HealthTrust, Inc.
Board of Directors Meeting
Concord, NH
Minutes of August 7, 2024

BOARD OF DIRECTORS PRESENT:

Rossner, Daniel, Bus Admin, SAU #48, *Chair*	Sheing, Jill, HR/Payroll Coord, Strafford Cnty
Hilchey, Susan, Director of HR, SAU #25, *Vice Chair*	Stacey, Cathy Ann, Reg of Deeds, Rockingham Cnty
Clark, Michelle, Bus Admin, SAU #66	Trahan, Sarah, Teacher, Winnacunnet H. School
Dean, Russell, Town Manager, Exeter (*virtual*)	

BOARD MEMBERS UNABLE TO PARTICIPATE

Brown, Troy, Town Manager, Meredith	Ruehr, Timothy, Chief Financial Officer, SAU #29
Rapp, Brian, Deputy Chief, Claremont Fire Depart	

STAFF PRESENT:

DeRoche, Scott, Executive Director	Kalgren, Jason, Reporting & Data Manager
Gordon, Keri Executive Assistant	Tsiopras, George, Deputy Director & CFO
Herrick, Jeanne, General Counsel	Turmel, Lynne, Director of Risk Pool Operations

Daniel Rossner, Chair of the Board opened August 7, 2024 meeting of the HealthTrust Board of Directors at 9:01 a.m.

HealthTrust – Welcome and Opening Remarks

Mr. Rossner and Ms. Hilchey thanked staff for putting the agenda together and for being here to work together to continue offering exceptional service to our members.

Scott DeRoche also thanked everyone for their efforts and flexibility during this process.

Analysis of Recent Performance and Initial FY2025 Outlook

Scott DeRoche spoke about how the starting point of FY2024 was a net position of $27.3M and the preliminary ending net position is $32.4M. He continued to advise that staff has been looking at results and opportunities to improve in the future very objectively. He advised that it was believed that the primary driver of the high cost claim spike in FY2023 was high dollar claims and specialty drugs, but the Leadership team sought to objectively further analyze the performance, as well as that of FY2024. Mr. DeRoche stated rates for FY2025 are already in place and while FY2025 performance will largely depend on the accuracy of those rates, we may need to pull levers to make sure FY2025 lands where we have planned.

Scott DeRoche presented the Gain/Loss for FY2023 by illustrating the difference between the expected claims and expenses prepared by Milliman during the rating process and the actual results. He continued by stating as a nonprofit organization we aim to end every year at $0 on a Gain/Loss report and not charge members more than is needed but also not charge less than is needed. Mr. DeRoche stated in FY2023 the greatest loss was due to claims losses. He reviewed in detail the slide illustrating projected vs actual trends for the three different renewals that made up FY2023 – all showed a loss on both medical and prescription claims.

Mr. DeRoche stated it is very important to point out the loss was across the board and not due to one rating being wrong. The prescription trend utilized in the rating was significantly understated which resulted in the biggest impact to losses, approximately $17.7M for the July renewal alone. He further explained the dental and short term disability renewals resulted in positive gains and then discussed the next greatest loss was the cost to honor GMR. Overall, the various differences on the slide resulted in a $40.5M loss in total net position.

Mr. DeRoche continued explaining the results in terms of trend stating this is the driver of our rating process. He stated a 5-6% increasing trend is not unusual. He noted the variances in the trends used in rating and the actual trends. Especially noteworthy is the difference in July Renewal trend with respect to prescription drug, the rating expected claims to increase by 1.7% and the actual results showed a 17.3% increase. Overall, when you look at Actual Trend versus Rated Trend for FY2023 you notice the prescription trend was very significantly off. Part of the reason for that was expected savings beginning in January 2023 under a new contract following an RFP. Those expected savings, which were vetted by HealthTrust's consultant, however, did not materialize to the extent expected.

George Tsiopras added that the expected formulary savings did not materialize either – noting that the lesson learned was that when we have a year when we go out to RFP and there are savings that are assumed to happen, they are assumed and even if vetted by consultants the savings should not be included in ratings until we see how it plays out. Worst case scenario with that approach would be that the savings do materialize and we have a return to surplus.

