

**HEALTHTRUST, INC.**  
**FINANCE & PERSONNEL COMMITTEE**  
**Minutes of October 8, 2024**

**COMMITTEE MEMBERS PRESENT:**

|   |  |
|---|--|
| Dean, Russell, Town Manager, Exeter, <i>Chair</i> | Ruehr, Timothy, Chief Financial Officer, SAU #29           |
| Brown, Troy, Town Manager, Littleton              | Rossner, Daniel, Business Admin, SAU #48 <i>ex officio</i> |
| Clark, Michelle, Business Admin, SAU #66          |  |

**OTHER BOARD MEMBERS PRESENT:**

|  |  |
|--|--|
| Sheing, Jill, HR/Payroll Coord, Strafford Cnty<br>( <i>virtual</i> ) |  |
|--|--|

**STAFF PRESENT:**

|   |   |
|---|---|
| Bodwell, Erica, Benefits & Coverage Counsel               | Kalgren, Jason, Chief Information Officer                     |
| DeRoche, Scott, Executive Director                        | Thomas, Keri, Executive Assistant                             |
| Easterling-Wood, Suzy, Compliance, Risk & Control Officer | Tsiopras, George, Deputy Director and Chief Financial Officer |
| Herrick, Jeanne, General Counsel                          | Turmel, Lynne, Director of Risk Pool Operations               |

**OTHERS PRESENT:**

|                                |  |
|--------------------------------|--|
| Murphy-Barron, Cathy, Milliman |  |
|--------------------------------|--|

Russell Dean, committee chair, opened the Finance & Personnel committee meeting at 8:05 a.m.

**Minutes of September 19, 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 September 19, 2024 HealthTrust, Inc. Finance & Personnel Committee meeting.

**Motion** passed 3-0-2, Michelle Clark and Troy Brown abstained

**Relativity Study**

Scott DeRoche provided an overview on the relativity study that was commissioned by the Board for FY2025, for which planning began in the spring of 2024. Mr. DeRoche explained it was a very involved process. Staff provided detailed cost share information that Milliman used in their analysis. Draft results were received two weeks ago, with fine-tuned results coming in last week showing impacts varying between groups. Mr. DeRoche continued by stating HealthTrust has not implemented changes based on relativity study results since 2016. Basic interpretation of the study shows our plan portfolio condensing towards the middle. Some of the plans that were seen as low cost options have had values move upwards to be closer to our richer benefit plans. The study also showed that our main prescription plans (which had a spread of 2.5%) are significantly condensing. Mr. DeRoche reviewed Exhibit I that showed plan designs that are quoted to new groups and Exhibit II showing the current value compared to updated values and the impact of the relativity study over a multi-year phase-in.

Daniel Rossner commented on the exhibit stating if we had implemented this a year ago, that the ABSOS25/50/3KDED-RX10/20/45/5K plan (in Exhibit II) would have been about 17% underpriced, system wide. Scott DeRoche confirmed the results could be interpreted at a high level as it was priced with a lower cost than it deserves. Adding a number of factors affect the rating and how it applies to the pricing system will be group specific.

Mr. DeRoche continued by stating these relativity pricing changes are larger than expected, raising more questions. The implications are significant and if this relativity study were to be adopted some products may not make sense to be offered any longer because there is little difference in relative pricing. Staff will be working with Milliman and Anthem to further understand some of the key drivers of the relativity study, such as reviewing the effective discount rates of various plans. The work based on this report will not be finished with adopting new pricing relativities, more work is being done to better understand ways to adjust benefit offerings in the future and how this will impact groups. Mr. DeRoche concluded by stating the recommendation for today is to adopt the relativity study with a 3 year implementation.

Cathy Murphy-Barron provided a high overview of the methodology of the study. Ms. Murphy-Barron stated they looked at the plans that have the most enrollments and used a standard pricing tool to model claims experience, based on New Hampshire data and adjusted plans based on the 1.0 plan, AB5-RX10/20/45/3K.

Russell Dean questioned why any relativity plans haven't been adopted since 2016?

Scott DeRoche stated he could not speak to that but noted that a number of the findings in 2019 on some of the plans were similar to the findings in this study and implementing in a single year could have had a major impact on groups. He surmised that it was probably intended to be further studied before implemented.

Scott DeRoche spoke about the impacts to groups stating there are some misconceptions on what relativity studies do. This is a pricing issue, our rating process is independent of that. Mr. DeRoche added that adopting the relativities will not raise additional funds for the renewal as a whole or from any individual rating entity, presuming the plan enrollment stays the same. He stated that the rating process determines how much needs to be raised to cover claims and expenses. That absolute dollar value is then applied downwards to plan pricing; not the reverse. For example, one plan may have 1% increase but another plan may have a 7% increase and if enrollment stays exactly the same it will generate the same dollar figure required to be raised from that rating entity as if their overall rate increase was applied to each plan. However, it does raise additional funds if there is a shift in enrollment (buy down), thereby protecting against adverse effects.

