



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

Tel +1 646 473 3000

milliman.com

July 31, 2024

Via Electronic Mail

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

Re: Premium Deficiency Reserve Estimate as of June 30, 2024

Dear George:

As requested, we have performed an analysis to determine the need for HealthTrust to hold a premium deficiency reserve as of June 30, 2024.

Results

Based on our projection of revenue and expenses for the period July 1, 2024 through June 30, 2025, HealthTrust does not require a premium deficiency reserve as of June 30, 2024.

The premium deficiency reserve is estimated based on the following information:

1. Historical membership information through June 2024 and current enrollment as of July 1, 2024.
2. Medical claims incurred May 1, 2023 through April 30, 2024, paid through May 31, 2024.
3. Prescription drug claims paid May 1, 2023 through April 30, 2024.
4. Dental and short-term disability claims paid July 1, 2023 through June 30, 2024.
5. Prescription drug rebates owed to HealthTrust for claims incurred January 1, 2020 through June 30, 2024.
6. Projected carrier, state and federal fees for July 1, 2024 through June 30, 2025.
7. Projected HealthTrust operating budget for July 1, 2024 through June 30, 2025.
8. Investment income projection for July 1, 2024 through June 30, 2025.
9. Current premium rates.

Methodology and Assumptions

We made the following assumptions in our calculations:

Deficiency Period: 6-month period ending December 31, 2024 for the January Renewal medical, dental, and short-term disability (STD) coverages.

12-month period ending June 30, 2025 for the July Renewal medical, dental, and short-term disability (STD) coverages.

Membership: Enrollment for July 1 through December 31, 2024 will remain the same as on July 1, 2024. Enrollment for January 1 through June 30, 2025 accounts for the transition of Medicomp (MC3) members to Medicare Advantage effective January 1, 2025.

Claims Trend: Annual claims trends:

- HMO & POS 7.0%
- Medicomp 6.5%
- CDHP 8.5%
- Prescription Drug 9.0%
- Dental 3.0%

Our analysis and results are shown in the attached exhibit.

Data Reliance

We relied upon the membership, claims, expenses, investment income and premium information provided in the following files:

- *Global Data-725 GMR.xlsx* - July renewal membership, paid claims and income at current rates
- *Global Data-125.xlsx* - January renewal membership, paid claims and income at current rates
- *2025 Dental RateCalc D1.xlsx* - dental paid claims and income at current rates
- *STD Ratecalc 2025 Draft1.xlsx* - STD paid claims and contributions
- *HEALTH TRUST Interim Settlement 2024 as of 20240630.xlsx* - prescription drug rebates owed to HealthTrust
- *RateCalc725 Fixed Fees to Milliman 5.31.2024.xlsx* - HealthTrust administrative expenses and investment income

- *725 GMR RateCalc D1.xlsx* - July renewal number of children under age 19 and ratio of members to contracts for non-Medicomp enrollees
- *125 RateCalc D1.xlsx* - January renewal number of children under age 19 and ratio of members to contracts for non-Medicomp enrollees
- The following files were used in determining current vs. average membership for July and January renewals:
 - *125 Ratesfile Counts 7.1.24.xlsx*
 - *725 GMR Ratefile Counts 7.1.2024-Milliman.xlsx*
- *Anthem Lag 6.30.2024.xlsx* - medical completion factors
- *Delta Lag 06.30.2024.xlsx* - current vs. average membership for dental and dental completion factors
- *Dental Covered Lives Count by Renewal as of 7.1.2024.xlsx* - split of covered dental membership between January and July renewal groups
- *Historical Enrollment by Fiscal Year 2024.xlsx* - current vs. average membership for STD
- *725 GMR Enrollee Counts 624-724.xlsx* - current vs. average membership and income used for buy-down revenue calculation
- The following files were used in determining the additional costs, revenues, and enrollment for the Medicomp (MC3) members that will transition to Medicare Advantage on January 1, 2025
 - *725 GMR Rating Income W_MC3.xlsx*
 - *125 Rating Income W_MC3.xlsx*
 - *725 Renewal Enrollee Count_7.1.24 w_MC3.xlsx*
 - *125 Renewal Enrollee Count_7.1.2024 w_MC3.xlsx*
 - *725 GMR Claims All w_MC.xlsx*
 - *125 Claims All w_MC3.xlsx*
 - *725 GMR RX All w_MC3.xlsx*
 - *125 RX All w_MC3.xlsx*

We evaluated this information for reasonableness and consistency to the extent practicable. As is our practice, we did not audit or verify the underlying data and information but relied on it as provided to us. If

the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

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 premium deficiency 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. 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 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 reserve would be different from what is presented in this letter.

