

**HEALTHTRUST, INC.**  
**FINANCE & PERSONNEL COMMITTEE**  
**Minutes of September 19, 2024**

**COMMITTEE MEMBERS PRESENT:**

Dean, Russell, Town Manager, Exeter, <i>Chair</i>	Ruehr, Timothy, Chief Financial Officer, SAU #29
Rossner, Daniel, Business Admin, SAU #48 <i>ex officio</i>	

**COMMITTEE MEMBERS UNABLE TO ATTEND:**

Brown, Troy, Town Manager, Littleton	Clark, Michelle, Business Admin, SAU #66
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**OTHER BOARD MEMBERS PRESENT:**

Hilchey, Susan, Director of HR, SAU #25	Trahan, Sarah, Teacher, Winnacunnet High School
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**STAFF PRESENT:**

DeRoche, Scott, Executive Director	Thomas, Keri, Executive Assistant
Herrick, Jeanne, General Counsel	Tsiopras, George, Deputy Director and Chief Financial Officer
Kalgren, Jason, Chief Information Officer	Turmel, Lynne, Director of Risk Pool Operations

**OTHERS PRESENT:**

Buzby, Eric, Milliman	Murphy-Barron, Cathy, Milliman ( <i>Virtual</i> )
Klein, Brad, Johnson & Lambert	Rice, Carrie, Johnson & Lambert

Russell Dean, committee chair, opened the Finance & Personnel committee meeting at 9:07.

**Minutes of August 8, 2024 Finance & Personnel Committee Meeting**

Mr. Dean asked if Committee members had reviewed the minutes and if there were any recommended revisions. None were suggested.

**MOTION** by Daniel Rossner, seconded by Tim Ruehr, to accept the minutes of the August 8, 2024 HealthTrust, Inc. Finance & Personnel Committee meeting.

**Motion** passed, unanimously.

**New Business**

Russell Dean invited Brad Klein and Carrie Rice from Johnson & Lambert, and George Tsiopras to present the FY2024 Audit Report.

Carrie Rice spoke regarding the contents and organization of the materials in the draft audit report and explained their presentation at the meeting would be framed to important information for the Finance Committee.

Ms. Rice stated that the audit was performed according to GASB standards and based on reports and data provided by HealthTrust. She continued to say the audit is in “draft” form until presented to full board however, they are anticipating issuing an unmodified (clean) opinion over the financial statements. Ms. Rice reviewed required communications and provided an overview of each slide in the presentation noting there were no new accounting policies this year and no changes in how they performed the audit activities. She listed revenue recognition, management override of controls, loss reserves, premium deficiency reserve and net pension liability as the significant risks that were identified and reviewed.. Ms. Rice also explained that the claims reserve relies on actuarial predictions,

payout patterns, and historical information. She continued by expressing that it appears financial performance is improving with no PDR this year.

Brad Klein addressed the committee stating there were no material weaknesses with the internal control over financial reporting, and no departure from GASB GAAP with regard to significant policies and their application. Mr. Klein also stated there were no unusual or significant transactions to report. Mr. Klein stated cash and investments were confirmed and reconciled to financial statements. He continued by stating a third-party was used to validate fair values on investments and samples were taken for underwriting testing and no issues came up. Mr. Klein also discussed the testing approach for claims and how it reflects in the change in reserve as reported on the balance sheet. He also reviewed the payroll, pension and leases portion of the audit noting that payroll testing was tied back to reports on merit and wage increases, and matches current payroll, pension contributions are being reported on both balance and income statement sheets, and that there were a couple new contracts. Additionally, he reported that IT testing was performed and that there were no adverse findings. Russell Dean thanked Carrie Rice and Brad Klein for their presentation and congratulated George Tsiopras and staff on all their efforts. Mr Klein also noted the audit was smooth, the HealthTrust staff were responsive to requests and all financial statements and supporting documentation were in great shape.

