HEALTHTRUST, INC.
BOARD OF DIRECTORS
Minutes of August 9, 2024

BOARD OF DIRECTORS PARTICIPATING:

Rossner, Daniel, Business Administrator, SAU #48, *Chair*	Ruehr, Timothy, Chief Financial Officer, SAU #29
Hilchey, Susan, Director of HR, SAU #25, *Vice Chair*	Sheing, Jill, HR/Payroll Coordinator, Strafford County
Clark, Michelle, Business Administrator, SAU #66	Stacey, Cathy Ann, Reg. of Deeds, Rockingham County
Rapp, Brian, Deputy Chief, Claremont Fire Dept.	Trahan, Sarah, Teacher, Winnacunnet High School

BOARD MEMBERS UNABLE TO PARTICIPATE:

Brown, Troy, Town Manager, Meredith	Dean, Russell, Town Manager, Exeter

STAFF PARTICIPATING:

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

CONSULTANT PARTICIPATING:

Murphy-Barron, Catherine, Actuary, Milliman	

Chair Daniel Rossner opened the HealthTrust Board meeting at 9:04 a.m. Vice Chair Susan Hilchey wanted to make sure everyone received answers to any questions they may have had pertaining to all the material presented over retreat. No additional questions were raised.

Minutes of the HealthTrust Board of Directors Meeting on June 6, 2024

Chair Rossner asked if there were any questions or revisions to the June 6, 2024 meeting minutes. None were raised.

MOTION by Cathy Ann Stacey, seconded by Sarah Trahan to approve the minutes of the June 6, 2024 HealthTrust Board of Directors meeting.

MOTION passed 6-0-2. Timothy Ruehr and Michelle Clark abstained.

Financials – Preliminary Year End FY2024

Daniel Rossner asked the Board if they had any questions pertaining to George Tsiopras's presentation earlier during the retreat. Mr. Tsiopras offered to do an overview and answer any questions. He began with a review of FY2024 as compared with FY2023. He noted that the year began with better than expected results July through February but that March through May looked more like FY2023. FY2024 results showed similar seasonality in the final months of the fiscal year, but the biggest difference between the two fiscal years was the June performance. Mr. Tsiopras further explained the June results included a positive $4M+ rebate adjustment as compared to a positive $3M adjustment in June 2023. Finally, he noted that the PDR estimate covered almost all anticipated operating losses, but for just over $1M, which shows that last year's actuarial projection overall was accurate.

Mr. Tsiopras also discussed the IBNR change and the related claims lag analysis. In the report, Milliman noted that when comparing the 12-month run-out period for incurred claims of the year ending June 30, 2022 and the year ending June 30, 2023, there was a reduction of almost $10M, resulting in the need for a lower IBNR estimate. Milliman added a 10% explicit margin to the IBNR medical reserve, (up from the historical 5% margin) due to the uncertainty related to the variability of the payment pattern for the most recent period versus prior periods. The Finance team reviewed the data, reached out to Anthem to confirm that there were no large outstanding claims as of June 30, 2024, and asked for assistance in understanding the reasons for the change in the payment pattern. Although no clear response was provided for the change in the pattern, Anthem did confirm there were no material outstanding claims. Mr. DeRoche noted that Anthem had undertaken a significant migration in claims platforms over the last several years and had previously expressed they had experienced significant staffing issues post-COVID, both of which may have contributed to a claims processing delay that may now be resolving. Given the recent volatility in this estimate, Mr. Tsiopras noted he will work with the actuaries to perform a 6 month review of the IBNR and adjust amounts accordingly to mitigate the possibility of material adjustments of this nature in the future.

Action on Capital Adequacy Reserve (CAR) as of June 30, 2024

Daniel Rossner introduced the Capital Adequacy Reserve agenda item. He spoke about the need for setting an appropriate CAR target and the range that was suggested by Milliman - $95M at the low end of the range to $150M at the high end of the range. He stated the bottom of the range is not realistic because HealthTrust's recent experience shows that it does not have the flexibility in pricing contemplated that would allow it to rebound entirely from steep losses in the next renewal. The recommendation from the Finance & Personnel Committee was to set the target at $122.5M which is the midpoint of the actuary's recommendation.

Brian Rapp stated he does not support this but would like more information on what lead to this recommendation. George Tsiopras responded explaining the two scenarios included in the actuarial report that define the difference between the lowest end of the range at $95M and the highest end of the range at $150M. He stated that the low end of the range, Scenario 1, is appropriate if HealthTrust can recoup the full amount of any losses in the next rate renewal. The high end of the range, Scenario 2, is appropriate if HealthTrust is unable to implement a rate increase to cover all the losses in the next rate renewal and losses will be recouped over several years as a result of normal fluctuations.

