

# **HealthTrust, Inc.**

## **Audited Financial Statements with Required Supplementary Information**

*Years ended June 30, 2022 and 2021  
with Report of Independent Auditors*

HealthTrust, Inc.

Audited Financial Statements  
with Required Supplementary Information

Years ended June 30, 2022 and 2021

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## Report of Independent Auditors

Board of Directors  
HealthTrust, Inc.

### ***Report on the Audit of the Financial Statements***

#### ***Opinions***

We have audited the accompanying financial statements of HealthTrust, Inc. (HealthTrust) and its discretely presented component unit, Center at Triangle Park, Inc., which comprise the statements of net position as of June 30, 2022 and 2021 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise HealthTrust's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of HealthTrust and its discretely presented component unit as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HealthTrust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Adoption of New Accounting Principles***

As discussed in Note 2 to the financial statements, effective July 1, 2021, HealthTrust adopted Governmental Accounting Standards Board statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, effective April 1, 2022, HealthTrust adopted Governmental Accounting Standards Board statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

HealthTrust's management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HealthTrust's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HealthTrust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HealthTrust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 - 17, the Reconciliation of Claims Liabilities by Type of Contract on pages 55 - 56, the Ten-Year Schedule of Claims Development Information on pages 57 - 58 and the Ten-Year Schedule of Employer Pension Information on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2022 on our consideration of HealthTrust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HealthTrust's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Johnson Lambert LLP". The signature is written in black ink and is positioned above the printed contact information.

Burlington, Vermont

October 6, 2022

Firm registration: 092-0000267

# HealthTrust, Inc.

## Management's Discussion and Analysis (Unaudited)

Years ended June 30, 2022 and 2021

### **Introduction:**

As management of HealthTrust, Inc. (HealthTrust), we offer readers of the financial statements this narrative overview and analysis of the financial activities of HealthTrust for the fiscal years ended June 30, 2022, 2021 and 2020. This section, the management's discussion and analysis, is intended to provide an overview of HealthTrust's financial condition, results of operations, and other key information.

HealthTrust's basic financial statements are comprised of four components, 1) the statement of net position, 2) the statement of revenues, expenses and changes in net position, 3) the statement of cash flows and 4) the notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

The financial statements contained within this report are reflective of the years ending June 30, 2022 and 2021.

### **Overview:**

HealthTrust is governed by its Board of Directors and operates on a fiscal year ending June 30.

HealthTrust's mission is to provide high quality, cost-effective employee benefit products and services for public employers and employees in New Hampshire in order to reduce costs through pooling strategies with a commitment to education, health promotion and disease prevention.

HealthTrust offers employee benefit coverage lines and related services to its Member Groups (hereafter "Members"). HealthTrust operates in accordance with New Hampshire RSA 5-B. This statute and the HealthTrust Bylaws permit political subdivisions of the State of New Hampshire, and their instrumentalities, to participate in its pooled risk management program.

HealthTrust is a New Hampshire voluntary corporation, with its income not subject to federal income taxation under Internal Revenue Code Section 115. HealthTrust believes that operating without profit seeking contributes to its ability to deliver products to public sector employers and through them to their employees at lower rates than might otherwise be obtained for comparable products within the commercial marketplace.

As part of its pooled risk management program HealthTrust offers its Members medical (including prescription drug), dental, short and long-term disability and life coverage lines. HealthTrust bears the financial risk of the coverage agreements with Members for medical, dental and short-term disability coverage. Long-term disability and life coverage is provided on a fully insured basis through a third-party insurer.

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

#### **Overview (Continued):**

HealthTrust has administrative service contracts with Anthem Blue Cross and Blue Shield (Anthem), CaremarkPCS Health LLC (Caremark), and Delta Dental Plan of New Hampshire (Delta Dental) to provide access to a comprehensive provider network and third party claims administration and related services for HealthTrust's medical and dental coverage lines.

HealthTrust works collaboratively with these vendors to provide a full range of medical and dental benefit options to meet the evolving demands of the New Hampshire public sector. Together we bring focus to public sector issues and concerns to better meet the public sector's healthcare needs.

#### **Statement of Net Position:**

This statement provides information about HealthTrust's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2022 and 2021. The majority of HealthTrust's assets are cash, can be converted to cash quickly, or are expected to become cash soon.

The liabilities reflect claims paid by contracted third party administrators in the audit period, but not reported to HealthTrust until after year end, amounts owed to outside companies for services within the period that were paid after year end, amounts on deposit with HealthTrust as part of the self-funded plus program, amounts calculated by qualified actuarial consultants as reasonable estimates for claims incurred but not yet reported to the claims administrators, premium deficiency reserves, amounts required to be returned to Members, and other accrued expenses. Self-funded program ended as of June 30, 2020.

Net position identifies the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources and represents investments in Center at Triangle Park, Inc. (CTP) and capital assets along with unrestricted net position. HealthTrust's governing board, with advice from its consulting actuary, annually reviews the proper level of capital adequacy reserve it needs (also known as the designated total net position target level).

#### **Statement of Revenues, Expenses and Changes in Net Position:**

The results of HealthTrust's operating activity are shown on this statement. This statement provides information about the level of contributions, claims, return of surplus and operating expenses for the fiscal years ending June 30, 2022 and 2021. Information about other sources of income and other expenses is provided. Lastly, this statement sets forth HealthTrust's change in net position for each year.

#### **Statement of Cash Flows:**

This statement reviews how HealthTrust's cash balance changed during the fiscal year. It is divided into three different areas explaining where HealthTrust generated or used cash during the year. These areas relate to HealthTrust's operations, investing activities and capital and related financing activities (sale and acquisition of capital assets). It substantiates and reconciles the increase or decrease in HealthTrust's cash position.

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

**Net Position and Changes in Net Position:**

HealthTrust's total assets as of June 30, 2022, 2021 and 2020 are \$126.3 million, \$164.7 million and \$156.7 million, respectively. The decrease in assets as of June 30, 2022 is primarily due to the payout of \$38.2 million in return of surplus during the year ended June 30, 2022. The increase in assets as of June 30, 2021 is primarily due to an increase in cash and cash equivalents (the Statement of Cash Flows identifies inflows and outflows of cash and cash equivalents), resulting from the decrease in claims due to the deferral or avoidance of care during the COVID-19 pandemic. The fair value of HealthTrust's investments in equities and fixed-maturity securities decreased by \$7.8 million during the year ended June 30, 2022 as compared to an increase of \$4.7 million during the year ended June 30, 2021, primarily due to fluctuations in equities' and fixed-maturity securities' market performance.

HealthTrust's total liabilities as of June 30, 2022, 2021 and 2020 are \$61.2 million, \$74.6 million and \$66.8 million, respectively. The decrease in liabilities as of June 30, 2022 is primarily the result of payout of the return of surplus which is offset by the premium deficiency reserve, unpaid claims reserve and subscription liability for new accounting standard GASB 96. The increase in liabilities as of June 30, 2021 is primarily the result of recording a return of surplus liability and the fact that there is no need for premium deficiency reserve as of June 30, 2021.

HealthTrust's total net position as a result of the combined effects of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of June 30, 2022, June 30, 2021 and 2020 totaled \$64.3 million, \$90.0 million and \$90.0 million respectively.