July 2025 renewal medical rates as recommended have a range of -2.3 to 19.4% by rating entity. If this were implemented in 1 year, it would result in a pricing change of -29% to 49% for certain plans. Mr. DeRoche added that there is a very small population that will be impacted to that degree but for those that are it will have a large impact.

Mr. DeRoche then shared the impact of relativity study for a sample rating entity, showing the enrollment and amount needed to be raised for their rates, which is an overall increase of 4.2%. He explained that if no enrollment changes were made, all plans would get the same percentage increase. If the relativity study was implemented, the overall 4.2% rate stays the same, but individual plans would see different increases, for example the ABSOS25/50 would see a rate of 8.8% and the MCNRX would decrease by 2.0%. Between all of the plans, if enrollment stayed the same, the example showed the same overall dollar amount being raised by that rating entity.

Mr. DeRoche further added that a number of lower priced products have the larger rate increases but it will differ between groups. Some groups who have moved to some of the most affected lower cost plans several years ago have already had their adverse claims catch up to them through the rating process and will not see a big change.

Timothy Ruehr asked to see an example of a group that has the majority of their enrollment on a site of service plan. Mr. Ruehr stated that his interpretation of this study is that individuals are subsidizing individuals within a group - not groups subsidizing groups. Mr. DeRoche agreed, stating that it also depends on the mix of plans. However, he added the impact is most noticeable to the 50 and under and combination of entities Groups stating the rating entity as a whole will be equivalent however individual Groups within that rating entity may have significant impacts depending on their product selection.

Mr. Ruehr confirmed his understanding that the large groups subsidize within their groups because they offer multiple plans, small groups that are part of the 50 and under rating entity may have been subsidizing other small groups and application of the relativity study results will lessen that. Mr. Ruehr asked the chair if it was possible to recess to consult with counsel while they wait for the Site of Service example to be gathered.

Meeting recessed to consult with legal counsel at 8:40.

9:05 resumed

Scott DeRoche provided an example of a rating entity on spreadsheet with a 1 year implementation showing the AB20 plan (majority of their enrollment) with a 9.9% increase and the ABSOS25/50 (minority of their enrollment) with a 46.4% increase. He noted that if the relativity study were implemented and the population moves to the lower cost plan contributions for that plan would increase, thereby protecting against buy-down. Mr. DeRoche added if the relativity study is not implemented and the population moves to the lower cost plan, contributions would lag behind claims in the first year or so and the group would likely have rate increases each year until they are effectively covering their claims, to the extent provided by credibility weighting.

Mr. DeRoche provided another example of a group with most of their population on a Site of Service plan, showing the group likely went through prior adversity (previous contributions were likely not sufficient to cover claims) and is now on the other side and are raising what should be expected for their plans as their claims experience has caught up to them. Mr. DeRoche concluded that these are two examples of buy down, how to protect against that, and how the relativity would affect the group.

Russell Dean asked for clarification on the recommendation from staff to implement in 3 years.

Scott DeRoche provided clarification adding staff would like the committee to vote today so it can be brought to the full Board to set final rates.

Daniel Rossner stated staff is going to have to be face to face with every member group to explain these changes because it is such a different direction for us and asked Mr. DeRoche if he sees this being a challenge. Scott DeRoche stated he does not see being in-person as an issue for staff, adding conversations are already underway to discuss the rating process. This adds to the conversation and shifts it a bit, but staff is available to all Groups at all times.

Russell Dean asked if there were a motion on this recommendation.

**MOTION** by Michelle Clark, seconded by Daniel Rossner to go with staff recommendation to implement the results from the relativity study in 3 years.

**MOTION** passed 4-1, Timothy Ruehr voted against

### **Stop Loss Reinsurance**

Scott DeRoche provided an update on the quote received from Anthem for Stop Loss insurance. Mr. DeRoche recapped the information that was presented at retreat adding, reinsurance for an organization of our size is expected to be a net loss. If claims play out within normal fluctuations, reinsurance would be a loss. If you compare it to home owners insurance, it is a premium you pay that you don't expect to get back but protects you from unlikely, but possible, catastrophic loss. Based on direction from the Board, staff looked at other options to take effect July 1, 2025. However, Anthem wanted to better understand our concerns, and worked through those discussions with staff. As a result of these conversations, we recently received an updated quote from Anthem of a 30 month offer, beginning in January 1, 2025. Mr. DeRoche explained the coverage was modeled in house, based on recent experience and trended forward to provide examples of what could occur. He stressed that this is one example to provide an illustration of what could occur, but actual results will vary.