Michelle Clark stated we cannot do this again. Scott DeRoche agreed and added what it would have been if we didn't include and stated the need to look at potentially different changes. He noted that the formulary went into effect July 1, 2023 and therefore are not in the FY2023 Gain/Loss but that expected vs. actual pharmacy trend had a similar effect in the FY2024 Gain/Loss.

Scott DeRoche next reviewed loss ratios by plan. He explained the HMO plans have the majority of enrollment and best loss ratios. He also stated, the general rule is to aim for an approximately 94% loss ratio, lower if a Capital Risk Charge was included in the rating.. Mr. DeRoche also stated HDHP, Medicare Supplemental, and POS plans have worse loss ratios. He stated that the SOS plan is also high but reduces in FY2024.

Scott DeRoche then presented the FY2024 Gain/Loss Report stating it is a good indicator the PDR that was booked was generally accurate. Mr. DeRoche continued, there is no PDR needed for FY2025, which is an indication that the FY2025 rates were accurate and should perform well.

Mr. DeRoche point out the FY2024 trend shows an expected prescription trend of 0 .1% which was off significantly, stating again there were supposed to be significant savings under the new contract and implementation of the managed formulary. Mr. DeRoche added the need to be very careful when we rate as vendors may be overly optimistic in their trends. He noted that we have previously seen fluctuations but never to the extent that we did over the past few years.

Scott DeRoche presented an overview of loss ratio by plan for FY2024 stating the HMO and SOS plans having the best loss ratio is a really good sign and again mentioned the need to discuss the HDHP plans.

Mr. DeRoche stated staff is working to get greater clarification on what actually occurred and claims pattern changes as well as medical plan performance. He went on to discuss the pattern of seasonality, which has emerged over the past three years and the importance of accounting for it in the rating process.

Scott DeRoche reviewed the capital adequacy analysis for FY2025, stating that at $30M there is 95% confidence that net position will be above $0 at year end. He noted that the model is not intended to be used as a short term solvency model but it is helpful to assess current capital position and risk over the upcoming year.

Mr. DeRoche then discussed maintaining plan buy-down to within expected levels is a key indicator of success. Pricing accuracy for lower priced plans rely on consumerism however, it is clear that there is a one year lag and claims savings do not begin to appear until the second year. Hence, a large school district moving to a lower cost plan can have a significant effect in that first year. If 4% of population moves to one of these plans, it could become greatest risk of loss for that fiscal year. We need to keep an eye on it to ensure that it tracks as expected.

Russell Dean joined meeting at 9:34 virtually

Daniel Rossner asked Mr. Dean if it was not reasonably practical for him to attend in-person, he responded, no. When Chair Rossner asked if there was anyone in the room with Mr. Dean, he responded, no, Chair Rossner stated there would be no voting today.

The presentation with respect to buy-down impact continued. George Tsiopras stated actuaries are aware of this as well and are looking at a step down to rate and help us come up with a way to reflect the lag in the rates.

Scott DeRoche concluded his presentation by stating losses are mainly due to claims, specifically on prescription side. Mr. DeRoche stated, we will look closely at rating timeline and how we handle high cost claims, and coverages (specifically on prescription side) throughout retreat.

Daniel Rossner asked the board if there were any additional questions, no questions were asked.

<u>Review of Potential Changes and Recommendations for FY2025</u>

Scott DeRoche began by stating the Leadership team objectively looked at any and all items that could potentially be changed that would have a material impact on FY2025. This presentation is the full picture of changes that were considered for transparency, including those that need further study or are not recommended. Mr. DeRoche added, a lot of changes are appealing at first glance but also need to look at their down-stream impacts as well as how they impact Groups and Covered Individuals.

The presentation was broken down in three categories, recommended to pursue in FY2025; recommended for further study, potential impact for mid-FY2025; and not recommended to implement in FY2025.

Mr. DeRoche began by discussing areas recommended to pursue in FY2025. The first area is GLP1s, which he advised would have its own presentation. These drugs have now become top drug spend and expected to grow. He also stated a pill version should be available soon which may also drive up spend.