The following table shows HealthTrust's condensed net position as of June 30:

	2022	2021	% Chg	2020	% Chg
<b>Assets</b>	\$ 114,760,946	\$ 158,860,383	(28)%	\$ 150,992,000	5 %
Property and equipment, net	39,177	450,671	(91)%	76,817	487 %
Subscription and right of use assets	6,320,550	-	100 %	-	- %
Investment in Center at Triangle Park, Inc.	<u>5,216,776</u>	<u>5,355,014</u>	(3)%	<u>5,597,498</u>	(4)%
Total Assets	126,337,449	164,666,068	(23)%	156,666,315	5 %
<b>Deferred Outflows of Resources</b>	711,153	1,150,318	(38)%	1,598,203	(28)%
<b>Liabilities</b>	56,831,871	74,127,933	(23)%	66,782,092	11 %
Subscription and lease liabilities	<u>4,388,594</u>	<u>428,288</u>	924 %	-	100 %
<b>Total Liabilities</b>	61,220,465	74,556,221	(18)%	66,782,092	12 %
<b>Deferred Inflows of Resources</b>	1,560,972	1,260,165	24 %	1,482,426	(15)%
Unrestricted net position	57,079,256	83,739,792	(32)%	83,808,875	- %
Majority interest in Center at Triangle Park, Inc.	5,216,776	5,355,014	(3)%	5,597,498	(4)%
Investment in capital assets, net	<u>1,971,133</u>	<u>905,194</u>	118 %	<u>593,627</u>	52 %
<b>Total Net Position</b>	<u>\$ 64,267,165</u>	<u>\$ 90,000,000</u>	(29)%	<u>\$ 90,000,000</u>	- %

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

#### ***Net Position and Changes in Net Position (Continued):***

Consistent with the Governmental Accounting Standards Board's requirements, HealthTrust reflects net position in three categories: restricted, unrestricted and invested in capital assets. The amount of capital assets held, reflects the Organization's majority interest in Center at Triangle Park, Inc. (CTP) and the amount invested in property, equipment (equipment, computer software, hardware, furniture, etc.) and subscription and lease right of use assets, net of accumulated depreciation and amortization and related capital obligations. The amount in unrestricted net position reflects all other categories of net position, including the net unrealized gain/(loss) on marking investments to fair value. As described in Note 4 of the audited financial statements, these amounts are segregated into several categories as recognized by the HealthTrust Board of Directors. The categories include amounts for designated total net position target to protect HealthTrust's Members from unanticipated events such as larger than expected claims volume, unexpected decline in the value of invested funds, or other similar unforeseen events.

#### ***Liabilities:***

Liabilities totaled \$61.2 million at June 30, 2022, as compared to \$74.6 million at June 30, 2021 and \$66.8 million at June 30, 2020. Liabilities at June 30, 2022 are primarily comprised of claim and claim administration reserves and claims payable totaling \$43.3 million, accounts payables and accrued expenses, unearned contributions, lease and subscription liabilities totaling \$8.7 million, premium deficiency reserve \$8.7 million and a net pension liability of \$0.5 million. The change in liabilities is primarily related to the decrease of \$38.2 million return of surplus and \$1.8 million decrease in payables and pension liability, offset by increases in claims and reserve balances of \$13.9 million, a premium deficiency reserve of \$8.7 million and lease and subscription liabilities totaling \$4.4 million.

In accordance with GASB Statement No. 30, "Risk Financing Omnibus," premium deficiencies are required to be calculated and reported by public entity risk pools. As GASB is not specific to healthcare entities, in establishing a premium deficiency reserve, HealthTrust also looks to generally accepted accounting principles issued by the Financial Accounting Standards Board (FASB) as well as applicable National Association of Insurance Commissioners (NAIC) relative to prepaid health care services contracts. Such guidance provides premium deficiency reserve guidance specific to health insurance entities, and has been used by HealthTrust to clarify and supplement GASB GAAP guidance issued within GASB Statement No. 30 which is specific to property liability insurance coverage. A premium deficiency can result when expected costs for coverage obligations as of the financial statement date exceed expected contributions (based on rates set prior to the financial statement date) for such coverage. As further described in Note 6, HealthTrust recorded a premium deficiency reserve of \$8.7 million as of June 30, 2022. HealthTrust did not record a premium deficiency reserve as of June 30, 2021, and recorded a \$10.1 million premium deficiency reserve at June 30, 2020.

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

#### **Operating Results:**

HealthTrust's operating results for the years ended June 30, 2022, 2021 and 2020 totaled \$(19.4) million, \$(6.3) million, and \$4.8 million, respectively. Including non-operating revenues and expenses and majority interest in the Center at Triangle Park, Inc., net position during FY2022, FY2021 and FY2020 decreased by \$(25.7) million, did not change, and increased by \$8.8 million, respectively. The operating results are impacted by positive and negative claims experience as compared to estimates made during the rating process as well as the premium deficiency expense and return of surplus. The changes in net position from non-operating revenues are due to investment income and changes in the fair value of investments resulting from market fluctuations.

After finalizing the results for the year ended June 30, 2022, the governing board reviews the total net position to identify the amount above the designated total net position target to be returned to participating Member Groups.

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

#### **Operating Results (Continued):**

The following table summarizes HealthTrust's operations, as shown in the Statement of Revenues, Expenses and Changes in Net Position, for the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>% Chg</u>	<u>2020</u>	<u>% Chg</u>
<b>Operating Revenues</b>					
Contributions earned from Member Groups	\$452,421,516	\$452,024,242	-	\$432,052,055	5 %
Other revenues	<u>3,614,529</u>	<u>3,217,978</u>	12 %	<u>2,526,053</u>	27 %
Total operating revenues - net	456,036,045	455,242,220	-	434,578,108	5 %
<b>Operating Expenses</b>					
Claims incurred	428,137,480	394,697,357	8 %	362,473,815	9 %
Anthem EPHC provider payments	2,437,420	2,475,578	(2)%	2,570,299	(4)%
Premium deficiency expense (gain)	8,688,839	(10,066,000)	186 %	10,066,000	(200)%
Claims administrative fees paid	21,805,305	20,996,641	4 %	20,465,808	3 %
Return of surplus	-	38,194,255	(100)%	18,786,984	103 %
Affordable Care Act - Federal Taxes	143,726	136,660	5 %	130,666	5 %
General and administrative expenses	<u>14,211,654</u>	<u>15,137,738</u>	(6)%	<u>15,303,916</u>	(1)%
Total operating expenses	<u>475,424,424</u>	<u>461,572,229</u>	3 %	<u>429,797,488</u>	7 %
Operating gain (loss)	(19,388,379)	(6,330,009)	(206)%	4,780,620	(232)%
<b>Non-Operating Revenues</b>					
Net investment income	2,011,476	1,875,519	7 %	2,370,915	(21)%
Net increase in fair value of investments	<u>(8,213,515)</u>	<u>4,654,089</u>	(276)%	<u>1,887,384</u>	147 %
Total non-operating revenues	(6,202,039)	6,529,608	(195)%	4,258,299	53 %
Change in net position before investment in subsidiary	(25,590,418)	199,599	(12,921)%	9,038,919	(98)%
Change in investment in Center at Triangle Park, Inc.	<u>(138,238)</u>	<u>(199,599)</u>	31 %	<u>(206,536)</u>	3 %
Change in net position	(25,728,656)	-	(100)%	8,832,383	(100)%
Net position, beginning of year	90,000,000	90,000,000	-	81,167,617	11 %
GASB 87 adoption	<u>(4,179)</u>	-	(100)%	-	-
Net position, end of year	<u>\$ 64,267,165</u>	<u>\$ 90,000,000</u>	(29)%	<u>\$ 90,000,000</u>	-

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

#### **Operating Revenues:**

Net operating revenues for FY2022, FY2021 and FY2020 totaled \$456.0 million, \$455.2 million and \$434.6 million, respectively. FY2022 net operating revenues increased by 0.2% due to rate increases and enrollment changes. FY2021 net operating revenues also increased 4.8% due to rate increases and enrollment changes.

Operating revenues are primarily comprised of contributions earned from participating Member Groups. The cash provided by operating activities is detailed in the Statements of Cash Flows.

#### **Operating Expenses:**

Total operating expenses for FY2022, FY2021 and FY2020 totaled \$475.4 million, \$461.6 million and \$429.8 million, respectively. FY2022 operating expenses increased \$13.9 million over the prior year primarily as a result of an increase of \$33.4 million in claims and \$18.8 in premium deficiency reserve, offset by a reduction of a \$38.2 million return of surplus. FY2021 operating expenses increased \$31.8 million over the prior year primarily as a result of a \$38.2 million return of surplus with a \$4.3 million increase in claims reserves, offset by a \$10.1 million premium deficiency reserve.

FY2022 operating expenses primarily include claims and provider payments incurred totaling \$430.6 million, claims administration fees totaling \$21.8 million, general and administrative expenses totaling \$14.3 million, and the premium deficiency reserve of \$8.7 million.