Brian Rapp stated we are showing we are heading back to $90M in two years. Timothy Ruehr noted the projection shows it will take three years to get to $90M however, with the increase at the low end of the range to $95M, it is still below where we need to be.

Scott DeRoche spoke about how setting the target Capital Adequacy Reserve amount and setting a rebuild strategy based on current net position needs to be two separate conversations. The target is required to be set based on the advice of a qualified actuary. For this discussion, the Board is reconfirming the 95% probability of solvency over a 5 year period and reviewing the actuary's range based on that probability. If HealthTrust cannot meet the actuarial assumptions required at the low end of the actuary's range, then that end of the range is unavailable to select while acting consistently with the actuary's analysis. The strategy to rebuild to that target is a separate discussion that is determined as part of the upcoming rate-setting process.

Mr. DeRoche explained that pricing flexibility is a key determinant in the range. He advised that we do not have full pricing flexibility to go above market rates as we operate in a competitive, not a captive, market. There can be a destabilizing effect on the pool if we raise rates too high above the market rate due to adverse selection.

Brian Rapp stated he is concerned with how the regulator would react. He believes we can build back quicker if we set rates where they should be.

Scott DeRoche spoke regarding his ongoing conversations with the regulator and the concerns they raised about rates being set below an amount necessary to cover projected claims. He stated that rating to cover indicated claims is important, including fully assessing the cost to honor GMR. Mr. DeRoche stated that rates are set to ensure premiums cover projected claims expenses as determined by the actuary. The Capital Risk Charge is a separate discussion regarding how far above that level can an additional rebuild charge be added without triggering adverse selection and destabilizing the pool.

Timothy Ruehr stated he feels similar to Brian Rapp but he is going to support this number and agrees we have to price products for what they cost. He added we cannot let products be underpriced however, when you think of reserves we want to continue for a very long time. If we offer great products at fair prices people will stay. In the past he supported a lower reserve but understands the need to have a bigger reserve based on recent experience. Brian Rapp asked why we are going to change when we have always stayed to the low end and it worked fine. Timothy Ruehr disagreed stating, the $90M did not work and was not sufficient. Michelle Clark added as a member of the Finance & Personnel Committee, that we don't have the flexibility in pricing to make it up in a year or even 2 and that is why she supports the increase. Daniel Rossner added as chair he supports this increase.

MOTION by Michelle Clark, seconded by Timothy Ruehr to adopt Capital Adequacy target of $122.5M, which is the midpoint of the actuary's recommended range, and is recommended by Finance & Personnel.

MOTION passed 7-1-0. Brian Rapp opposed.

American Rescue Plan Funds

Daniel Rossner recapped the presentation and the recommendation from the Finance & Personnel Committee for Brian Rapp who was not able to attend the retreat yesterday.

MOTION by Brian Rapp, seconded by Sarah Trahan to direct staff to apply to the State for a State Fiscal Recovery Fund grant seeking reimbursement of COVID-related excess claims. Passed unanimously

High Cost Claims Methodology

Scott DeRoche recapped the presentation on High Cost Claims. The Finance & Personnel Committee did not make a recommendation to the board as they believed it was within the committee's authority to direct staff to utilize the new methodology when preparing the rates for the full Board's approval. Scott DeRoche stated we were looking for direction from on preparing rates for this rating cycle and we have received that. Daniel Rossner stated the importance to proceed with methodology for High Cost Claims approved by the committee.

MOTION by Timothy Ruehr, seconded by Cathy Ann Stacey to direct staff to use the most recent year's actual dollar amount and trend them forward with no further adjustments for next cycle.

Timothy Ruehr added we have missed 3 years in a row due to rising trend and averaging will never work during an upward trend. Scott DeRoche asked for clarity if the motion was intended to use completed claims, which was confirmed.

MOTION passed unanimously.

Reinsurance

Daniel Rossner spoke about presentation and how this topic has been discussed in the past and not pursued because it was not cost-effective. The preliminary analysis shows that it is still not cost effective over the long run, but that there is enough to warrant additional study, particularly if the market is able to support richer coverage levels. The recommendation from the Finance & Personnel Committee is to allow the Executive Director to spend up to $50,000 to engage reinsurance professionals to further evaluate reinsurance options. Daniel Rossner asked Cathy Murphy-Barron if reinsurance allows us to lower our CAR. Ms. Murphy-Barron said that at current levels used in the modeling it does not have much of an effect on the CAR but it may if the attachment point is low enough and the price is cost-effective but would need to be looked at. Brian Rapp and Sarah Trahan stated they feel it could be worth it to pursue.

MOTION by Timothy Ruehr, seconded by Sarah Trahan to spend up to $50,000 to engage reinsurance professionals to further evaluate reinsurance options

MOTION passed unanimously.

