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July 25, 2021

Via Electronic Mail

Mr. George Tsiopras
Chief Financial Officer
HealthTrust, Inc.
25 Triangle Park Drive
Concord, NH 03302

Re: HealthTrust Incurred but Not Paid Claim Reserves as of June 30, 2021

Dear George:

As requested, we have developed the incurred but not paid (IBNP) claim reserves for HealthTrust as of June 30, 2021. These reserves are for claims incurred prior to June 30, 2021 that are not yet paid as of that date.

Results

Our estimates of the June 30, 2021 claim reserves for medical (excluding prescription drugs), dental, and short-term disability are summarized below. We believe that these amounts make a good and sufficient provision, in the aggregate, for all unpaid claims.

June 30, 2021 IBNP Claim Reserves

1. Reserve for claims	
a. Medical (excl. prescription drugs)	\$23,550,000
b. Dental	\$938,600
c. Short-term disability	<u>\$210,265</u>
d. Total reserve for claims	\$24,698,865
2. Reserve for administration	
a. Medical (excl. prescription drugs)	\$2,485,501
b. Dental	<u>\$306,552</u>
c. Total reserve for administration	\$2,792,053
3. Total reserve	
a. Medical (excl. prescription drugs)	\$26,035,501
b. Dental	\$1,245,152
c. Short-term disability	<u>\$210,265</u>
d. Total reserve for claims/admin	\$27,490,917

Anthem claim payments for recent incurred months appear to be lower than they have been historically, potentially driven by the change in claim administrative system. Therefore, the medical claim reserve for this year is higher than it has been in the past.

Details of the reserve development for medical and dental claim reserves are shown in the following attached exhibits:

- Exhibit I: Claim runout method for medical IBNP claims reserve
- Exhibit II: Claim runout method for dental IBNP claims reserve

The June 30, 2021 medical and dental IBNP claim reserves are based on analyses of paid claims through June 30, 2021 broken down by incurred date and paid date as furnished by HealthTrust. A 5% explicit margin is included in the medical and dental claim reserves.

Restated 2020 Medical Claim Reserve

The restated June 30, 2020 medical IBNP claim reserve, including SAU 60, is \$17,282,000. The June 30, 2020 IBNP reserve (including margin) was \$19,658,000. The restated estimate is 7.7% below the original reserve with margin and 12.1% below the original reserve without margin (\$18,722,000).

Methodology

The IBNP reserves were calculated using the “claim runout” method which examines past claims payment patterns and determines the portion of claims incurred during a month that are paid within specific time periods. For recent months, when paid claims data is too sparse to develop

estimated incurred claims, we use trend assumptions and average claims per member projections to develop incurred claims. The claim reserves were calculated as estimated incurred claims through June 30, 2021, minus claims paid through June 30, 2021. We then added a 5% explicit margin to the reserve.

We estimate the reserve for STD to be the amount of premium received for May and June 2021, as reported by HealthTrust.

The reserve for administration covers the cost of administering unreported claims. The termination provisions in HealthTrust's contracts with Anthem and Delta Dental require payment of two months of administrative fees upon contract termination. Therefore, the reserve is equal to two months of medical and dental administrative fees based on the respective June 2021 contracts.

Data Reliance

We relied upon the membership, claims data, and premiums provided in the following files:

- *Anthem HealthTrust Claims and Member Matrix 6.30.2021.xlsx* - Medical claim triangles and monthly membership
- *Delta 3116 - HealthTrust Inc 6-30-2021 (large).xlsx* - Dental claim triangle
- *HT Covered Lives Counts by Coverage Line 2019.2020.2021.xlsx* - Monthly dental membership
- *Healthtrust Capital Analysis as of 6.30.21 for Milliman.xlsx* - STD premiums
- *HT Reserve Balances.xlsx* - medical and dental administrative fees

HealthTrust staff estimate the claim reserve for prescription drugs paid through CVS.

Caveats, Limitations, and Qualifications

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to estimate HealthTrust's IBNR claim reserve amount as of June 30, 2021. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness for their intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs).

The models rely on data and information as input to the models. We have relied upon certain data and information provided by HealthTrust for this purpose and accepted it without audit. To the extent that the underlying data or information is inaccurate or incomplete, our assessment may likewise be inaccurate or incomplete.



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It should be emphasized that the claim reserve estimates shown in this letter are estimates based upon certain assumptions. Actual experience may differ from these assumptions. To the extent that actual experience differs, the resulting claim reserves would be different from what is presented in this letter. The exact liability can only be determined after a significant passage of time permits the filing and payment of outstanding claims.

This letter is prepared solely for the internal business use of HealthTrust, Inc. for the preparation of US GAAP financial statements. The reserve estimates stated in this letter may not be appropriate for other purposes. Our work may not be provided to third parties without our prior written consent. Milliman does not intend to benefit any third party recipient of its work product, even if we consent to the release of the work product to such third party.