Operating expenses as a percentage of contributions earned from Member Groups are as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Claims incurred	94.6 %	87.3 %	83.9 %
Anthem EPHC provider payments	0.5 %	0.5 %	0.6 %
Premium deficiency expense (gain)	1.9 %	(2.2)%	2.3 %
Return of surplus	- %	8.4 %	4.3 %
Administrative fees paid	4.8 %	4.6 %	4.7 %
Administrative expenses	3.1 %	3.3 %	3.5 %

#### **Cash Flows:**

Cash and cash equivalents decreased by \$35.8 million for FY2022. As seen on the Statement of Cash Flows, \$34.4 million was used by operating activities and \$1.4 million was used by investing and capital and related financing activities. HealthTrust has several policies to ensure its cash flow needs are met. These policies address the level of cash:

- To be maintained in interest-bearing accounts
- To be allocated to cash and investments

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

**Cash Flows (Continued):**

HealthTrust maintained sufficient cash and investments to meet these policies for the period ending June 30, 2022. All cash is maintained in interest bearing, collateralized accounts at all times. At June 30, 2022 HealthTrust had approximately 35.1 days of cash on hand as compared to 64.5 days of cash on hand at June 30, 2021 and 64.8 days of cash on hand at June 30, 2020. HealthTrust deems this to be a sufficient level of cash on hand to meet obligations and to provide ample time to liquidate investments should the need arise. The duration of the portfolio, as calculated by the investment managers, was 4.41 years at June 30, 2022 as compared to 3.97 years at June 30, 2021, and 3.52 years at June 30, 2020.

**Changes in Member Groups and Covered Enrollees:**

HealthTrust closely watches changes in the number of Member Groups and the number of covered Enrollees, both in total and by benefit option. These indicators are important factors in administering the coverage lines, and could potentially affect claim volume. Significant shifts in the benefit options selected at the Member and Enrollee level can impact claims projections and future trend development. An increase in the number of covered Enrollees could create more participation in HealthTrust's *Slice of Life* wellness program, resulting in additional incentive dollars being paid as well as the need for additional capacity to service the expanded Enrollee base.

As of June 30, 2022, HealthTrust covered 71,223 unique covered persons participating in at least one of the following coverage lines: medical, dental, short-term disability, long-term disability, and life insurance. These covered persons represent Employees, Retirees, Spouses, and Dependents. HealthTrust continues to see enrollment shifts to lower cost benefit options that have increased co-payments and deductibles. While the current HMO plans have the largest number of Enrollees at 10,233, the Site-of-Service benefit options have continued to see significant growth and now have over 6,011 Enrollees. It is anticipated that this will continue to grow over the next few years. The Point-of-Service (POS) enrollment has been declining over the last few years and now has 1,649 Enrollees. The MediComp III coverage enrollment continues to grow with 6,954 Enrollees over age 65 covered by this benefit option. Enrollment in the Consumer Driven Health Plan (CDHP) remains small at 1,047 Enrollees, but it is an important part of the benefit options provided to Member Groups as they look for alternatives to meet the changing needs of their Employees. Dental and long-term disability enrollment remain fairly consistent over time, short-term disability and life insurance enrollment have grown moderately over the same period from 2020 to 2022.

The number of covered individuals by coverage line is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medical	52,861	53,502	53,412	53,048
Dental	56,919	56,147	56,118	55,617
Life	9,525	9,497	9,645	9,232
Short-term disability	4,022	3,911	3,874	3,703
Long-term disability	5,962	5,943	5,939	5,598

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

#### **Participation:**

HealthTrust contracts with Member Groups for coverage and the associated contribution rates on an annual basis for the upcoming coverage year. HealthTrust Bylaws provide that a Member may withdraw from coverage at any time, as long as proper notice is given as outlined in the HealthTrust Bylaws. HealthTrust does not maintain any multi-year contracts with its Members. However, Members generally maintain coverage for a full annual cycle, making any changes on their Group's renewal date, which is either on January 1 or July 1. If a Member withdraws from HealthTrust's medical coverage, they are required to wait two years before becoming eligible to rejoin the medical coverage line.

#### **Market Share:**

HealthTrust operates in a marketplace where there is targeted competition from other pooled risk management programs as well as insurance brokers. HealthTrust estimates, that as of June 30, 2022, HealthTrust Member Groups participating in its medical coverage line, represent approximately 74% of the total eligible number of groups in the New Hampshire public sector marketplace for medical coverage. HealthTrust offers annual renewals for current Members and proposals for eligible groups seeking new coverage. Due to the competitive environment, HealthTrust expects to see some movement of eligible groups between public sector risk pool entities on a regular basis.

#### **Rating:**

HealthTrust retains a recognized actuarial firm for advice regarding the anticipated revenue needed for its self-insured lines at each renewal and the resulting rates to be established for such coverage lines at each renewal. The rating process is designed to raise only the amount of revenue necessary to meet HealthTrust's needs for payment of claims, administration (including health management expenses) and actuarially determined adequate reserves. As with any actuarial prediction, there is a degree of uncertainty as to whether a particular rating will be sufficient in any one year to meet all of the needs of HealthTrust for that year. Similarly, there exists in the rating process the possibility that rates established in any year will produce higher revenue than is needed. HealthTrust believes there is a high degree of likelihood that the rates established over time, the revenue raised and the funded reserves will be adequate to meet HealthTrust's obligations to its Members and their Employees, Retirees and Dependents.

#### **Outlook:**

HealthTrust and its Board of Directors continue to focus on providing high quality, comprehensive coverage at the lowest possible cost while maintaining exceptional services and providing education and training focused on improving and maintaining the health of the covered population. HealthTrust continues to offer the *Slice of Life* wellness program along with many other administrative services that HealthTrust believes sets us apart in the New Hampshire public sector marketplace.

The following are a few of the highlighted services that continue to set HealthTrust apart from the other marketplace options.

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

#### ***Benefit Options and Flexibility:***

HealthTrust offers over 25 medical plan options and has designated a list of 9 preferred medical plan options that offer greater innovation and consumerism for Enrollees. Members can combine these plans with two different prescription drug plan options. HealthTrust has seen significant migration to the Access Blue New England Site of Service (SOS) plans which provide access to quality care while saving money when covered individuals choose a lower-cost independent lab, radiology centers or ambulatory surgery center (ASC) for their services. Individuals covered under these plans select a preferred cost effective provider that will reduce their out of pocket costs, and positively impact the total cost of the claim, which aids in minimizing future rates for the Member Group. HealthTrust Benefit Advantage provides administrative services for Flexible Spending Accounts (FSAs) and Health Reimbursement Arrangements (HRAs) making it easier for Member Groups to offer cost-effective consumer driven benefit plans. Included Health (formerly Grand Rounds) introduced in August 2019, provides covered individuals with expert second opinions, treatment decision support and referrals to local providers.

#### ***Retiree Billing Services:***

HealthTrust Member Groups may elect for HealthTrust to provide billing administration for their Retirees' medical and dental coverage. If elected, HealthTrust handles all aspects of billing, including sending monthly invoices to covered Retirees, collecting payments, coordinating with the New Hampshire Retirement System, and following up on unpaid accounts. Member Groups remain liable for any uncollectible Retiree billings. As of June 30, 2022, HealthTrust manages payments for medical and/or dental coverage for over 10,267 Retirees on behalf of Member Groups.

#### ***Retiree Specialists:***

HealthTrust offers the services of Retiree Specialists, who assist Members and their Retirees alike with a multitude of questions and issues relative to Retiree eligibility, health coverage, Medicare, and the New Hampshire Retirement System medical subsidy. On behalf of Member Groups and their Retirees, the Retiree Specialists work closely with the New Hampshire Retirement System relative to issues of eligibility and annuity deduction payments. Additionally, HealthTrust offers meetings to Retirees turning age 65, providing valuable information regarding the Medicare supplemental plan and enrollment assistance. HealthTrust also offers Member Benefit Administrator sessions on Retiree eligibility. Additionally, the Retiree Specialists provide Retiree presentations onsite at Members' locations or virtually.