Daniel Rossner questioned the date ranges of the examples and Scott DeRoche explained the incurred claims period extends backwards significantly. Timothy Ruehr asked if claims need to be incurred and paid during the time period noting Anthem's control over when claims are paid. Mr. DeRoche acknowledged claims need to be both incurred and paid during the stated time periods and believes claims would continue to be paid in a timely manner.

Mr. DeRoche continued giving an overview of each example and how stop loss would be applied at each coverage level, what would have potentially been paid out for that time period, and the premiums paid. He also pointed out that it is possible for claims to not reach the threshold and have no claims paid back. In the first 6 months, at the \$1-2M claims threshold, we did not have any claims paid out at that level for that time period (FY2023) however, we did in FY2024. For the 12-month period at the \$500k attachment point, we would have paid \$12M in premium but we would have gotten \$8.8M paid back resulting in a \$3.3M loss, \$2.8M of which were state fees. The examples show that each attachment point could reasonably be a \$2-4M loss to the organization.

Mr. DeRoche provided the committee with the staff's recommendation to purchase reinsurance for the 30 month period due to the Capital Adequacy Reserve (CAR) not being at target level. He added that if the CAR was at the target level it could step in and cover the claims. However, being below target, we are less able to absorb catastrophic claims and the reinsurance will protect the organization against unexpected volatility as it continues to rebuild. Mr. DeRoche stated this is a fair and reasonable offer by Anthem adding Anthem is taking on the risk of significant high dollar claims while capital rebuild continues, and is not charging any commission costs. Mr. DeRoche concluded that staff could request quotes from other agencies however, he feels the costs would be higher (particularly due to significant broker fees) and would most likely be unable to get a January 1, 2025 effective date, which is important given the claims spikes we saw in the spring of 2023 and 2024.

Russell Dean asked the committee if there were any questions.

Timothy Ruehr asked what attachment point staff was recommending.

Scott DeRoche recommended either the \$500K or \$750K attachment point adding if there were no state fees he would recommend a higher attachment point. As you get to higher attachment points, fees become the majority of costs. For example, at the \$1M attachment point, fees are 60% of the premium cost. He also recommends revisiting reinsurance when we are at or close to our target reserve level.

Daniel Rossner asked if the Board decides to move forward with reinsurance would Anthem allow us to make changes to the attachment point or shorten the term.

Scott DeRoche advised it was a live quote for the full 30 month term and he does not expect Anthem would allow for modification or early termination within the term, as they would want to average out any adverse experience.

Russell Dean asked if the committee was ready to make a motion on reinsurance.

Timothy Ruehr stated he is not ready to make motion and is concerned with the \$7M cost to the organization. He feels like we are doing two things at once, rebuilding the CAR by adding a capital risk charge (CRC) and reinsurance. He would have chosen the \$1M attachment point, and taken it out of the CRC.

Daniel Rossner stated he supports the \$1M attachment point while noting it doesn't do much for first 6 months. He feels a critical part of motion is how it is being funded.

Scott DeRoche stated rates were set without this factored in as the quote just arrived recently. He and George Tsiopras explained that in effect, if purchased, it would be an unanticipated expense which would reduce the amount expected to be gained from the CRC. It is in effect "locking in" a small loss in order to protect against the potential of a large loss.

**MOTION** by Timothy Ruehr, seconded by Michelle Clark to recommend purchasing individual stop loss reinsurance at the \$1M attachment point and not to increase rates beyond the previously recommended amount.

Scott DeRoche asked for clarification stating aggregate is part of the packet and if that was included in the motion.

Mr. Ruehr asked for more details on the aggregate coverage

Scott DeRoche advised aggregate coverage guards against many smaller claims while individual stop loss coverage is for large catastrophic claims. Mr. DeRoche provided an example for the 6-month period explaining that expected claims are reevaluated and if the expected claims exceed \$239M, coverage would begin with \$5M maximum annual coverage. That would shift the math depending on how they play together, as they are guarding against two different things. Mr. DeRoche also added that aggregate stop loss is not typically available to an organization of our size but he would have loved to get a quote without the \$5M limit.

Daniel Rossner stated if claims were more than \$446K higher (the 12-month premium amount) than the attachment point that would be a net win for us.

Scott DeRoche stated this policy is very favorable and could be interpreted as Anthem thinking we will experience less in claims than forecasted in our rating process. He added that if claims are lower than expected, while reinsurance will be more of a loss, having a reduction in claims below these thresholds means our net position is likely higher as a whole.

