit II
HealthTrust
Reserve for Dental Claims as of June 30, 2024

	(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-24	60,122	\$1,565,506	\$2,277,960	0.6872	\$37.89	\$36.88	\$712,454		
May-24	60,249	2,137,746	2,217,036	0.9642	36.80	36.41	79,290		
Apr-24	60,253	2,125,106	2,166,123	0.9811	35.95	37.17	41,017		
Mar-24	59,968	2,162,870	2,187,838	0.9886	36.48	38.81	24,968		
Feb-24	60,034	2,327,856	2,346,891	0.9919	39.09	37.32	19,035		
Jan-24	60,023	2,437,817	2,452,819	0.9939	40.86	36.80	15,002		
Dec-23	60,000	1,911,165	1,920,260	0.9953	32.00	36.20	9,095		
Nov-23	60,024	2,244,731	2,253,135	0.9963	37.54	37.18	8,404		
Oct-23	59,852	2,330,367	2,337,530	0.9969	39.06	41.30	7,163		
Sep-23	59,639	2,079,284	2,084,430	0.9975	34.95	43.95	5,146		
Aug-23	59,134	2,950,296	2,955,745	0.9982	49.98	44.95	5,449		
Jul-23	59,070	2,771,333	2,775,153	0.9986	46.98	40.33	3,820		
Jun-23	59,407	2,249,886	2,252,494	0.9988	37.92	35.71	2,608		
May-23	59,441	2,146,666	2,148,555	0.9991	36.15	35.93	1,889		
Apr-23	59,490	1,966,421	1,967,692	0.9994	33.08	35.51	1,271		
Mar-23	59,508	2,292,946	2,294,267	0.9994	38.55	37.25	1,321		
Feb-23	59,534	2,076,847	2,077,905	0.9995	34.90	35.33	1,058		
Jan-23	59,613	2,282,525	2,283,449	0.9996	38.30	35.98	924		
Dec-22	59,450	1,948,343	1,949,044	0.9996	32.78	34.88	701		
Nov-22	59,451	2,190,233	2,190,921	0.9997	36.85	35.35	688		
Oct-22	59,362	2,077,659	2,078,190	0.9997	35.01	39.60	531		
Sep-22	59,223	2,023,811	2,024,320	0.9997	34.18	42.45	509		
Aug-22	58,524	2,911,239	2,911,750	0.9998	49.75	44.09	511		
Jul-22	58,514	2,545,645	2,545,645	1.0000	43.50	38.04	0		
Jun-22	57,541	2,238,929	2,238,929	1.0000	38.91	34.68	0		
May-22	57,593	1,820,551	1,820,551	1.0000	31.61	35.08	0		
Apr-22	57,651	1,933,475	1,933,475	1.0000	33.54	35.92	0		
Mar-22	57,722	2,313,852	2,313,852	1.0000	40.09	35.67	0		
Feb-22	57,783	1,973,011	1,973,011	1.0000	34.15	34.11	0		
Jan-22	57,810	1,895,863	1,895,863	1.0000	32.79	34.49	0		
Dec-21	57,974	2,052,088	2,052,088	1.0000	35.40	34.80	0		
Nov-21	57,916	2,042,813	2,042,813	1.0000	35.27	34.46	0		
Oct-21	57,942	1,953,956	1,953,956	1.0000	33.72	37.94	0		
Sep-21	57,746	1,985,750	1,985,750	1.0000	34.39	40.95	0		
Aug-21	57,137	2,617,635	2,617,635	1.0000	45.81	44.42	0		
Jul-21	57,203	2,443,307	2,443,307	1.0000	42.71	41.07	0		
Jun-21	56,749	2,538,513	2,538,513	1.0000	44.73	39.88	0		
May-21	56,881	2,034,409	2,034,409	1.0000	35.77	39.11	0		
Apr-21	56,957	2,229,947	2,229,947	1.0000	39.15	40.15	0		
Mar-21	57,003	2,417,554	2,417,554	1.0000	42.41	39.72	0		
Feb-21	57,145	2,222,711	2,222,711	1.0000	38.90	38.38	0		
Jan-21	57,175	2,164,825	2,164,825	1.0000	37.86	37.86	0		
Total		\$92,635,487	\$93,578,341				\$942,854		
						Provision for Adverse Deviation	5%	\$47,143	
								Rounded Final Reserve	\$990,000
						CY 2021		\$0	
						CY 2022		\$3,100	
						CY 2023		\$50,600	
						CY 2024		\$936,300	