#### ***COBRA Administration and Billing Services:***

On behalf of HealthTrust Member Groups offering HealthTrust-sponsored medical and/or dental plan coverage, HealthTrust administers various required COBRA notices, including the Initial COBRA Notice, Notice of Qualifying Event, COBRA Election Notice, and COBRA Termination Notice. As an added service for Members that elect COBRA billing services, HealthTrust, on the Member's behalf, will issue invoices directly to COBRA Beneficiaries and collect COBRA payment directly from COBRA Enrollees, thereby relieving HealthTrust Members of the administration of collecting COBRA contribution payments. For the period of June 30, 2021 through June 30, 2022, HealthTrust handled COBRA billing administration for 239 COBRA Beneficiaries.

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

#### ***Transition Care and Survivor Care:***

These two services offered through HealthTrust are designed to provide continuing medical and/or dental plan coverage to covered family members of Enrollees who die while covered as active employees of a HealthTrust Member Group. Transition Care pays the required contribution for an employee's surviving covered family members for COBRA or retiree coverage for up to 12 months after an employee's death. In the event that the death occurred while the employee was performing their job responsibilities, the Survivor Care benefit will continue to cover the required contributions toward medical and/or dental coverage for an employee's previously enrolled family members until certain cutoff events occur. For the period of June 30, 2021 through June 30, 2022 HealthTrust provided Transition Care benefits to 32 surviving families and Survivor Care to 2 surviving families.

#### ***Onsite Services/Virtual Services:***

HealthTrust strives to meet the needs of Member Groups and Enrollees. Benefits Advisors and Wellness Advisors work collaboratively to provide open enrollment presentations and other various benefit education sessions throughout the year designed to support both the Member Groups and their employees in understanding the coverage and services available to them through HealthTrust's offerings. This support is provided onsite at a Member's location or through virtual meetings and digital resources.

#### ***Member & Enrollee Education:***

Staff present both in-person and virtual workshops and webinars designed to assist Member Benefits Administrators in performing the duties related to benefits administration. These workshops include Benefits Administrator Trainings and Healthcare Reform Presentations which provide Benefits Administrators with updates and new relevant information needed to comply with healthcare reform and administration of employee benefits. HealthTrust's Benefit and Wellness Advisors provided Virtual Benefit Education sessions, videos and other digital resources to assist Members with benefit administration and enrollment. In addition, the Wellness team distributes weekly wellness tip sheets and provides wellness webinars to encourage individuals to focus on their total well-being.

#### ***Claims Advocates:***

Covered individuals who need guidance with claims processing can call on HealthTrust's Enrollee Services Staff to assist by facilitating communications between covered individuals and third party claims administrators (Anthem, Caremark, and/or Delta Dental). The Secure Enrollee Portal includes a secure message center which allows for secure communications directly with HealthTrust Enrollee Services Staff. Member and Enrollee Services Staff continue to provide advocate support to hundreds of covered individuals annually.

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

#### **Communications:**

HealthTrust strives to serve as an essential resource for information regarding benefits administration. HealthTrust regularly communicates with Members and Enrollees through various newsletters and our comprehensive website. These resources keep Members and Enrollees up to date on available options and services. HealthTrust's robust website and portals provide HealthTrust's Members and Enrollees comprehensive coverage and service-related information. The website includes a public section, as well as password-protected portals, for Members, Enrollees, and Wellness Coordinators.

Through the Secure Member Portal, designated key contacts of Member Groups can submit electronic transactions such as ID card requests, salary changes, and notice of membership changes. Additionally, Members can download and print enrollment forms and access certain resources such as the Benefits Administrator Manual, plan documents, Summaries of Benefits and Coverage and other Member-specific information for billing and enrollment purposes. During the pandemic, HealthTrust created many virtual resources such as Benefit Education videos, benefit comparisons, and digital benefit packets as tools for Benefit Administrators to provide resources to their employees through emails and their own intranet portals.

Through the Secure Enrollee portal, Enrollees can create a password-protected online account. When they sign in to this account, they can access digital ID cards, view coverage documents and other resources as well as complete and submit interactive forms, such as ID card requests or address changes, and download printable forms. They also have access to a Secure Message Center to communicate directly with HealthTrust Enrollee Services Staff.

Through our enhanced single sign-on, Enrollees who log in to their secure HealthTrust account also have direct, one-click access to their accounts at vendor websites including: Anthem, CVS/Caremark, Delta Dental, Onlife Health, Benefit Advantage, Included Health (formerly Grand Rounds) and SmartShopper. One username and password allows Enrollees to do wide-ranging tasks such as refill prescriptions by clicking the CVS/Caremark button, track their health behaviors and earn points toward cash incentives by clicking the Onlife Health button, and shop for cost-effective medical procedures and services by clicking the SmartShopper button.

#### **HealthTrust's Slice of Life Program:**

Slice of Life provides activities and services designed to improve individual's health and increase cost savings resulting from fewer healthcare claims. Individuals who are covered by a HealthTrust medical program may avail themselves, at no additional cost, to valuable health management support and incentives.

Slice of Life has four components, the Health Assessment (HA) questionnaire, Biometric Health Screening, Health Coaching and the Personal Wellness Journey. These tools give participants a clear picture of their current health, help them to set health goals and create a plan for achieving those goals.

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

#### ***HealthTrust's Slice of Life Program (Continued):***

The confidential HA questionnaire is designed to help assess an Enrollee's, or their Covered Spouse's, health from year to year. Upon submission of their completed HA, Enrollees and their Covered Spouses receive a personalized health report that identifies areas of health risk and provides information about how those risks can be reduced to maximize health status.

Through the Slice of Life Biometric Health Screening program, covered individuals can learn their vital health measurements that can help give them a clearer picture of their current health. Those measurements include blood pressure, blood sugar, blood cholesterol, body weight, waist circumference and body mass index (BMI). To participate in this component of Slice of Life, Covered individuals can complete a Biometric Health Screening form at a Convenient MD site. Covered individuals (other than those with Medicomp) also have the option of completing a Biometric Health Screening form with their own primary care provider.

The following are some other key components to the Slice of Life program:

- *Health Coaching* provides individuals with additional support to effectively manage chronic conditions or develop strategies to support changes in lifestyle such as becoming more active, losing weight or reducing stress. During the fiscal year ended June 30, 2022, approximately 1,000 HealthTrust Enrollees, Retirees, and Covered Spouses participated in Health Coaching programs.
- *Personal Wellness Journey* - Enrollees may earn cash incentives by participating in the following programs:
  - Healthy Habit Rewards - Participating in an eligible healthy class or activity
  - Tracking - Using an application or wearable fitness device to track nutrition, blood pressure, steps or other activity
  - Challenges - Participating in an eligible personal nutrition, physical activity or sleep challenge
- *LifeResources Employee Assistance Program* offers comprehensive mental health counseling and referral services for issues such as stress management, parenting, addictions, help finding housing options for aging parents, and guidance about managing credit card debt. During this fiscal year, LifeResources also provides an enhanced website ([mylifeexpert.com](http://mylifeexpert.com)) where members can research a variety of topics and resources.
- *Slice of Life* newsletters are quarterly publications sent to Enrollees (including Retirees), containing information related to important health and wellness issues plus important health plan news.
- *Flu Vaccine Program* provides for an onsite flu shot clinics for covered individuals.

## HealthTrust, Inc.

### Management's Discussion and Analysis (Unaudited) (Continued)

#### ***HealthTrust's Slice of Life Program (Continued):***

- *Wellness Coordinator Academy* provides health and safety leaders with the knowledge and resources to enable them to guide their coworkers to become more aware of the issues that affect health and safety both at work and at home. HealthTrust has 319 wellness coordinators providing wellness campaigns at their worksites. HealthTrust's goal is to train new coordinators each year while still keeping the existing coordinators engaged by meeting with them annually. Wellness coordinators receive \$500 annually to promote worksite wellness initiatives, campaigns and stretch goals. Groups with more than one Wellness Coordinator can earn up to \$3,000. HealthTrust's Wellness Advisors provide consultation services including reporting for a Member Group's health which helps Wellness Coordinators design and implement group wellness programs, customized for the Group's specific needs.
- *SmartShopper* provides covered individuals the tools to be savvy medical consumers and rewards them when they make smart healthcare choices by choosing a low cost, quality provider. While the program is completely voluntary, HealthTrust has seen positive results with over \$378,600 incentives/rewards being paid, resulting in a gross savings over \$3.2 million during the fiscal year ended June 30, 2022.