Catherine Murphy-Barron and Eric Buzby are Consulting Actuaries with Milliman. They are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Catherine Murphy-Barron".

Catherine Murphy-Barron, MBA, FSA, MAAA
Principal & Consulting Actuary

A handwritten signature in black ink that reads "Eric A. Buzby".

Eric A. Buzby, FSA, MAAA
Consulting Actuary

CC: Wendy Parker, HealthTrust
Kathleen Fox, HealthTrust

Exhibit I
HealthTrust
Reserve for Medical (excl. Rx) Claims as of June 30, 2021

	(A)	(B)	(C)	(D) = (B)/(C)	(E) = (C)/(A)	(F)	(G) = (C)-(B)
Incurring Month	Member Months	Cumulative Paid	Estimated Incurred	Completion Factor	Incurred Cost per Member Month	Rolling 3 Month Cost Per Member Month	Reserve (IBNP)
Jun-21	53,532	8,691,149	23,554,272	0.3690	440.00	445.86	14,863,123
May-21	53,702	19,460,340	23,087,727	0.8429	429.92	458.56	3,627,387
Apr-21	53,734	23,908,159	25,126,808	0.9515	467.61	455.38	1,218,649
Mar-21	53,810	24,910,952	25,727,159	0.9683	478.11	444.79	816,207
Feb-21	53,860	22,083,669	22,646,652	0.9751	420.47	434.81	562,983
Jan-21	53,944	23,130,211	23,509,922	0.9838	435.82	443.32	379,711
Dec-20	53,981	23,950,251	24,189,970	0.9901	448.12	455.23	239,719
Nov-20	54,011	23,903,275	24,090,056	0.9922	446.02	449.51	186,781
Oct-20	54,013	25,332,816	25,468,868	0.9947	471.53	441.43	136,052
Sep-20	53,928	23,130,295	23,240,896	0.9952	430.96	430.62	110,601
Aug-20	53,614	22,509,027	22,605,390	0.9957	421.63	421.64	96,363
Jul-20	53,636	23,502,196	23,560,208	0.9975	439.26	385.09	58,012
Jun-20	53,434	21,557,702	21,585,855	0.9987	403.97	317.52	28,153
May-20	53,465	16,658,985	16,674,491	0.9991	311.88	305.12	15,506
Apr-20	53,470	12,646,610	12,659,466	0.9990	236.76	347.33	12,856
Mar-20	53,445	19,585,654	19,601,095	0.9992	366.75	431.58	15,441
Feb-20	53,489	23,438,672	23,452,230	0.9994	438.45	458.35	13,558
Jan-20	53,431	26,144,806	26,156,344	0.9996	489.53	465.43	11,538
Dec-19	53,253	23,799,262	23,806,979	0.9997	447.05	453.27	7,717
Nov-19	53,246	24,467,437	24,473,145	0.9998	459.62	444.33	5,708
Oct-19	53,243	24,120,083	24,126,104	0.9998	453.13	439.82	6,021
Sep-19	53,202	22,350,822	22,356,105	0.9998	420.21	434.50	5,283
Aug-19	52,920	23,605,560	23,609,578	0.9998	446.14	441.26	4,018
Jul-19	52,697	23,038,581	23,041,155	0.9999	437.24	446.49	2,574
Jun-19	53,043	23,356,672	23,358,818	0.9999	440.38	453.25	2,146
May-19	53,151	24,541,796	24,542,994	1.0000	461.76	465.32	1,198
Apr-19	53,183	24,334,799	24,335,277	1.0000	457.58	447.72	478
Mar-19	53,222	25,365,382	25,365,532	1.0000	476.60	454.60	150
Feb-19	53,280	21,793,993	21,794,134	1.0000	409.05	435.72	141
Jan-19	53,124	25,406,799	25,406,959	1.0000	478.26	435.67	160
Dec-18	53,266	22,370,062	22,370,218	1.0000	419.97	432.12	156
Nov-18	53,214	21,757,742	21,757,921	1.0000	408.88	426.22	179
Oct-18	53,167	24,858,196	24,858,196	1.0000	467.55	440.65	0
Sep-18	53,144	21,377,421	21,377,421	1.0000	402.25	434.68	0
Aug-18	52,499	23,744,417	23,744,417	1.0000	452.28	453.10	0
Jul-18	51,986	23,396,443	23,396,443	1.0000	450.05	451.64	0
Jun-18	51,274	23,433,128	23,433,128	1.0000	457.02	446.68	0
May-18	51,319	22,983,754	22,983,754	1.0000	447.86	437.65	0
Apr-18	51,397	22,367,897	22,367,897	1.0000	435.20	433.10	0
Mar-18	51,443	22,116,805	22,116,805	1.0000	429.93	438.32	0
Feb-18	51,462	22,343,006	22,343,006	1.0000	434.17	442.51	0
Jan-18	51,497	23,217,744	23,217,744	1.0000	450.86	450.86	0
Total		\$944,692,570	\$967,121,139				\$22,428,569
						Provision for Adverse Deviation	5% \$1,121,428
						Rounded Final Reserve	\$23,550,000
						CY 2018	\$0
						CY 2019	\$37,000
						CY 2020	\$971,000
						CY 2021	\$22,542,000