Susan Hilchey asked if there are any long term side effects down the road from use of these drugs which could result in future claims. Staff stated they are continuing to be studied.

Scott DeRoche continued by discussing the second area recommended to pursue – an American Rescue Plan Funds Grant Proposal. This grant is an opportunity for us to apply for funds made available to the state from the federal government. Our understanding is that the State Fiscal Recovery Funds have been fully allocated but there is a chance that some funds will be returned that have not been spent and need to be re-obligated by December 31, 2024. We have a presentation that shows our loss due to excess COVID related expenses and how that aligns with available uses of the funds.

Scott DeRoche then began discussing the recommendations for further study. He advised these areas could move quicker based on the board's direction after the discussion.

Scott DeRoche provided an overview of a CVS Formulary Option. He advised we could move to a more restrictive formulary. Mr. DeRoche noted that restricting certain brands and replacing with generics without rebates, could end up costing more as we have been advised the rebate losses can offset the claims savings. He stated modeling needs to be done. Once we receive reports showing cost savings and impacts, staff will bring back to board to determine actions. Mr. DeRoche stated this could be done for a January 1, 2025 effective date if needed. Several board members discussed the impact such a change may have on Member Groups with union contracts. Scott DeRoche stated staff is not recommending this at this time, as we need to see the modeling.

Scott DeRoche discussed Rx Savings Solutions and stated there is not a huge incentive related to it, it is simply a call to the consumer stating they could move to a generic drug option for less cost. Mr. DeRoche continued by adding other public sector employers have been using this and its success appears to be related to eliminating all obstacles in making change. He advised, there is a fee associated with this, and staff is looking at ROI and timing on ROI and potential savings. It is staff's recommendation to proceed with opportunity analysis – if board is interested in pursuing staff could present to board and RFP. Discussion ensued regarding opportunities to combine with certain well-being programs and how savings are achieved over what is in place with respect to generics.

Scott DeRoche provided an overview of Gene and Cell Therapies stating there are treatments available and coming soon that could be lifesaving. He advised however, that the costs associated with these type of treatments are extremely high. Gene Therapy treatments can range from between $1-5M, not including other associated healthcare costs. We have not seen a claim come through yet. Mr. DeRoche added cell therapies are different than Gene therapies, and we have seen a number of these come through for approximately $1M each. Staff would like to further evaluate exposure. To date however, we have had difficulty finding someone that will do this for us, Anthem and CVS have declined a formal evaluation. Staff's Recommendation is to continue to evaluate exposure. Not just for today but also considering the effects of these in the pipeline moving forward. Mr. DeRoche stated this will be discussed further in a dedicated reinsurance presentation.

Scott DeRoche advised staff is looking to renegotiate our Salesforce Contract at a lower rate. The original contract includes expensive services we no longer need due to staff's development on the Salesforce product.

Scott DeRoche spoke about our current well-being program advising these programs are central to our mission and vision. He continued by stating a well-structured program should net savings. He added, a key focus of well-being programs are to keep the healthy population healthy, which also keeps claims costs down. Staff has reviewed ROI for our programs and there are some recommendations that will be included in a dedicated presentation.

Scott DeRoche moved on to discuss the areas not recommended by staff at this time.

The first area Mr. DeRoche reviewed was a mid-year rate increase or mid-year assessment on Member Groups. He stated staff looked at this and vetted out at all angles – first and foremost staff determined that groups are unable to pay for it as they are limited to expending budgeted funds. He continued by explaining that if an invoice was sent to groups, most would not pay it as it would likely require staff layoffs to fund the unbudgeted expense, since benefits are second largest item in budgets, salary being first. Scott DeRoche informed the board that the regulator suggested that a recently adopted statute provided authority for municipalities to create a trust fund to cover OPEB liability and that the regulator further stated such a fund could be used to pay for mid-year assessments in the future. Michelle Clark said Hopkinton established an OPEB trust fund and noted that a vote is required from legislative body and wondered what would be the impact if some Member Groups adopt but others do not. There was discussion amongst the Board on OPEB trust funds.