Timothy Ruehr stated this is not a great product for our size organization, but with these terms he feels we should buy it. Mr. Ruehr also added the biggest risk is through our rating and changes, if we lose groups, we aren't going to come close to meeting thresholds. He also remarked that it should be clear that the cost for the reinsurance will be absorbed by the capital risk charges built into the rates.

Daniel Rossner noted the organization is starting down a different path and feels for the short term both components need to be considered.

Timothy Ruehr amended his prior motion, seconded by Michelle Clark, to include aggregate coverage.

**AMENDED MOTION** by Timothy Ruehr, seconded by Michelle Clark to recommend purchasing reinsurance at the \$1M attachment point to include aggregate coverage at a 110% attachment point and not to increase rates.

**MOTION** passed 5-0, all in favor

## **Risk & Control Report**

Suzy Easterling-Wood provided an update on the payroll audit stating as part of audit plan she conducted a payroll and group term life audit during first quarter. For the Payroll Audit she had 15 random samples, provided by Human Resources, to compare to wage scale and actuals, ensure any increases did not exceed the maximum salary, was consistent with other supporting documents, and merit increases were in line with overall evaluation. Ms. Easterling-Wood reported there were no findings, all salaries were accurately calculated.

Ms. Easterling-Wood then provided an update on the audit to the Group Term Life deductions explaining that staff manually calculated what deductions were supposed to be and compared them to what the Human Resources Coordinator enters into ADP and found no discrepancies. Ms. Easterling-Wood stated she recommends a process by which an additional party in the Finance Department verifies the wage information entered into ADP on a regular basis to ensure GTL deductions are correct.

Russell Dean asked if the committee had any questions, none were asked.

**MOTION** by Daniel Rossner, seconded by Michelle Clark to accept the Payroll Audit report and bring to full Board;

**MOTION** passed 5-0, all in favor

## **Rating policy**

Scott DeRoche gave an overview of the rating policy procedure stating it is designed to capture the Board's intent and is not meant to be restrictive but simply a foundation.

Jeanne Herrick presented the draft of the rating policy stating she tried to incorporate all of the core concepts that are looked at when rating. The policy is meant to capture these concepts and be the framework for what the Board does.

Russell Dean asked if the committee had any questions.

Daniel Rossner stated he has heard many comments from groups regarding the importance of maintaining the January and July renewals and thanked Ms. Herrick for including that in the policy.

Jeanne Herrick stated that if the committee was comfortable with the draft it could make a recommendation to the full Board to adopt, or we can wait until next committee meeting to make the recommendation if the committee felt it needed more time to review.

Scott DeRoche added that staff would take this draft as the framework and would become a model to begin drafting additional policies for the Board.

Daniel Rossner stated developing more policies has been a significant topic with the change in leadership.

Jeanne Herrick added it would put the Board in a better position overall so far as governance of the organization is concerned.

**MOTION** by Daniel Rossner, second by Michelle Clark to bring the draft rating policy to the full Board.

**MOTION** passed 4-1, Timothy Ruehr voted against.

## NASDAQ Boardvantage

Scott DeRoche gave an overview of the NASDAQ Boardvantage portal that was suggested by Timothy Ruehr to be used as a platform for the Board. Mr. DeRoche noted this platform has many features and would allow easy and organized access to current and historical documents by the Board members. He also noted that this portal can help facilitate conversations between Board members and staff and they would have to have an understanding that no such conversations could occur between a quorum of Board members under the Right-to-Know law. Mr. DeRoche advised the Board that this program comes with a cost, but materials and other Board related items would be at their fingertips. Given the magnitude of decisions that the Board makes, it is very important that they have easy access to all materials that they need to reference. He also advised that the vendor has offered to postpone billing until July so monies could be budgeted moving forward.

Daniel Rossner asked if administrators to the portal would have the ability to monitor if conversations occurred between Board members, if this portal would be available to the public, and if Board members would continue to have access to the portal if they were to step down.

Scott DeRoche advised that there would be 3 administrators and they would have access to monitor conversations. He also added that the public would not have access to this portal, it would be similar to our Secure Portals. He stated we would have control over who has access to the information and could configure rules around terminating access.

Timothy Ruehr asked what staff thought of the program.

Keri Thomas stated she thought the program had a lot of features that would be helpful to the Board.

Russell Dean stated he would like to see staff move ahead with setting up this program.

**MOTION** by Michelle Clark, Second Daniel Rossner to adjourn

**MOTION** passed 5-0, all in favor

Russell Dean declared meeting adjourned at 10:09 a.m.

Respectfully submitted,

*Keri Thomas*

Keri Thomas, HealthTrust Executive Assistant