Exhibit II
HealthTrust
Reserve for Dental Claims as of June 30, 2021

	(A)	(B)	(C)	(D) = (B)/(C)	(E) = (C)/(A)	(F)	(G) = (C)-(B)
Incurring Month	Member Months	Cumulative Paid	Estimated Incurred	Completion Factor	Incurred Cost per Member Month	Rolling 3 Month Cost Per Member Month	Reserve (IBNP)
Jun-21	56,147	\$1,837,625	\$2,459,406	0.7472	\$43.80	\$40.02	\$621,781
May-21	56,271	1,961,464	2,048,905	0.9573	36.41	39.74	87,441
Apr-21	56,346	2,192,028	2,245,834	0.9760	39.86	40.72	53,806
Mar-21	56,387	2,381,443	2,421,099	0.9836	42.94	40.16	39,656
Feb-21	56,522	2,200,350	2,225,223	0.9888	39.37	37.93	24,873
Jan-21	56,550	2,142,071	2,158,914	0.9922	38.18	36.65	16,843
Dec-20	56,563	2,038,380	2,050,634	0.9940	36.25	36.95	12,254
Nov-20	56,578	2,000,202	2,008,981	0.9956	35.51	37.76	8,779
Oct-20	56,561	2,204,739	2,211,622	0.9969	39.10	41.42	6,883
Sep-20	56,376	2,173,961	2,179,507	0.9975	38.66	45.14	5,546
Aug-20	55,969	2,598,384	2,604,456	0.9977	46.53	44.59	6,072
Jul-20	55,995	2,809,570	2,814,236	0.9983	50.26	32.71	4,666
Jun-20	56,118	2,073,168	2,075,320	0.9990	36.98	16.48	2,152
May-20	56,198	615,805	616,388	0.9991	10.97	10.93	583
Apr-20	56,236	86,062	86,102	0.9995	1.53	19.08	40
Mar-20	56,258	1,140,513	1,140,735	0.9998	20.28	31.83	222
Feb-20	56,235	1,991,880	1,992,083	0.9999	35.42	35.48	203
Jan-20	56,282	2,238,684	2,238,969	0.9999	39.78	34.84	285
Dec-19	56,241	1,756,509	1,756,734	0.9999	31.24	34.39	225
Nov-19	56,224	1,882,816	1,883,057	0.9999	33.49	35.34	241
Oct-19	56,078	2,156,699	2,156,929	0.9999	38.46	39.34	230
Sep-19	55,880	1,903,623	1,903,820	0.9999	34.07	43.21	197
Aug-19	55,432	2,523,313	2,523,613	0.9999	45.53	43.70	300
Jul-19	55,407	2,775,835	2,776,096	0.9999	50.10	39.79	261
Jun-19	55,617	1,974,974	1,975,160	0.9999	35.51	35.32	186
May-19	55,677	1,882,278	1,882,455	0.9999	33.81	34.77	177
Apr-19	55,702	2,040,820	2,040,820	1.0000	36.64	35.20	0
Mar-19	55,795	1,889,869	1,889,869	1.0000	33.87	35.97	0
Feb-19	55,852	1,960,339	1,960,339	1.0000	35.10	35.31	0
Jan-19	55,840	2,173,736	2,173,736	1.0000	38.93	34.95	0
Dec-18	55,657	1,774,723	1,774,723	1.0000	31.89	34.77	0
Nov-18	55,600	1,891,815	1,891,815	1.0000	34.03	34.49	0
Oct-18	55,511	2,131,896	2,131,896	1.0000	38.40	39.16	0
Sep-18	55,299	1,716,134	1,716,134	1.0000	31.03	42.47	0
Aug-18	54,653	2,632,110	2,632,110	1.0000	48.16	43.99	0
Jul-18	54,672	2,642,874	2,642,874	1.0000	48.34	39.54	0
Jun-18	56,002	1,998,211	1,998,211	1.0000	35.68	35.07	0
May-18	56,059	1,951,738	1,951,738	1.0000	34.82	34.45	0
Apr-18	56,116	1,948,055	1,948,055	1.0000	34.71	34.07	0
Mar-18	56,125	1,897,910	1,897,910	1.0000	33.82	34.59	0
Feb-18	56,138	1,890,078	1,890,078	1.0000	33.67	34.98	0
Jan-18	56,127	2,037,291	2,037,291	1.0000	36.30	36.30	0
Total		\$84,119,975	\$85,013,877				\$893,902
						Provision for Adverse Deviation 5%	\$44,695
						Rounded Final Reserve	\$938,600
						CY 2018	\$0
						CY 2019	\$1,900
						CY 2020	\$50,100
						CY 2021	\$886,600