This letter is prepared solely for the internal business use of HealthTrust, Inc. for the preparation of US GAAP financial statements. The reserve amount 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,



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



Eric A. Buzby, FSA, MAAA
Senior Consulting Actuary

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

HealthTrust, Inc.
Premium Deficiency Reserve (PDR) as of June 30, 2024

	July Renewal Medical/Rx	January Renewal Medical/Rx	Medicomp Medical/Rx	Dental	STD	Total
1. Experience Period (EP)	5/1/23 - 4/30/24	5/1/23 - 4/30/24	5/1/23 - 4/30/24	7/1/23 - 6/30/24	7/1/23 - 6/30/24	
2. Average number of enrollees	17,530	3,889	4,177	26,843	4,497	
3. a. Average number of members	39,882	8,543	4,177			
b. Average number of non-Medicomp members	37,505	8,250	0			
4. Claims						
a. Paid claims	\$319,651,308	\$77,074,845	\$37,307,949	\$27,863,643	\$1,356,456	
b. Completion	\$5,966,967	\$1,409,410	\$275,610	\$221,034	\$0	
c. Plan changes	\$0	\$0	\$0	\$0	\$0	
d. Prescription drug rebates	(<u>\$3,312,102</u>)	(<u>\$727,014</u>)	(<u>\$1,372,904</u>)	\$0	\$0	
e. Adjusted completed claims	\$322,306,173	\$77,757,240	\$36,210,656	\$28,084,677	\$1,356,456	
5. Guarantee period claims	7/1/24 - 6/30/25	7/1/24- 12/31/24	7/1/24- 12/31/24	July: 7/1/24 - 6/30/25 Jan: 7/1/24 - 12/31/24	July: 7/1/24 - 6/30/25 Jan: 7/1/24 - 12/31/24	
a. Claims trended to guarantee period	\$350,501,282	\$83,086,693	\$38,929,398	\$29,168,896	\$1,356,456	
b. Total claims, adjusted for length of guarantee period	\$350,501,282	\$41,543,346	\$19,464,699	\$27,181,352	\$1,035,976	
6. Carrier fees (contract rates applied to enrollees or members)						
a. Administrative fee	\$11,242,644	\$1,297,136	\$568,736	\$1,799,884	\$0	
b. Anthem EPHC provider payments	<u>\$2,432,781</u>	<u>\$267,556</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
c. Total	\$13,675,426	\$1,564,693	\$568,736	\$1,799,884	\$0	
7. HealthTrust administrative expense (projected budget, allocated by number of contracts)	\$12,425,608	\$1,336,029	\$1,341,156	\$586,766	\$87,536	
8. Investment income credit	(\$1,187,963)	(\$120,077)	(\$128,968)	(\$85,666)	\$0	
9. State & federal fees						
a. New Hampshire Vaccine Fee	\$1,317,900	\$135,900	\$0			
b. ACA PCORI fee	<u>\$128,420</u>	<u>\$13,754</u>	<u>\$13,451</u>			
c. Total	\$1,446,320	\$149,654	\$13,451			
10. Total projected cost on average enrollment in experience period [(5.b.)+(6.c.)+(7.)+(8.)+(9.c.)]	\$376,860,673	\$44,473,646	\$21,259,074	\$29,482,337	\$1,123,513	
11. Income at current rates on average enrollment in experience period	\$387,099,098	\$44,671,215	\$19,488,276	\$30,638,689	\$1,298,276	
12. Cost and income scaled to current enrollment and adjusted for July medical buy-downs						
a. Cost	\$372,153,699	\$44,616,639	\$20,825,551	\$29,734,012	\$1,171,700	\$468,501,601
b. Income at current rates on current enrollment	\$378,177,499	\$44,818,881	\$19,071,267	\$30,904,758	\$1,358,664	\$474,331,069
13. Premium Deficiency Reserve [(12.a) - (12.b), "Total" column, but not less than zero]						\$0