#### ***HealthTrust Benefit Advantage:***

HealthTrust offers its Member Groups "HealthTrust Benefit Advantage," our HRA and enhanced Flexible Spending Account (FSA) services. Benefit Advantage provides Members the opportunity to add integrated HRA administration in addition to the FSA services HealthTrust has previously provided. To support this initiative, HealthTrust collaborates with Voya (formerly Benefit Strategies). HRAs and FSAs can be valuable tools for controlling rising medical plan costs for Employers.

#### ***Healthcare Reform Education and Assistance:***

Benefits Counsel and staff continue to monitor the requirements of and proposed changes to federal healthcare laws. HealthTrust educates and assists HealthTrust Members regarding healthcare law reform requirements that are in effect as well as proposed legislative changes. Our educational efforts include publication of articles, newsletters and various other correspondence, presentations, and webinars on the primary aspects of various healthcare reform laws impacting HealthTrust Groups and their Employees. Additionally, due to the COVID-19 pandemic, Benefits Counsel and staff implemented temporary and permanent aspects of the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act, including extensive FSA/DCAP and COBRA benefits changes, Prescription Drug and Medical Spending Reporting and No Surprise Billing Act compliance on behalf of Member Groups.

HealthTrust, Inc.

Statements of Net Position

As of June 30, 2022 and 2021

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2022	2021	2022	2021
<b>Assets</b>				
Cash and cash equivalents	\$ 45,702,766	\$ 81,502,206	\$ 719,557	\$ 491,826
Fixed-maturity securities	43,065,756	48,023,414	-	-
Mutual and exchange-traded funds	16,951,995	19,766,280	-	-
Contributions receivable	6,256,313	5,877,158	-	-
Accounts receivable	331,504	90,872	20,450	(4,264)
Accrued interest receivable	231,032	222,966	-	-
Prepaid expenses	209,856	185,917	-	-
Deposits - contractual	2,011,724	2,011,724	-	-
Property and equipment, net	39,177	450,671	4,633,558	5,013,326
Subscription asset/capitalized and prepaid system costs	5,491,734	1,179,846	-	-
Right of use asset	828,816	-	-	-
Rent receivable	-	-	807,630	-
Majority interest in Center at Triangle Park, Inc.	5,216,776	5,355,014	-	-
Total Assets	126,337,449	164,666,068	6,181,195	5,500,888
<b>Deferred Outflows of Resources</b>				
Deferred gain on pension assets	511,642	951,957	-	-
Deferred pension contributions	199,511	198,361	-	-
Total Deferred Outflows of Resources	711,153	1,150,318	-	-
<b>Liabilities</b>				
Claims payable	6,752,793	1,856,148	-	-
Claims reserves	33,777,330	24,698,865	-	-
Claims administration reserves	2,762,276	2,792,052	-	-
Return of surplus payable	-	38,194,255	-	-
Accounts payable and accrued expenses	3,458,498	3,326,253	86,434	73,625
Accounts payable - vaccine program	321,788	244,253	-	-
Due to other entities	-	-	4,468	4,468
Unearned contributions	592,953	494,383	-	-
Securities payable	-	1,021,504	-	-
Premium deficiency reserve	8,688,839	-	-	-
Lease liability	837,649	427,288	-	-
Subscription liability	3,550,945	-	-	-
Net pension liability	477,394	1,501,220	-	-
Total Liabilities	61,220,465	74,556,221	90,902	78,093

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Net Position (Continued)

As of June 30, 2022 and 2021

	<u>HealthTrust, Inc.</u>		<u>Center at Triangle Park, Inc.</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension expenses	1,560,972	1,260,165	-	-
Deferred rent	-	-	784,999	-
Total Deferred Inflows of Resources	1,560,972	1,260,165	784,999	-
<b>Net Position</b>				
Unrestricted	50,955,277	69,402,300	671,735	409,468
Unrestricted - net unrealized gain on investment securities	6,123,979	14,337,492	-	-
Majority interest in Center at Triangle Park, Inc.	5,216,776	5,355,014	-	-
Investment in capital assets, net	1,971,133	905,194	4,633,559	5,013,327
Total Net Position	<u>\$ 64,267,165</u>	<u>\$ 90,000,000</u>	<u>\$ 5,305,294</u>	<u>\$ 5,422,795</u>

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2022 and 2021

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2022	2021	2022	2021
<b>Operating Revenues</b>				
Contributions earned from				
Member Groups	\$ 452,421,516	\$ 452,024,242	\$ -	\$ -
Self-funded plus program - net	-	334,589	-	-
Rental income	-	-	534,784	426,142
Support services income	91,484	86,003	-	-
Prescription administration and rebates	-	1,026	-	-
Ancillary services	2,768,411	2,603,561	-	-
COBRA and Medicare Part D	37,581	34,850	-	-
Other revenues	717,053	157,949	1,125	684
Total operating revenues - net	456,036,045	455,242,220	535,909	426,826
<b>Operating Expenses</b>				
Claims incurred	428,137,480	394,697,357	-	-
Anthem EPHC provider payments	2,437,420	2,475,578	-	-
Premium deficiency expense (gain)	8,688,839	(10,066,000)	-	-
Claims administrative fees paid	21,805,305	20,996,641	-	-
Return of surplus	-	38,194,255	-	-
Affordable Care Act - Federal Taxes	143,726	136,660	-	-
Vaccine program	986,409	963,591	-	-
Depreciation and amortization	775,750	187,847	179,768	203,024
General and administrative expenses	12,449,495	13,986,300	506,572	426,833
Net loss on sale of property and equipment	-	-	41,055	-
Total operating expenses	475,424,424	461,572,229	727,395	629,857
Operating loss	(19,388,379)	(6,330,009)	(191,486)	(203,031)

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Revenues, Expenses and Changes in Net Position (Continued)

Years ended June 30, 2022 and 2021

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2022	2021	2022	2021
<b>Non-Operating Revenues</b>				
Net investment income	\$ 2,011,476	\$ 1,875,519	\$ 51,537	\$ 964
Net (decrease) increase in fair value of investments	<u>(8,213,515)</u>	<u>4,654,089</u>	<u>-</u>	<u>-</u>
Total non-operating revenues	<u>(6,202,039)</u>	<u>6,529,608</u>	<u>51,537</u>	<u>964</u>
Change in net position before investment in subsidiary	(25,590,418)	199,599	(139,949)	(202,067)
Change in majority interest in Center at Triangle Park, Inc.	<u>(138,238)</u>	<u>(199,599)</u>	<u>-</u>	<u>-</u>
Change in net position	(25,728,656)	-	(139,949)	(202,067)
Net position, beginning of year	90,000,000	90,000,000	5,422,795	5,668,277
Shareholder distribution	-	-	-	(43,415)
GASB 87 adoption - see Note 2	<u>(4,179)</u>	<u>-</u>	<u>22,448</u>	<u>-</u>
Net position, end of year	<u>\$ 64,267,165</u>	<u>\$ 90,000,000</u>	<u>\$ 5,305,294</u>	<u>\$ 5,422,795</u>

See accompanying notes to the financial statements.

# HealthTrust, Inc.

## Statements of Cash Flows

Years ended June 30, 2022 and 2021

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2022	2021	2022	2021
<b>Cash Flows from Operating Activities</b>				
Contributions collected from Member Groups	\$ 452,117,306	\$ 453,216,206	\$ -	\$ -
Cash received from other sources	3,306,038	2,764,201	1,125	684
Claims paid	(416,629,566)	(398,867,541)	-	-
Rental income collected	-	-	509,887	458,419
Salaries and benefits paid	(6,575,225)	(6,904,817)	-	-
Claims administrative fees and certain taxes paid	(21,949,031)	(21,133,301)	-	-
Return of surplus	(38,194,255)	(18,786,984)	-	-
Vaccine program expenses paid	(908,874)	(938,210)	-	-
Wellness expenses paid	(3,510,461)	(4,040,951)	-	-
Support services income collected	91,484	86,003	-	-
Other expenses paid	(2,135,308)	(2,722,121)	(493,763)	(437,576)
Net cash from self-funded plus program	-	(16,467)	-	-
Net cash flows from operating activities	(34,387,892)	2,656,018	17,249	21,527
<b>Cash Flows from Investing Activities</b>				
Proceeds from sales and maturities of investments	9,337,799	29,617,807	-	-
Purchases of investments	(10,900,047)	(28,617,081)	-	-
Interest and dividends received	2,102,582	2,051,887	51,537	964
Proceeds from shareholder distribution	-	42,885	-	-
Net cash flows from investing activities	540,334	3,095,498	51,537	964
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchases of property and equipment	(43,792)	(81,235)	-	-
Lease payments	(449,396)	(53,178)	-	-
Payments for subscription asset/capitalized system implementation costs	(1,458,694)	(365,000)	-	-
Payment of shareholder distribution	-	-	-	(43,415)
Proceeds from sale of property and equipment	-	-	158,945	-
Net cash flows from capital and related financing activities	(1,951,882)	(499,413)	158,945	(43,415)
Net change in cash and cash equivalents	(35,799,440)	5,252,103	227,731	(20,924)
Cash and cash equivalents, beginning of year	81,502,206	76,250,103	491,826	512,750
Cash and cash equivalents, end of year	<u>\$ 45,702,766</u>	<u>\$ 81,502,206</u>	<u>\$ 719,557</u>	<u>\$ 491,826</u>

*See accompanying notes to the financial statements.*

HealthTrust, Inc.

