

HEALTHTRUST, INC.
FINANCE & PERSONNEL COMMITTEE
Minutes of September 21, 2023

COMMITTEE MEMBERS PRESENT:

Dunn, Scott, Town Admin, Gilford, <i>Chair</i>	Dean, Russell, Town Manager, Exeter
Clark, Michelle, Business Admin, SAU #66	Rossner, Daniel, Business Admin, SAU #48 <i>ex officio</i>

COMMITTEE MEMBERS UNABLE TO ATTEND:

Ford, Duane, Business Admin, SAU #67	
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BOARD MEMBERS IN ATTENDANCE:

Hilchey, Susan, Director of HR, SAU #25	
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STAFF PRESENT:

Bodwell, Erica, Benefits & Coverage Counsel	Parker, Wendy, Executive Director
Fox, Kathy, Controller	Saucier, Pam, Executive Assistant
Herrick, Jeanne, General Counsel (<i>virtual</i>)	Simmons, Darlene, Engagement Manager
Kalgren, Jason, Chief Information Officer	Tsiopras, George, Chief Financial Officer

CONSULTANT PRESENT:

Murphy-Barron, Catherine, Actuary, Milliman	Buzby, Eric, Actuary, Milliman
Rice, Carrie, Johnson Lambert	

Committee Chair, Scott Dunn opened the meeting at 9:30 a.m.

Minutes of August 2, 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 Daniel Rossner, seconded by Russell Dean to accept the minutes of the August 2, 2023 HealthTrust, Inc. Finance & Personnel Committee meeting.

MOTION carried 3-0-1 (Michelle Clark abstained)

HealthTrust FY2023 Audit Report – Presented by Johnson Lambert

George Tsiopras introduced Carrie Rice from Johnson Lambert to review the HealthTrust FY2023 Audit Report. Ms. Rice stated the audit is currently in draft form, and they will be issuing an unmodified clean audit upon completion. She thoroughly reviewed their audit responsibilities, policies and results. Significant risks and accounting estimates identified were revenue recognition, override of controls, loss reserves and premium deficiency reserve, capital adequacy and return of surplus. During the course of the audit, they found proper segregation of duties and appropriate estimates used for incurred but not reported reserve and premium deficiency reserve.

Discussion and questions took place during the presentation.

With respect to the pension plan, Ms. Rice noted that pension liability is biggest portion of disclosures in note 13 and that pension liability increased. Chair Dunn noted that net pension liability difference is large and asked about the cause. Ms. Rice stated that it was not unusual but the result of changes in the assumptions. Overall, she explained there is no significant impact and that decreasing the salary increase assumption to 3% down from 3.5% created the largest impact.

With respect to the audit process overall, Ms. Rice noted that management was extremely timely in all requests for documents and materials; she noted this audit had a quick turnaround time. Ms. Rice noted that nothing significant was found during the audit and there were no adjustments or disagreements with management. Discussion ensued on recommending the acceptance of the draft Financial Audit to the full HealthTrust Board. George Tsiopras briefly reviewed August claims at the request of Daniel Rossner. The committee thanked Mr. Tsiopras and the consultants for their thorough review and work on the audit.

MOTION by Daniel Rossner seconded by Michelle Clark to recommend acceptance of the draft of the financial audit to the full Board.

MOTION passed unanimously.

Proposed Rates for CY2024 and FY2025

Scott Dunn invited George Tsiopras to introduce Milliman actuaries Eric Buzby and Cathy Murphy-Barron to review the Guaranteed Maximum Rate (GMR) for July Medical renewals (FY2025) and January Medical Renewals (CY2024).

GMR for July Medical Renewal (FY2025)

Eric Buzby thoroughly reviewed the components of July Guaranteed Maximum Rate (GMR) Medical Rating (FY2025) including the factors that impacted the rating, especially the 5.0 actuarially-calculated capital risk charge to rebuild and the timeframe to reach the target capital of \$90 million. He also stated that the increase for any one group had been capped at 25%, and ten groups had been capped. The Committee asked several questions with respect to the 25% capping, including capping at lower rate. Wendy Parker explained in detail the reasons for the 25% cap pooling strategy, including balancing not capping too low, which risks the group getting too far behind its actual claims experience year after year, and not capping at all, which risks placing an undue burden on a group in a single year.

