

HEALTHTRUST, INC.
FINANCE & PERSONNEL COMMITTEE
Minutes of August 2, 2023

COMMITTEE MEMBERS PRESENT:

Dunn, Scott, Town Admin, Gilford, <i>Chair</i>	Ford, Duane, Business Admin, SAU #67
Dean, Russell, Town Manager, Exeter	Rossner, Daniel, Business Admin, SAU #48 <i>ex officio</i>

COMMITTEE MEMBERS UNABLE TO ATTEND:

Clark, Michelle, Business Admin, SAU #66	
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STAFF PRESENT:

Herrick, Jeanne, General Counsel	Saucier, Pam, Executive Assistant
Parker, Wendy, Executive Director	Tsiopras, George, Chief Financial Officer

Committee Chair, Scott Dunn opened the meeting at 9:02 a.m.

Minutes of May 9, 2023 Finance & Personnel Committee Meeting

Scott Dunn asked if Committee members had reviewed the minutes and if there were any recommended revisions. No changes were recommended for the minutes.

MOTION by Russell Dean, seconded by Daniel Rossner to accept the minutes of the May 9, 2023 HealthTrust, Inc. Finance & Personnel Committee meeting.

MOTION passed unanimously.

Scott Dunn indicated that there would be an adjustment made to the agenda starting with item 2b, an update on the Investment Portfolio. He invited George Tsiopras to begin with an update on the HealthTrust financials.

Financial Update & Investment Portfolio Update

George Tsiopras provided an overview of the current progress auditors were making; he also provided a review of the preliminary year-end net position, year-end entries including the Incurred But Not Reported reserve, (IBNR) and the Premium Deficiency Reserve, (PDR) and discussed spikes in claims over the last 4 months, especially in high dollar claims and specialty drugs. Further discussion and questions were raised about the PDR being influenced by the last 4 months of FY2023, Milliman indicated that it is but not necessarily disproportionately so. Wendy Parker addressed decisions by the Board that can positively influence the trend. For example, the retreat agenda includes topics like prescription drug co-pay card programs and alternative retiree plan options which would offset costs. Ms. Parker reminded the Committee that they have already implemented a number of cost savings measures, such as the formulary and a smart prior authorization (PA) on high cost weight loss drugs. Discussion continued around high cost claims and analysis of the potential sources including new high dollar claims and specialty drug utilization. Mr. Tsiopras continued by addressing claims trends in further detail.

George Tsiopras continued with a review of HealthTrust's Investment Policy and an update on the portfolio in detail. He covered details regarding recent claims history and compliance with the Cash & Cash Equivalents policy, which recently fell below the required level. To bring cash and cash equivalents into compliance, the Investment Advisor suggested selling the equity portfolio. This action was completed in July and has brought HealthTrust back into compliance with the Cash & Cash Equities policy. Continued discussion on unrealized investment gains and losses and impact on the balance sheet took place due to unrealized bond losses that were previously balanced by unrealized equity gains. Scott Dunn asked if the Board should anticipate changes to the Investment Policy, Mr. Tsiopras stated that they would be reviewing

the language with Dan Smereck at Strategic Asset Alliance to see if new language should be added and to identify if the policy comports with current best practices. The Committee thanked Mr. Tsiopras for his thorough review.

Review and Action on Capital Adequacy Reserve as of June 30, 2023

Scott Dunn introduced Cathy Murphy-Barron and Eric Buzby, actuaries from Milliman. Ms. Murphy-Barron completed an in depth review of the Milliman Recommended Capital Adequacy Reserve for HealthTrust, including background, methodology and assumptions as outlined in their report. She informed the Committee that post-COVID utilization has come back at a much quicker pace than predicted and the claims costs are higher than expected. Ms. Murphy-Barron reported that claims are 3% higher than predicted and high-cost claims, which have been historically 7%, are now 10%. She stated that based on Milliman's analysis as of June 30, 2023, they would recommend HealthTrust, Inc. should target a capital adequacy reserve for the protection of its beneficiaries of between \$90 and \$150 million. A great deal of discussion and questions took place on the Capital Adequacy Reserve recommendation.

MOTION by Russell Dean, seconded by Daniel Rossner to move to adopt Milliman's report with a recommendation to the Board that the Capital Adequacy Reserve target be set at \$90M.

MOTION passed unanimously.

Review and Action on Rating Model Consideration

Scott Dunn invited George Tsiopras to give his presentation on Rating Model Considerations, which included a review and analysis on High dollar claim threshold in detail. Mr. Tsiopras' presentation included action steps to recommend a change in the pooling threshold for claims in excess of \$150,000 per claimant to \$175,000 per claimant and to exclude the lowest year over a 5-year average in determining pooling rates for groups. Discussion on purposes for moving the high dollar claim threshold to \$175,000 per claimant and for adopting a more conservative pooling averaging methodology ensued.

MOTION by Russell Dean, seconded by Daniel Rossner for the Finance & Personnel Committee to recommend to the full Board to accept the increase in the high dollar claims threshold for pooling from \$150k to \$175k and to exclude the lowest year of a 5-year average.

MOTION passed unanimously.

MOTION by Russell Dean, seconded by Daniel Rossner to revisit today's recommendation one year from today.

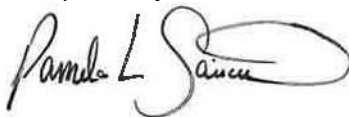
MOTION passed unanimously.

Other Business

Chair Scott Dunn asked the Committee if there was any other business. Wendy Parker asked the Committee if they would like Cathy Murphy-Baron to attend the session on Rating Model Considerations at the HealthTrust Board retreat on Thursday, August 10. The committee agreed that her presence would be beneficial in answering questions and contributing to discussion. No other business was brought forth.

Scott Dunn declared the meeting adjourned at 10:50 a.m.

Respectfully submitted,



Pam Saucier, Executive Assistant