Statements of Cash Flows (Continued)

Years ended June 30, 2022 and 2021

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2022	2021	2022	2021
<b>Reconciliation of operating loss to net cash flows from operating activities</b>				
Operating loss	\$ (19,388,379)	\$ (6,330,009)	\$ (191,486)	\$ (203,031)
Add (deduct) items not affecting cash:				
Depreciation and amortization	32,574	187,847	179,768	203,024
Non-cash lease expense/income	449,465	-	22,448	-
Non-cash subscription expense	399,722	-	-	-
Net loss on sale of property and equipment	-	-	41,055	-
Changes in statement of net position accounts:				
Contributions receivable	(379,155)	2,036,479	-	-
Accounts receivable	(240,632)	(104,469)	(24,714)	30,275
Prepaid expenses	(23,939)	8,211	-	-
Prepaid system costs	298,034	306,998	-	-
Deferred gain on pension assets	440,315	435,367	-	-
Rent receivable	-	-	(807,630)	-
Deferred rent	-	-	784,999	-
Deferred pension contributions	(1,150)	12,518	-	-
Claims payable	4,896,645	(5,967,826)	-	-
Claims reserves	9,078,465	4,208,776	-	-
Claims administration reserves	(29,776)	64,444	-	-
Deposit held for self-funded plus group	-	(314,496)	-	-
Return of surplus payable	(38,194,255)	19,407,271	-	-
Accounts payable and accrued expenses	132,249	157,106	12,809	(10,743)
Accounts payable - vaccine program	77,535	25,381	-	-
Due to other entities	-	-	-	2,002
Unearned contributions	98,570	(809,791)	-	-
Premium deficiency reserve	8,688,839	(10,066,000)	-	-
Net pension liability	(1,023,826)	(379,528)	-	-
Deferred pension expenses	300,807	(222,261)	-	-
Net cash flows from operating activities	<u>\$ (34,387,892)</u>	<u>\$ 2,656,018</u>	<u>\$ 17,249</u>	<u>\$ 21,527</u>

See accompanying notes to the financial statements.

# HealthTrust, Inc.

## Notes to the Financial Statements

Years ended June 30, 2022 and 2021

### Note 1 - Organization and Nature of Operations

HealthTrust, Inc. (HealthTrust), a New Hampshire voluntary corporation, was formed to provide employee benefits coverage to political subdivisions of the State of New Hampshire. In accordance with HealthTrust By-Laws, all political subdivisions of the State of New Hampshire and their instrumentalities are eligible to participate. The HealthTrust Board of Directors (Board of Directors) governs HealthTrust. HealthTrust serves as an association of local governments voluntarily joining together to finance their exposure for healthcare and other applicable coverage benefit costs provided to their employees and is funded by its Member Groups. HealthTrust covered the following separate individuals among all coverage lines as of June 30:

	<u>2022</u>	<u>2021</u>
Medical	52,861	53,502
Dental	56,919	56,147
Life	9,525	9,497
Short-term disability	4,022	3,911
Long-term disability	5,962	5,943

HealthTrust's mission is to provide high quality, cost-effective employee benefits products and services for public employers and employees in New Hampshire in order to reduce costs through pooling strategies with a commitment to education, health promotion and disease prevention. HealthTrust's underwriting and rate setting policies have been established after consultation with actuaries.

Center at Triangle Park, Inc. (CTP) was formed as a voluntary corporation and a 501(c)(25) entity for the purpose of acquiring and holding title to real estate. As of June 30, 2022 and 2021, HealthTrust owns 98.8% of outstanding CTP shares and New Hampshire Municipal Association, Inc. (NHMA) owns 1.2%. CTP leases the real estate to HealthTrust, NHMA and third parties. In accordance with the standards set by the Governmental Accounting Standards Board (GASB), Statement No. 90, *Majority Equity Interest*, the Company has evaluated its majority interest in CTP, and determined that this does not meet the GASB definition of an investment. As such, the assets and all activity of CTP are included in these financial statements as a discretely presented component unit. HealthTrust's interest in CTP is recognized under the equity method of accounting, whereby the gain or loss in the operations of CTP is recognized in proportion to the ownership shares and the investment in CTP is adjusted to recognize the associated gain or loss, net of any distributions from CTP.

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies**

##### *Basis of Presentation*

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to proprietary funds of governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. HealthTrust's and CTP's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

CTP is primarily an internal service fund providing office space to related entities on a cost reimbursement basis. Given HealthTrust's 98.8% ownership interest in CTP, along with its intent that owning CTP enhances its abilities to provide services to Members, the financial statements of CTP have been included as a component unit to maximize transparency.

##### *Adoption of New Accounting Standards*

HealthTrust and CTP adopted GASB Statement No. 87, *Leases* (GASB 87) effective July 1, 2021. Among other requirements, lessees such as HealthTrust are required to recognize the following for all leases (with the exception of short-term leases) as of the date of adoption: 1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right of use asset, which is an intangible asset that represents the lessee's right to use, or control the use of a specified asset for the lease term. Additionally, lessors such as CTP are required to recognize the following for all leases (with the exception of short-term leases) as of the date of adoption: 1) a lease receivable, which is the lessor's right to receive lease payments arising from a lease, measured on a discounted basis; and 2) a deferred inflow of resources equal to the unearned portion of the lease receivable plus any lease prepayments received. GASB 87 is effective for reporting periods beginning after June 15, 2021, and is required to be applied retroactively by restating financial statements of prior periods, if practical. HealthTrust and CTP did not restate the financial statements as of and for the year ended June 30, 2021 because doing so would be immaterial to the financial statements and the effort required to do so would be disproportionate to the result.

As a result of adopting GASB 87, HealthTrust recognized right of use assets of \$806,049 and a lease liabilities of \$810,228 as of July 1, 2021 resulting in a cumulative effect adjustment to net position of \$4,179 at adoption, associated with HealthTrust's office lease. Additionally at adoption of GASB 87 on July 1, 2021, HealthTrust reclassified assets of \$422,704 previously reported as capital leases from property and equipment to right of use assets. Associated, capital lease liabilities of \$427,288 as of July 1, 2021, were reclassified from capital lease liabilities to lease liabilities. As a result of adoption GASB 87, CTP recognized lease receivables of \$1,175,729 and deferred inflow of resources of \$1,153,281 as of July 1, 2021 resulting in a cumulative effect adjustment to net position of \$22,448. See Note 15 for further details regarding the impact of adoption of GASB 87.

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

HealthTrust elected to early adopt GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements* (GASB 96) on April 1, 2022 simultaneous with placing its new hosted subscription based information technology system (OneSource) into service. GASB 96, requires entities entering into subscription-based information technology arrangements (SBITAs) to recognize the following: 1) a subscription liability, which is the entities obligation to make future payments arising from the SBITA, measured on a discounted basis; and 2) a subscription asset, which is an intangible asset representing the entities right to use the system over the term of the SBITA. Subscription assets under SBITA contracts also include prepayments of subscription fees and capitalized initial implementation costs that meet the requirements of GASB 96. Upon adoption of GASB 96 on April 1, 2022 HealthTrust recognized a subscription liability of \$3,794,428 and subscription assets of \$5,834,967. Subscription assets at the date of adoption April 1, 2022 included \$1,366,465 of initial implementation costs previously reported as capitalized software costs. GASB 96 is effective for reporting periods beginning after June 15, 2022 with early application encouraged. GASB 96 is required to be applied retroactively by restating financial statements of prior periods, if practical. HealthTrust was not required to restate the financial statements as of and for the year ended June 30, 2021 as the SBITA application, OneSource had not yet been placed in service.