**MOTION** by Daniel Rossner, seconded by Timothy Ruehr to recommend to the board to accept the audit.

**MOTION** Passed, unanimously.

George Tsiopras presented an update for FY2024 year end results stating the ending net position was increased by approximately \$1.3M to account for a prescription drug performance guarantee, bringing the year-end total net position to \$33.7M. He continued by stating July's medical claims were up 5% after a historically low June. Mr. Tsiopras stated January renewal claims were up 9% and July renewal claims were up 4% over the prior month. He advised the increase of High Dollar Claims was due to cancer and behavioral health claims. Daniel Rossner asked for clarification on the behavioral health claims and Mr. Tsiopras stated the 5 claims totaling \$1.1M were primarily cancer related and there was nothing showing behavioral health claims were over \$175K. George Tsiopras stated behavioral health claims accounted for 6.3% of claims. Discussion ensued regarding the Anthem top categories for cost and utilization chart. Follow up was required by George to confirm the percentage of utilization was based on total claims and not utilizers. George Tsiopras continued his presentation stating Cancer, Behavioral Health, and Respiratory are leading divers of claims. Mr. Tsiopras gave an update on Dental and Short Term Disability claims stating dental claims were up 52% due to seasonality, and Short Term Claims were up 8%. Mr. Tsiopras advised the committee that prescription drug claims were up 9% and added Wegovy is still trending upward adding about \$100k in additional expenses for the month. Daniel Rossner asked if the action taken at retreat was effective March 1, 2025, Scott DeRoche confirmed the effective date. George Tsiopras reported an operating gain of \$1.3M in July and an operating loss of \$1.7M in August were being offset by non-operating investment income of approximately \$1M year to date, resulting in a total Net Position of \$34.3M at the end of August.

Timothy Ruehr stated that the last couple months kind of balanced out and asked if we are expecting September to be worse if looking at trends from prior years. Scott DeRoche stated yes, we are below the mark we expected to be at for this time of year and stated we are positive to date due to investments. Due to seasonality and the 5% capital risk charge, we would expect operating gains to be accruing now, rather than a small operating loss. George Tsiopras stated September is typically not a great month due to increased utilization.

Mr. Tsiopras concluded his presentation with budget, investment and cash flow updates stating there are no unexpected variances at this time. He continued by stating overall July and August markets were favorable and charts show cash balances are in compliance with the policy. Daniel Rossner and Timothy Ruehr both commented that they like the new format for reporting financials.

Eric Buzby from Milliman presented proposed rates for CY2025 and FY2026. Mr. Buzby began by focusing on the July rating letter pointing out the rate letter has no assumed capital risk charge added in to the rates but does include the change to underwriting to more accurately account for consistently increasing excess claims, and shows an overall rate increase of 4.2%. An attached exhibit showed the various risk charge scenarios to reach the updated capital reserve target of \$122.5M. He continued by discussing how the claims in the experience period are completed and trended by the actuaries. Mr. Buzby noted they work with individuals at Anthem and CVS to project trend but that they don't just rely on what they say or project, they also rely on actual historical experience as well as trends being forecasted locally and nationally. Mr. Buzby advised that CVS initially provided a projected trend of 0%, which increased to 6% after being questioned by Milliman. He further noted that a number of other organizations are expecting an 11-17% trend. Scott DeRoche pointed out that looking back 2 years, trends were significantly off and information provided by vendors was very optimistic. Mr. DeRoche continued by adding if this is off, it impacts everything moving forward. Mr. DeRoche credited Milliman for challenging CVS for more realistic data and projections. He concluded by stressing the importance of being conservative and raising rates as needed, adding the prescription trend is at 9% based on Milliman's predictions.

Timothy Ruehr stated, if rates had included a 9% prescription drug trend last year, we still would have seen a loss. Mr. Ruehr feels that CVS is giving drug inflation trends and not utilization trends and feels that 9% is not going to be enough. Scott DeRoche stated he has a level of concern regarding the data provided and feels CVS' initial numbers were off. Mr. Ruehr asked if the information that is known now as of April 30<sup>th</sup> is trended and compounded forward would we break even. Mr. Buzby advised the numbers were based on 12-months ending April 30, 2024 and believes 9% will be sufficient. Mr. Ruehr restated his concerns with drug trends such as Wegovy.

George Tsiopras stated trends from CVS over the last few years have not panned out and have been overly optimistic. Mr. Tsiopras added that staff have been comparing what was projected to actuals to better understand the data that was provided and to assist the actuaries in their projections.

Eric Buzby continued to present an overview of the January Rates (4.6%), as well as the Dental renewal (0.1%), both of which also did not include a capital risk charge.

Mr. Buzby concluded the rating overview by discussing the Short Term Disability renewal which include an overall rate change of -6.3%. Prior to a capital risk charge being applied.

A discussion ensued regarding the Capital Risk Charge scenarios. When considering a capital risk charge last year, actuaries projected the \$90M capital adequacy reserve target would be reached by the end of FY2027. At this year's retreat, however, the board voted to increase the capital adequacy reserve target to \$122.5M. Mr. DeRoche explained the different scenarios for evaluating capital risk charge. He noted that rates for FY2025 are already set for the majority of the population (except half of the upcoming January renewal) and new capital risk charge rates will be mainly effective for FY2026. Mr. DeRoche expressed the importance of where rates are set, and noted there are pros and cons to each scenario. He advised that the 7.9% scenario keeps the original rebuild timeframe of FY2027 intact, the 5.3% scenario extends the rebuild plan by one year to account for the increase in target reserve levels from \$90M to \$122.5M, and the 5% scenario keeps the original rating assumptions in place balancing the need to rebuild with guarding against potentially triggering adverse selection. He also noted, we could get there in one year but that would likely result in adverse selection of well performing groups.