Mr. DeRoche continued stating that an unbudgeted, mid-year assessments or rate increase with a significantly negative impact would likely result in adverse selection because those who could move (well performing groups) will and those who can't go anywhere else (poor performing groups) will stay and risk destabilizing the pool. He stated that the Capital Risk Charge is how assessments are handled in a prospective manner that is able to be budgeted and does not trigger such significant adverse selection. Jeanne Herrick stated she did a review of the by-laws and this is not expressly allowed and would likely result in Groups raising legal claims that they cannot be forced to pay.

Mr. DeRoche continued that the board may, however, want to consider now or in future to implement a bylaw providing for assessments on those who terminate in a year of losses where a capital risk charge is assessed. The effort would be to ensure terminating Groups still pay their portion of a capital rebuild. Jeanne Herrick clarified that if the board would like to consider an assessment for group terminating in a year with a loss, it would also need to determine a methodology for determining how much the assessment on terminating Group would be. Michelle Clark said stated that this needs to be looked at right away for FY2026. Daniel Rossner stated he feels groups will argue what part of loss is due to them. Jeanne Herrick advised a public hearing would be required for any by-law change. Scott DeRoche said we can continue discussions for a draft formalized policy statement and prospective changes for the Board's consideration.

Scott DeRoche discussed the possibility of securing a loan however, he did not feel a loan was needed at this time as there is no issue with cash flow and a loan would not increase net position.

Scott DeRoche next addressed prescription copay assistance stating he feels this option gives a very negative appearance as it requires a plan design change and is not an effective solution especially now when the model's future is uncertain due to recent litigation in federal courts.

Scott DeRoche discussed changing specialty drug plan design and some of the pros and cons. He added, the board could always add another prescription drug plan at a lower cost and groups could migrate to it concluding it helps with a little bit of savings and incentives.

Scott DeRoche mentioned removing medical plan enhancements however, he feels this option has very minimal savings.

Michelle Clark stated the steps necessary to evaluate the Rx Savings Solutions plan should start right away. She also stated she feels Cell and Gene therapy will soon be seen as even greater claims than GLP-1s and further information on this should be brought to the board soon on this. She fully supports renegotiating the

Salesforce contract and adopting an assessment policy for Groups that terminate medical coverage during a rebuild.

Break

GLP-1s and Coverage for Anti-Obesity Medications

Jason Kalgren gave an overview of what GLP-1s are and how they work. He explained that even if HealthTrust discontinued coverage of GLP-1s as an anti-obesity medication (AOM), people who are diabetic would still be able to get coverage. Mr. Kalgren also stated, under the CVS plans GLP-1 as an AOM is available without a PA but for the HDHP plans under Anthem GLP-1s are not covered as an AOM. There was a discussion on advertising spend and the potential impact that has had on skyrocketing trend. Sarah Trahan asked if we could increase the cost of the prescription to the consumer rather than discontinuing the coverage. Jason Kalgren discussed programs that were looked at as a "companion program" and other options to allow consumers to continue use of the AOMs but with more restriction. He explained that CVS advised that AOMs would need to be removed as an entire class and that singling out certain drugs such as Wegovy would result in the manufacturer's removing all rebates for the drugs, even for non-AOM purposes which would offset claims savings. It also would not be effective as consumers may find other AOM options that are just as costly.

Mr. Kalgren continued his presentation stating if we excluded this coverage there would be no additional cost for us, but significant savings however there would be a disruption to approximately 1000 individuals. If a PA were put in place it could cause some disruption and there would also be no additional cost to us however, CVS is reporting approximately 77% approval with PA. This would generate some savings but not as significant as excluding.

Mr. Kalgren discussed a gateway program as another option stating staff modeled the CVS option because it is the only option able to be implemented within FY2025, as others would have a longer RFP and implementation lead-time. He discussed the costs and projected savings associated with the CVS programs.

Susan Hilchey asked if this would be for new prescriptions only. Mr. Kalgren advised, if you are on it now, you couldn't get next refill until you meet the PA or sign up for the program and meet PA. Scott DeRoche added staff could discuss grandfathering options further with CVS.

In response to a question by Sarah Trahan whether $148 PEPM for the co-therapy option would be a cost to consumer. Scott DeRoche said no, this would be paid by HealthTrust.