#### *Use of Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, deferred inflows and outflows of resources, and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

#### *Risks and Uncertainties*

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. HealthTrust invests in various securities as part of its ongoing operations and is exposed to economic and financial market risks. Through June 30, 2020, HealthTrust experienced a dramatic decline in claims activity as a result of the pandemic, however, as of June 30, 2022 and through June 30, 2022, claims activity no longer appears to be materially impacted by the pandemic.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported on the statements of net position.

#### *Subsequent Events*

HealthTrust has evaluated subsequent events for disclosure and recognition through October 6, 2022, the date these financial statements were available to be issued.

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### *Cash Equivalents*

Cash equivalents consist of money market funds and all highly liquid investments with original maturities of three months or less.

##### *Investments*

HealthTrust's investments consist of mutual and exchange-traded funds (ETFs) and fixed-maturity securities detailed in Note 5. Investments are stated at fair value based upon quoted market prices or through a recognized pricing service.

HealthTrust accounts for its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (Statement No. 31). Statement No. 31 establishes fair value standards on accounting for all investments held by governmental external investment pools and governmental entities. All investment income, including changes in the fair value of investments, is recognized in the statements of revenues, expenses and changes in net position. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold during the current year were included as a change in the fair value of investments reported in the prior years and the current year. Realized gains and losses on the sale of investments are recognized using the specific ID method for fixed-maturity securities and average cost for mutual and exchange traded funds to determine the costs of the investments sold. Investment purchases are recognized on the trade date.

HealthTrust's estimates of fair value for financial assets are based on the framework established in GASB Statement No. 72, *Fair Value Measurement and Application*. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the HealthTrust's significant market assumptions.

If the inputs used to measure the assets fall within different levels of the hierarchy, the classification is based on the lowest level of input that is significant to the fair value measurement of the asset. Classification of assets within the hierarchy considers the markets in which the assets are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices for identical assets traded in active markets.

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market corroborated inputs.
- Level 3 – Valuations based on models where significant inputs are not observable. The unobservable inputs reflect HealthTrust's own assumptions about the inputs that market participants would use.

Fair values are based on quoted market prices when available (Level 1). HealthTrust receives the quoted market prices from a third party, nationally recognized pricing service. When market prices are not available, HealthTrust utilizes a pricing service to determine an estimate of fair value. The fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). These valuation techniques involve some level of management estimation and judgment.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*, certain disclosures regarding deposit and investment risks have been provided in Note 5.

#### *Contributions from Member Groups*

Contributions from Members participating in HealthTrust's coverage lines are generally recognized as revenue on a monthly basis over the participation contract term. The portion of the contributions received in cash that will be earned in the future is deferred and reported as unearned contributions on the statements of net position. Contributions receivable consist primarily of contributions billed to Member Groups for the current contract term that have not been collected. Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management considers all contributions receivable to be collectible as of June 30, 2022 and 2021, therefore, an allowance for doubtful accounts has not been provided.

#### *Prescription Administration and Rebates*

HealthTrust receives prescription rebates related to the use of prescription drugs. HealthTrust's agreement with Caremark utilizes a point-of-sale prescription rebate methodology. Point-of-sale prescription rebates are applied against prescription costs at the point of sale and as such are applied directly against claims incurred on the statements of revenues, expenses and changes in net position.

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

Prescription rebates due to/from HealthTrust's service providers are included within claims payable on the statements of net position. As of June 30, 2022 and 2021, rebates receivable of \$4,380,214 and \$3,554,035 were netted against claims payable. Management considers all prescription rebates receivable to be collectible as of June 30, 2022 and 2021, therefore, no allowance for doubtful accounts was provided.

#### *Property and Equipment, Net*

Property and equipment with an estimated useful life greater than one year is capitalized at cost. The cost of maintenance and repairs is charged to expense as incurred, while renewals, replacement of existing systems and betterments are capitalized. Upon the sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in operating loss.

Land is not depreciated. Other property and equipment is depreciated or amortized using primarily the straight-line method over the following useful lives:

	<u>Estimated Useful Life (Years)</u>
Land improvements	15
Buildings and building improvements	31 - 40
Office equipment, computers and other equipment	3 - 5
Furniture and fixtures	3 - 5

#### *Lease Activities*

CTP leases office space to HealthTrust and other entities pursuant to lease agreements. At the commencement of a new lease in excess of twelve months, CTP recognizes a lease receivable equal to the present value of expected future lease payments over the lease term and a deferred inflow of resources equal to the unearned portion of the lease receivable, plus any lease prepayments received. CTP recognizes rental income on a straight line basis over the remaining lease term. Leases twelve months or less are recognized as rental income on a straight line basis over the lease term.

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

HealthTrust determines if an arrangement is a lease or contains a lease at the inception of each contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified asset in exchange for consideration. HealthTrust's lease agreements do not contain any material residual value guarantees or material restrictive covenants. HealthTrust recognizes a right of use asset and lease liability for contracts determined to be a lease. At each lease inception, a lease liability is recognized and measured at the present value of the lease payments over the lease term and a right of use assets is recognized equal to the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. HealthTrust uses the implicit rate when readily determinable, such as for equipment leases. HealthTrust uses its incremental borrowing rate to measure leases for office space. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to quoted rates HealthTrust would receive to finance each lease transaction or needed to borrow the amount of the undiscounted future payments over the term of the lease. The lease term may include options to extend or to terminate the lease that HealthTrust and the lessor are reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

#### *Classification of Revenues and Expenses*

HealthTrust's statements of revenues, expenses and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues primarily result from contributions earned from participating Member Groups to cover estimated benefits obligations and administrative costs, and increases needed to maintain the actuarially-determined capital reserve levels. HealthTrust's operating revenues also include Ancillary Services and COBRA revenue, which consist of administration fees charged for Members who elect to have HealthTrust administer their flexible spending accounts, life insurance programs, long-term disability programs and COBRA billing. Prescription administration and rebates revenue and support services income from providing administrative and business support services to other entities, as more fully described in Note 9, are also included in HealthTrust's operating revenues. Operating expenses primarily consist of expenses incurred to provide underwriting and claims payment services, administrative expenses and depreciation of property and equipment. Other revenues and expenses, including interest income and changes in the fair value of HealthTrust's investments, are classified as non-operating on the statements of revenues, expenses and changes in net position.

CTP's statements of revenues, expenses and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues primarily result from rental of property, CTP's principal activity. Operating expenses are all expenses incurred in rental operations. Interest income is reported as non-operating revenue.

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### *Claims and Administration Reserves*

HealthTrust establishes claims and claims administration reserves based on estimates of the ultimate cost of claims that have been reported, but not settled, and of claims that have been incurred, but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Claims reserves are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent claim costs, claim frequency, and other economic and societal factors. Adjustments to claims reserves are charged or credited as an expense in the periods in which they are made. HealthTrust's third-party claims administrative service agreements for medical and dental coverage include a provision for two months of administrative service fees to be paid for run-out services in the event the agreements are terminated. As such, HealthTrust has accrued for this contractual obligation as a component of the claims and administrative reserves.

HealthTrust utilizes an independent consulting actuary to estimate claims and claims administration reserves for health, dental and short-term disability coverages.

##### *Income Taxes*

HealthTrust and CTP are exempt from federal and New Hampshire state income taxes under provisions of the Internal Revenue Code and New Hampshire law.