<u>Deductible Funding Rule</u>
Scott DeRoche spoke on the recommendation presented by the Finance & Personnel Committee. Brian Rapp asked if there was a way to make the plan a little more expensive to cover more of the costs instead of limiting the employer's share of deductible funding. He does not like forcing it like this. Michelle Clark said charging different prices to account for deductible funding can be looked at in the future, but that changing the pricing will take time and with current increasing costs it needs to be stopped now. Daniel Rossner explained how with employers funding deductibles consumer behavior does not change.

Scott DeRoche added we have a relativity study in place and will have results right before the rating cycle. We can discuss, explore, and model additional pricing model changes once the report is reviewed. However, with the report due right before the rating cycle and with system build requirements, the ability to change the pricing model to create a second set of rates is very limited.

Mr. DeRoche continued that the current deductible funding in place is for any plan with a deductible of $1000 or more. Certain Groups with the Lumenos plans are using 100% employer deductible funding. The Board was concerned on how to police this. Staff noted that enforcing an underwriting rule can be challenging unless they utilize HealthTrust as an HRA administrator. They discussed that an attestation would be relied on and there are several ways to check for discrepancies such as through a review of CBAs. Timothy Ruehr voiced concern for the amount of work this will add to Groups and what the downfall could be. If consumers knew the effect on their premiums it could change behavior.

Sarah Trahan asked general counsel if she could vote as this would directly affect her. Jeanne Herrick advised on the process to assess the potential conflict.

MOTION by Michelle Clark, seconded by Brian Rapp to adopt deductible funding rules effective January 1, 2025: 1) Deductible funding rule to limit employer funding to 50%; 2) Extend deductible funding rule to apply to large groups unless fully credible; 3) Extend deductible funding rules to apply to HSA funding; and 4) To implement annual attestation of compliance as part of renewal, and B. Further that all existing deductible funding arrangements provided for under collective bargaining agreements in place on July 1, 2025 may be grandfathered for current medical Member Groups to the end date of such existing collective bargaining agreements, but no extensions shall be allowed due to impasse or failure to reach agreement.

MOTION passed 6-2-0. Cathy Ann Stacey and Timothy Ruehr opposed.

Break 10:28-10:36

<u>July Renewal Timeline</u>
Daniel Rossner spoke about the recommendation from the Finance & Personnel Committee, essentially doing away with GMR and setting final rates in October. Michelle Clark stated that the committee looked at 4 different alternatives and there was only one they felt was feasible based on the Member Groups' need as public sector employers to know a maximum budgeted amount in the fall, and further noting the committee did not want to stay with the current model. The recommendation by the committee, as written included an effective date of July 1, 2025 with possible discount program, to be developed. Timothy Ruehr added this "discount" would only apply if overall trends are better than projected such that the spring evaluation shows that contributions will likely exceed updated projected claims and discounts would be provided to the well-performing groups. There was a discussion regarding what measures could be used to indicate a discount could be provided, such as whether the pool is at the CAR target. Mr. Ruehr stated that the discount program was part of the committee's discussion and the draft motion should be amended to include a spring time analysis.

Scott DeRoche raised concerns with the discount language as it is open ended. The change to the rating process will raise significant questions and it is important to be able to provide clear answers on what changes are being made. He continued that he is in support of the idea but concerned about adopting broad language without specifics having been established.

Timothy Ruehr stated it does not have to be implemented yet. Cathy Murphy-Barron asked for clarification on the proposed discount program, stating every group has increase or decrease due to performance. Timothy Ruehr stated we are not giving back their actual improvement, we would only give back the percentage of the whole. The important feature is that after discounts, contributions would be projected to fully cover expected claims. Ms. Murphy-Barron was satisfied that the model would not be setting rates below expected claims. Brian Rapp asked what would happen if we do that in April and a group that gets a discount then has a run of claims in May and June, why we offer a discount at all. Scott DeRoche noted Mr. Rapp's concern and would consider it in developing the discount program design. Daniel Rossner added the information that was discussed yesterday on industry norms, other organizations set rates based on information no more than 18 months old and we are setting rates on 26 month old information. The update in the spring would be intended to better approximate industry norms. Scott DeRoche added he supports the discount program but we need to tighten up the wording so we are clear on what we are doing and that we are not setting rates below what is needed to fully cover expected claims.

MOTION by Michelle Clark, seconded by Timothy Ruehr to adopt rate setting as recommended by the Finance & Personnel Committee setting final rate in October, which may be discounted under a program that will be developed, discussed and approved at a later date.

MOTION passed unanimously.