Mr. Kalgren finished with the recommendation that the board discontinue coverage of AOMs for weight loss but to monitor opportunities for future inclusion if evidence-based studies show co-therapy programs provide lasting improved health outcomes.

Jeanne Herrick stated that large health plans are moving away from covering GLP-1s for weight loss. She added the average length of time on the drug is 8 months but it can be used for life.

Much discussion ensued regarding other drugs that are not covered that this recommendation can be compared to, as well as the risks of long-term use, the financial impact, prospects of lower prices in the future and approaches that are being taken by other organizations.

Board thanked Mr. Kalgren for his presentation.

American Rescue Plan Funds and Potential Grant Request

Jeanne Herrick discussed how our specific request would apply and feels our request fits with the State's approach in spending the State Fiscal Recovery Funds. She continued outlining the negative economic impact – increased cancer, mental health services, and COVID vaccines due to COVID. Ms. Herrick continued by stating, once all information is pulled together adding all cost up, we had a $21M increase in expenses from those categories that we can tie to COVID. Staff is looking for Board approval, to send to the Governor. Ms. Herrick added that staff will reach out to other RSA 5-B health pools as they should be included in the program. She cautioned that all of the funds have been allocated but that if funds are returned this could be an attractive program as it seeks reimbursement of past expenses. If Governor approves it would go to the fiscal committee and executive council and would need to happen before December.

Sarah Trahan stated she appreciates the numbers as it makes it real.

Daniel Rossner asked if there were any questions, no questions were asked.

Break 11:57 until 1:00

Analysis of Well-Being Programs and ROI

Lynne Turmel presented an overview of the various components of well-being program. She continued by stating well-being programs help with intervention and prevention. Ms. Turmel went on to show data aligning the PMPM cost of healthcare by health status – health, at risk, chronic, and critical. She noted the importance of keeping healthy members, healthy to contain costs. The presentation further illustrated the importance of wellbeing program and impact on claims if members move from healthy to at risk, chronic or critical levels. Ms. Turmel acknowledged we have a very robust programs however, not everyone knows about all of them, and feels 2025 is an opportunity to reintroduce some of these programs.

Ms. Turmel continued by stating HealthTrust is expected to spend $4.7M on the well-being program for FY2025 and that staff has been looking at these programs from an ROI standpoint. She continued by discussing initiatives in FY2025 to vet out each component, its associated costs and the ROIs vendors are claiming. Ms. Turmel also noted that 4 out of 5 are up for renewal by the end of CY2025 and the goal of staff review would be to establish appropriate targets for ROIs and KPIs, and determine which programs help us keep members from shifting to the right – healthy to at risk, etc. Mr. Turmel also suggested sending surveys out to groups and enrollees to help rate programs.

Scott DeRoche advised staff is not recommending any reductions to these programs, but to study further to find programs that are working and most beneficial and set ROIs that work for HealthTrust. Mr. DeRoche provided examples of programs that need further review. As an example, he stated that he is skeptical on the ROI for SmartShopper as most of our population is on SOS plans, which by design encourage consumerism. Life Resources is another example to look at and how it fits with our mission. Mr. DeRoche concluded there is a need to streamline, to hold vendors accountable, and to be fiscally responsible.

Discussion ensued regarding the time needed to complete a review and the opportunity for change. Staff agreed to bring further details and recommendations to Day 3 of Retreat.

Discussion of Capital Adequacy Reserve Level

Scott DeRoche started by advising the importance of making a decision on the Capital Adequacy Reserve that is well founded. He continued that staff has a full retreat presentation prepared for full board discussion and action on Friday and will also be presented during Finance & Personnel. He asked the board to look at assumptions that go in to it and the methodology. He continued by stating this information was intentionally brought before the board multiple times to ensure there was ample time to review and discuss.

George Tsiopras began his presentation discussing the standards of operation under RSA 5-B which require an annual actuarial evaluation of the pooled risk management program. Mr. Tsiopras advised an outside actuary evaluates reserves necessary to be maintained as of June 30th, annually. The evaluation consists of 3 reports – incurred but not reported claims reserve (IBNR), premium deficiency reserve (PDR) and the capital adequacy reserve (CAR).