Mr. Buzby then reported overall guaranteed maximum rate increase, which included a 6.5% claims trend, a 5% capital risk charge and a 2% GMR risk charge, for a final GMR of 16.5%. Guaranteed maximum rate changes by group range from 6.4% to 25.0%. Ms. Parker explained in detail the reasoning behind management's recommendation to the Committee to cap the capital risk charge at 5%, including striking a balance between rebuilding the reserves and maintaining membership, which would negatively impact the recovery of capital. Ms. Parker stated, in response to a Committee member question, that the actuarially calculated result of 5% capital risk charge would get HealthTrust to \$77 million in capital in year two, and the targeted \$90 million in capital between years two and three. The Committee had a lively discussion with respect to the balance between maintaining membership and getting the reserve to the target, and agreed with management's recommendation to cap the capital risk charge at 5%.

Moving on from the capital risk charge discussion, Ms. Parker reviewed the range of rate increases for the year and the importance of explaining the need for the capital risk charge to groups as part of renewal discussions. George Tsiopras stated that, given the unexpectedly high claims in the fourth quarter of FY2023, the reserves had worked exactly as intended, and HealthTrust was able to pay all claims despite that fact that the FY2023 contributions were less than the claims. Ms. Parker discussed, in the context of rate increases, how each group is different, and how their claims experience over the previous two years impacts their rate.

Ms. Parker informed the Committee that most every Member Group was called individually and told that it is important to attend the Public Hearing this year, scheduled for September 28. Ms. Parker further discussed the importance of education to groups regarding the services and benefits HealthTrust offers. The Committee continued discussing the impact the rate increases might have on Member Groups and the importance of continued outreach and communication with those groups.

January Medical and Dental Ratings (CY2024)

Eric Buzby reviewed the rate letter for January groups in detail including the rating impacts and the resulting rate increases for both medical and pharmacy. The overall indicated rating outcome for the January 2024 medical renewal is an increase of 12.8%, with rate changes by group ranging from 3.9% to 25.0%. Wendy Parker requested that a review of the dental rates be done prior to moving on to any motions. Mr. Buzby reviewed January 2024 Dental Renewal rating development and indicated an overall rate increase of 4.7%.

Ms. Parker briefly reviewed the projected retiree rates for the Medicare Advantage Program being implemented on January 1, 2025, which is estimated to save retirees an average of 50% in monthly contribution for similar comprehensive coverage currently provided through the Medicomp Three benefit option.

MOTION by Michelle Clark seconded by Russell Dean to move to recommend the Medical and Dental rates for CY2024 and FY2025 as presented to Public Hearing and then to the full Board.

MOTION passed unanimously.

MOTION by Daniel Rossner, seconded by Michelle Clark to move to recommend the STD rates for CY2024 and FY2025 as presented to Public Hearing and then to the full Board.

MOTION passed unanimously.

FSA/HRA Administrative Fees (CY2024 and FY2025)

Chair Dunn invited Wendy Parker to review the FSA & HRA rate recommendation. Ms. Parker gave an overview of staff's recommendation that the current program, including rates, be approved for CY2024 and FY2025. Staff's recommendation is to keep the FSA administrative fee of \$2.75 per-participant, per-month for CY2024 and FY2025.

MOTION by Russell Dean and seconded by Michelle Clark, to recommend the full board to approve the current FSA and HRA program, as outlined at their meeting on October 11, 2023, and to share this information at the Public Hearing on Rates on September 28, 2023.

MOTION passed unanimously.

Life and LTD Rate Update

Wendy Parker reported that based on most recent contract negotiations with National Insurance Services, HealthTrust is able to offer a 15% reduction in base Life and LTD rates for most Member Groups. No action is needed by the Committee.

Other Business

Chair Scott Dunn asked the Committee if there was any other business. Wendy indicated that the new Medicare Advantage Program will be presented to Member Groups at the upcoming public hearings and information will be included in the rate packets. No other business was brought forth.

Scott Dunn declared the meeting adjourned at 10:54 a.m.

Respectfully submitted,



Pam Saucier, Executive Assistant