Strategic Planning Committee

Daniel Rossner provided an overview of two items covered during the retreat sessions: GLP1s and review of well-being program. He noted that though they were discussed during day 1of retreat, no recommended action by the board came out of discussion on these items. Scott DeRoche added staff was asked to and was prepared to make a recommendation on the well-being program.

Brian Rapp and Timothy Ruehr requested an overview on the GLP-1 presentation. Daniel Rossner provided an overview on GLP-1s, their various indicated uses by the FDA and the dramatically increasing claims trend over the past year, especially for Wegovy as an anti-obesity medication (AOM). He further provided an overview of the discussion whether to implement restriction on use or add a gatekeeper – noting the presentation slide with the various options. Scott DeRoche stated that the general feeling from the internal staff committee was that we need to take some action to control the cost. He added that the board directed staff to propose changes that could be made during FY2025 and others to pursue in future years that will have significate impact on costs, and this is the largest benefit change that the Board has the ability to change to meaningfully impact FY2025 performance.

Cathy Ann Stacey asked if there is a way to up the copay on these types of prescriptions. Scott DeRoche stated that is determined by the CVS formulary and we could not put AOMs into a different cost share without changing the plan design entirely. He further noted that there are rebates associated with these drugs and if singled out, could result in a significant loss of rebates. HealthTrust, however, is able to make allowed changes to restrict the coverage for AOMs as a whole. The staff proposed restriction would be for Anti-Obesity only and would preserve the GLP-1 class for other purposes (diabetes, etc.). Brian Rapp asked if we would be able to require a prior authorization (PA) and Sarah Trahan said obesity is a medical concern and she would hate to not cover it with the PA. There was a further discussion amongst the Board on when to implement this change. Daniel Rossner suggested March 1, 2025 as an implementation date if the staff recommended restriction were adopted.

MOTION by Timothy Ruehr, seconded by Susan Hilchey, to adopt option 1, to discontinue access to AOMs for weight loss only effective March 1, 2025.

MOTION passed 7-1-0, Sarah Trahan opposed.

Moving on to the well-being program, Scott DeRoche began by stating there was a request to review the well-being program as a whole to determine whether it is cost-effective and aligned with HealthTrust's primary mission to provide high quality, cost-effective medical plans. Mr. DeRoche stated that for those we are directly contracted with it costs approximately $4.5M. In reviewing the various components of the program, he noted that each is intended to have an ROI and there is a claims savings associated with them. It is important to keep in mind that the overall goal of the well-being program is to both help individuals achieve better health outcomes and to reduce claims costs. A key component of successful well-being programs is to keep the healthy, healthy. Scott DeRoche stated all vendors claim a positive ROI. While we cannot simply accept ROI claims that are not evidence-based or otherwise verifiable, we are very concerned that making wholesale changes, without further evaluation, could have a bigger impact down the road with increased claims. Daniel Rossner stated there was no action required today and asked if anyone has a recommendation. Scott DeRoche went on to speak to staff recommendations. Cathy Ann Stacey raised concerns about the medication safety program, the cost per kit and who pays for unreturned kits suggesting that the structure needs to change. Scott DeRoche agreed but stated he is not sure the vendor will be open to restructuring the contract pricing. Cathy Ann Stacey asked if there were any other options in marketplace. Timothy Ruehr asked where Corigen is getting claims savings, Scott DeRoche explained the rationale behind their claims stating examples. Timothy Ruehr asked for staff to look at Slice of Life and SmartShopper. He recommended asking SmartShopper for their data supporting the ROI.

MOTION by Timothy Ruehr, seconded by Sarah Trahan to encourage staff to take a decisive line with SmartShopper to get data to make proper ROI analysis.

MOTION passed 7-1-0. Cathy Ann Stacey opposed

Scott DeRoche stated staff would work with the Strategic Planning Committee to further review the well-being program and to bring back recommendations.

Governance & Nominating Committee

Sarah Trahan gave a brief review of items that were discussed at the committee meeting including the approval of the timeline, changes to the application, and keeping application open year round. She also noted that the committee decided to not try to fill the position vacated by Brigitte Codling as it would be up for re-appointment at the December 2024 Annual Meeting. She stated no action was needed but asked if the full Board supports the committee's suggestion to not fill the open position until after current term ends in December. No objections were raised. Staff will move forward with finalizing the application and posting to website.

Action on Draft Board Meeting Schedule for CY2025

Board reviewed the proposed Board meeting schedule for CY2025.

MOTION by Brian Rapp, seconded by Sarah Trahan to approve CY2025 schedule.

MOTION passed unanimously.

Other Business

Motion by Brian Rapp, second by Sarah Trahan to adjourn.

Chair Rossner declared the meeting adjourned at 12:10m.

Respectfully submitted,

Keri Gordon, Executive Assistant