Mr. Tsiopras noted the significant returns of surplus in FY2020 and FY2021. He went on to explain that by the time the results from FY2022 manifested, rates had already been set for FY2023. Additionally, the PDR that was set for FY2023 was understated resulting in further erosion to net position at year end. At the end of FY2023, further assessment of the adequacy of the rates for FY2024 resulted in a recommendation from actuaries for a PDR of $17.1M to cover the expected contribution shortfalls in FY2024. Mr. Tsiopras pointed out this is not an adjustment that can happen in one year. Once rates are set there is nothing else we can do, we have to ride it out, adding it could be a 3-5 year rebuild depending on how severe the loss is and the importance of making sure we have an adequate reserve sufficient to weather severe losses. Mr. Tsiopras added, the CAR is also needed to ensure sufficient capital is available to pay claims as they vary from month to month as opposed to contributions which are collected in equal amounts each month. He added that the CAR is needed because there is no backstop, there is no other source to draw funds from to weather a severe financial shock or series of negative outcomes. He advised the importance of setting the CAR accordingly. Mr. Tsiopras then discussed the major driver of the level of capital adequacy reserve required is the organization's ability to increase premiums without having a detrimental impact on the long term viability of the pool. He then provided two scenarios underlying the recommended reserve levels. Under Scenario 1: HealthTrust can recoup the full amount of any losses in the next rate renewal. Estimated capital reserve is $95 million. Under Scenario 2: HealthTrust is unable to implement a rate increase to cover all losses in the next renewal, losses will be recouped over several years. Estimated capital reserve is $150 million.

He then explained to the Board that the bottom of the range is not realistic, as HealthTrust's recent experience has shown that it does not have the flexibility in pricing contemplated that would allow it to rebound entirely from steep losses in the next renewal. For example, at the end of FY2023 the Board included capital risk charges in its rates to rebuild net position over a three year timeframe.

Scott DeRoche discussed with the board their fiduciary duty to Member Groups and covered individuals to ensure the organization has sufficient funds to pay claims. He noted the importance of understanding that we cannot fully recoup severe losses in a single renewal. Citing the conditions of the scenario at the low end of the range, he added that if the reserve target is set at low end, it would not be following the actuaries' advice due to the conditions they applied to the low end and our demonstrated inability to meet them over the last two fiscal years..

Daniel Rossner asked if Mr. DeRoche would make a recommendation to the Board. Scott DeRoche stated he knows based on recent experience and the time it takes to rebuild capital to the target that it cannot be $95M based on the actuary's advice; it must be higher. Mr. Rossner observed that if we had the $57M we returned in surplus in FY2020 and FY2021, we would be at the $90M level today. Mr. DeRoche added, having a higher reserve level in FY2020 and FY2021 would have helped buffer the COVID swing.

Daniel Rossner advised there will be further discussion tomorrow and will hopefully be able to come with a recommendation on Friday.

Review of Stop Loss Reinsurance and Current Market Conditions

Scott DeRoche gave an overview on stop loss reinsurance, the different types available, HealthTrust's history of reinsurance, current market conditions, quotes received and the possible next steps.
Mr. DeRoche reviewed the costs associated with pursuing this option adding it is not cost-effective over the long term however, in the short term when the net position is below the capital adequacy target or there is significant volatility, it may have a place.

He stated Anthem declined to quote for January 1, 2025 start date, unless we pursued reinsurance separately by renewal. Staff recommends to work with a broker to see if there is a viable short term option. Mr. DeRoche added, it does not commit us to bind coverage. We can gather quotes and bring to the Finance & Personnel Committee to determine if appropriate. He concluded by stating it may impact the CAR target and fee schedules, which have been set so there is some challenge to implementing for this year.

Daniel Rossner asked if there were any questions, no questions were asked. Mr. Rossner stated this will be discussed tomorrow at the Finance & Personnel committee meeting.

Daniel Rossner adjourned the meeting at 3:00 p.m.

Respectfully submitted,
Keri Gordon, Executive Assistant