Scott pointed out that at the 5% scenario we would end at approximately half the target reserve level two years from now. Mr. DeRoche added, we could outperform what is expected but this has not been the case in recent years due to claims experience. He stated the importance of not overcharging groups but also needing to have reserves at a level to ride out unexpected significant claims experience fluctuations.

Following Mr. DeRoche's review of the various scenarios, Daniel Rossner offering that having considered the scenarios and he supports the 3-year rebuild plan. He explained the 5.3% increase allows us to be at target by FY2028 adding, it keeps risk charge in line with historical practices, extends the original rebuild plan by one year to account for the increase in target reserve levels from \$90M to \$122.5M, and keeps the overall increase in the single digits.

Russell Dean added his support for this and has concerns about losing well-performing member groups if a higher increase scenario is decided.

Timothy Ruehr stated he does not see much difference between the 5% and 5.3%. Mr. Ruehr believes trying to rebuild faster than 3 years could shoot ourselves in the foot but also feels the 5.3% is just keeping us afloat and not rebuilding as quickly as he would like.

Daniel Rossner stated he understands Mr. Ruehr's concerns but noted that the last 2 months may not continue through the remainder of the year. He would like the committee to recommend a number today for public hearing. Following public hearing, the board will have feedback from member groups and another month of data to analyze before rates are set.

Timothy Ruehr continued to voice his concerns regarding recent performance. Scott DeRoche stated the most likely scenario based on current actuarial evaluation if the Board selects the 5.3% capital risk charge amount is that FY2025 will end at \$42M net position, as shown on the capital risk charge exhibit. Mr Rossner continued by adding the best way to avoid a PDR is to set rates correctly now and feels not adding in projected savings into the prescription trends is helpful to realize the expected gains of the capital risk charge.

Daniel Rossner added the chart (Exhibit VI) laying out the various scenarios for the capital risk charge was very helpful.

Eric Buzby noted the 5.3% is for the first year and will be added to the money collected each year after.

Timothy Ruehr again stated he does not feel there is much of a difference between the 5% and 5.3% however, he is not in support for going to 7.9%.

Russell Dean added he thinks 5.3% is a good plan.

**MOTION** by Daniel Rossner, seconded by Timothy Ruehr to recommend a 5.3% risk charge be added to rates as presented by Milliman and bring to Public Hearing.

**MOTION** passed, unanimously

Scott DeRoche presented a memo to the committee regarding FSA and HRA administrative fees. Mr. DeRoche stated staff is recommending that the current program, including fees, be approved for CY2025 and FY2026.

**MOTION** by Daniel Rossner, seconded by Timothy Ruehr to continue the current FSA and HRA fees for CY2025 and FY2026.

**MOTION** passed, unanimously

Scott DeRoche advised the board that there will not be a presentation on the relativities study at this time. He advised that staff has been working diligently with Milliman to complete the study prior to the rate cycle but that results have

not yet been provided. Milliman will provide draft results to us by Monday, September 23, 2024. Mr. DeRoche stated the recommended path is to review with the committee prior to the next board meeting and then bring the committee's recommendations to the full board on October 8, 2024.

Scott DeRoche also advised he was presented with a reinsurance quote from Anthem that they may want to consider. This presentation can be added to the next committee meeting (to be held prior to Board meeting on October 8, 2024). Mr. DeRoche gave a brief overview of the proposal stating on each level about \$4M anticipated as loss. He noted this is a losing proposition in long run but in short run it could provide a benefit to avoid the risk of volatility while rebuilding capital. Mr. DeRoche said the coverage could take effect on January 1, 2025 and he feels is viable enough to be considered. Staff is now doing modeling. Mr. DeRoche noted Jason Kalgren is modeling off the last 2 years' of experience and will be looking to put in an exhibit for next committee meeting.

Daniel Rossner thanked staff for their efforts. Due to prior commitments, Mr. Rossner stated he would have to leave by 10:45. He asked that the remaining agenda items also be added to the next meeting's agenda. Scott DeRoche stated staff will work to schedule the next Finance and Personnel committee for October 8, 2024 prior to the Board meeting.

**MOTION** by Daniel Rossner, seconded by Timothy Ruehr to adjourn.

**MOTION** passed, unanimously

Russell Dean declared meeting adjourned at 10:45a.m.

Respectfully submitted,

Keri Thomas, HealthTrust Executive Assistant