

Peter J. Riemer, LLC
479 Heights Road
Ridgewood, NJ 07450

March 8, 2012

Ms. Wendy Lee Parker
Deputy Director for Risk Pool Operations
Local Government Center
25 Triangle Park Drive
Concord, NH 03302

Subject: Revisit Rating for July 2012 Medical Pool

Dear Wendy:

This letter documents the overall Revisit rating for the July 2012 medical pool, as voted by the Board.

The overall rate increase is 2.9%, which is 1.8% lower than the Guaranteed Maximum Rate increase (GMR) approved last October. Rate changes by group range from -5.4% to +9.8%.

Exhibit I shows the derivation of the overall Revisit increase.

The rating reflects the following:

- A trend assumption of 7.8%, down from the GMR assumption of 8%.
- A risk charge of 1.5%, the same as in the GMR
- A rate credit representing the return of two-thirds of the July Pool's share of estimated LGC-HealthTrust Undesignated Net Assets at December 31, 2011.

The Revisit rates presented here were developed assuming that HealthTrust net assets will remain at or near current levels, and no provision has been made for any reduction to net assets that may be mandated by legislative or regulatory action, or other cause.

The Revisit rates were derived from experience data and renewal information supplied by Anthem Blue Cross and Blue Shield of New Hampshire, Caremark and HealthTrust staff. I checked this information for reasonableness, for consistency with past submissions, and for consistency with financial statement results, but I did not independently verify the data. The overall rating methodology and selection of key assumptions were discussed with LGC staff, and staff from Anthem and Caremark.

This rating was derived from experience beginning 19 months earlier than the rating period. The underlying cost projections make no allowance for changes in product mix that have occurred since the experience period or that may occur in the future. Therefore, the recommendations rely on the assumption that any product offered will be priced at the expected cost level for that product or, that when any product is not so priced, a compensating adjustment will be made to the prices of other products, with due regard for likely changes in product mix.

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This rating was determined using generally accepted actuarial practices as applied to claim and enrollment data from Anthem Blue Cross Blue Shield of New Hampshire, Caremark and HealthTrust staff. I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

A handwritten signature in black ink that reads "Peter J. Riemer". The signature is written in a cursive style with a large, prominent initial "P".

Peter J. Riemer
Fellow, Society of Actuaries
201-670-8821
pjriemer@aol.com
Enclosure

Exhibit I
Revisit Rating Analysis for July 2012 Medical Pool
(\$000)

1. Aggregate premium at current rates for 20,428 average enrollees for the year December 2010 – November 2011	\$311,963
2. Medical and prescription drug claims	
a. Medical claims incurred December 2010 – November 2011, paid through December 2011	\$210,382
b. Prescription drug claims paid December 2010 – November 2011, adjusted for expected savings from clinical enhancements and pricing adjustments	\$52,567
c. Claims in (a.) and (b.) in excess of \$150,000 per person	(\$11,523)
d. Total of medical claims paid through December 2011 and prescription drug claims paid through November 2011 excluding excesses above \$150,000 per person (a. + b. + c.)	\$251,426
e. Completion factor	1.017
f. Completed (incurred) claims December 2010 – November 2011 [(d.) x (e.)]	\$255,700
3. Incurred claims trended to 7/12 – 6/13 @ 7.8% per year compounded for 19 months [(2.f.) x 1.12628]	\$287,990
4. Anthem administrative fee (contracted rates applied to contracts in (1.))	\$10,944
5. Risk (1.5% of incurred claims)	\$4,320
6. Claims pooling fee (4.6% of incurred claims)	\$13,248
7. LGC HealthTrust administrative expense	
a. Operations (July Pool share of total projected budget): \$6,737	
b. Wellness & incentives (July Pool share of total projected budget): \$4,688	
c. Total [(a.) + (b.)]	\$11,425
8. Investment income credit (July Pool share of total projected income)	(\$1,346)
9. Return of Net Assets (two-thirds of July Pool share of LGC-HealthTrust estimated Undesignated Net Assets at December 31, 2011)	(\$5,657)
10. Total costs (sum of (3.) through (9.), in actual dollars, then rounded)	\$320,924
11. Indicated overall rate increase [(10.) / (1.)]	2.9%

The medical completion factor of 1.017 is the composite of: 2.1% assumed for medical plans; and 0.3% assumed for prescription drug costs. The 2.1% factor for medical plans is based on our analysis of special claim reports prepared by Anthem Blue Cross and Blue Shield. The 0.3% prescription drug completion factor reflects the more rapid payment of drug claims.

The 7.8% trend assumption reflects expected combined medical and drug trend between the December 2010 – November 2011 period of the rating experience data and the rating period of July 2012 – June 2013, based on actual LGC HealthTrust experience and Anthem and Caremark forecasts for their products.

The 1.5% risk charge was recommended by the Finance Committee and approved by the Board for the GMR after considering my recommendation of a 1.9% charge.