#### **Note 3 - Cash and Cash Equivalents**

HealthTrust and CTP maintain cash and cash equivalents in bank deposits and cash management accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution, as well as in money market funds which are not FDIC insured. As of June 30, 2022 and 2021, HealthTrust's total bank balance of cash held in excess of the FDIC limit was approximately \$45.4 million and \$81.3 million, respectively. As of June 30, 2022 and 2021, CTP's total bank balance of cash held in excess of the FDIC limit was approximately \$470,000 and \$242,000, respectively. The balances in excess of the FDIC limit are collateralized with securities held in joint custody with a third party custodian.

#### **Note 4 - Net Position**

Total net position is available to fund HealthTrust's designated total net position target with the remaining balance to be returned to Member Groups as surplus. HealthTrust's total net position includes the following at June 30:

	<u>2022</u>	<u>2021</u>
Board-designated total net position target	\$ 85,000,000	\$ 90,000,000
(Deficiency) Surplus from Board-designated target	<u>(20,732,835)</u>	<u>38,194,255</u>
Total net position prior to return of surplus	<u>\$ 64,267,165</u>	<u>\$ 128,194,255</u>

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 4 - Net Position (Continued)**

The Board of Directors relies upon the opinion of a qualified independent consulting actuary, Milliman, who is a member of the American Academy of Actuaries and qualified in the area of health coverage, using an actuarially sound methodology to determine the required capital adequacy reserve for HealthTrust to ensure that all obligations for the payment of claims and expenses can be met.

Milliman recommended that HealthTrust should target a required capital adequacy reserve of between \$85 million to \$135 million, and between \$90 million to \$140 million, as of June 30, 2022 and 2021, respectively. Milliman advised the Board of Directors that the lower end of the range is appropriate if HealthTrust has pricing flexibility and the upper range is appropriate if HealthTrust does not have pricing flexibility.

Based on the Milliman recommendation, the HealthTrust Board of Directors set HealthTrust's capital adequacy reserve target at \$85 million and \$90 million as of June 30, 2022 and 2021, respectively. Subsequent to June 30, 2022 and 2021, HealthTrust's Board of Directors approved a return of surplus in the amount of \$0 and \$38,194,255, respectively, to be paid out in the upcoming fiscal year. The surplus distribution is accrued as a liability on the statement of net position.

There is always the risk of unpredictable claim fluctuations beyond expected levels. The following are some reasons why claims might exceed expected levels: (1) medical trend is significantly higher than expected; (2) a small number of very large randomly occurring claims; (3) influx of new participants that are not as healthy as average existing participants; (4) departure of participants that are healthier than average; (5) federal/state legislation that results in higher costs; and (6) new technologies/treatments such as high cost drugs and advanced imaging techniques. In order to protect HealthTrust's Member Groups and their covered employees and dependents from these potential unexpected costs, HealthTrust designates a certain level of net position, which it identifies as the capital adequacy reserve target, to ensure the availability of sufficient capital to cover these risks.

The portion of HealthTrust's net position invested in capital assets consists of the following at June 30:

	2022	2021
Investment in property and equipment and other capitalized assets, net of accumulated depreciation and lease and subscription obligations	\$ 1,971,133	\$ 905,194
Majority interest in CTP	5,216,776	5,355,014
Total investment in capital assets, net	\$ 7,187,909	\$ 6,260,208

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 4 - Net Position (Continued)**

As of June 30, 2022 and 2021, CTP's investment in capital assets represents the amount of assets which have been invested in property and equipment, intangible right of use lease and subscription assets and capitalized system implementation costs, net of accumulated depreciation and related obligations.

#### **Note 5 - Investments**

During the years ended June 30, 2022 and 2021, HealthTrust realized net gains on sales of investments of \$18,349 and \$40,065, respectively.

##### *General Investment Risks and Uncertainties*

HealthTrust invests in various investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

CTP maintains commercial insurance coverage for its buildings and improvements. Coverage limits are set at replacement values with customary levels of deductibles.

##### *Concentration of Credit Risk*

Concentration risk is the risk of loss attributable to the magnitude of an investment in a single issuer. HealthTrust addresses this risk by limiting single-issuer investments to 5% of total investments (with the exception of U.S. Government obligations and mutual and exchange-traded funds, which have no limit). There are no single investments that exceed that limit as of June 30, 2022 and 2021.

##### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. HealthTrust mitigates the risk that the market value of securities will fall due to changes in general interest rates by structuring the portfolio so that securities mature to meet the cash requirements for ongoing operations, thus avoiding the need to sell securities on the open market prior to maturity. The matching of investments to expected cash is not applied to the required capital adequacy reserve, as consistent with the purpose of that reserve, it is needed to cover unexpected events at some unknown future date.

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 5 - Investments (Continued)**

The following table provides a summary of the fair value of HealthTrust's fixed-maturity securities by contractual maturity as of June 30, 2022. Fixed-maturity securities include U.S. Treasury securities, foreign government guaranteed securities (foreign), corporate bonds, municipal bonds, commercial mortgage backed securities (CMBS), asset backed securities and government enterprise sponsored MBS (GSE MBS). Mortgage and asset backed securities are categorized based upon their contractual maturities. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
U.S. Treasuries	\$ -	\$ 4,740,609	\$ -	\$ -	\$ 4,740,609
Corporate bonds	1,915,619	5,930,576	3,914,953	448,126	12,209,274
Municipal bonds	125,904	225,878	897,977	3,120,145	4,369,904
CMBS	326,639	958,796	199,279	2,221,323	3,706,037
Asset backed	-	3,118,840	1,043,352	-	4,162,192
GSE MBS	-	117,643	-	13,760,097	13,877,740
Total	<u>\$ 2,368,162</u>	<u>\$ 15,092,342</u>	<u>\$ 6,055,561</u>	<u>\$ 19,549,691</u>	<u>\$ 43,065,756</u>

The following were the effective durations of fixed-maturity security investments held by HealthTrust as of June 30, 2022:

	Fair Value	Effective Duration
U.S. Treasury Securities	\$ 4,740,609	2.92
Corporate Bonds	12,209,274	3.83
Municipal Bonds	4,369,904	9.31
CMBS	3,706,037	2.89
Asset backed	4,162,192	1.95
GSE MBS	<u>13,877,740</u>	<u>4.76</u>
Total	<u>\$ 43,065,756</u>	<u>4.41</u>

The effective duration of the fixed-maturity securities portfolio, as calculated by HealthTrust's investment manager, is 4.41 and 3.97 years at June 30, 2022 and 2021, respectively.

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of failure of the counterparty, HealthTrust will not be able to recover the value of its investments that are in the possession of the outside party. As of June 30, 2022 and 2021, HealthTrust did not have any investments subject to custodial credit risk.

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### Note 5 - Investments (Continued)

##### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured by an assigned rating from a nationally recognized credit rating agency such as Standard and Poor's or Fitch's Rating Services. These organizations look at a number of factors in order to evaluate the credit risk of an obligation and rate the risk. This rating allows investors to make informed buying and selling decisions. HealthTrust's investment policy mitigates credit risk by limiting investments to investment-grade securities and diversifying the portfolio.

The table below outlines the credit ratings of HealthTrust's fixed-maturity securities as of June 30, 2022:

	U.S. Treasuries	GSE MBS	Corporate Bonds	Municipal Bonds	CMBS	Asset Backed	Total
AAA	\$ -	\$ -	\$ 99,818	\$ 198,795	\$ 2,221,323	\$ 4,162,192	\$ 6,682,128
AA+	4,740,609	13,877,740	-	849,267	1,484,714	-	20,952,330
AA	-	-	-	449,953	-	-	449,953
AA-	-	-	767,751	2,132,602	-	-	2,900,353
A+	-	-	2,217,555	635,116	-	-	2,852,671
A	-	-	1,237,912	-	-	-	1,237,912
A-	-	-	4,166,889	66,238	-	-	4,233,127
BBB+	-	-	2,604,081	37,933	-	-	2,642,014
BBB	-	-	1,089,362	-	-	-	1,089,362
BBB-	-	-	25,906	-	-	-	25,906
BB	-	-	-	-	-	-	-
<b>Total</b>	<b><u>\$ 4,740,609</u></b>	<b><u>\$ 13,877,740</u></b>	<b><u>\$ 12,209,274</u></b>	<b><u>\$ 4,369,904</u></b>	<b><u>\$ 3,706,037</u></b>	<b><u>\$ 4,162,192</u></b>	<b><u>\$ 43,065,756</u></b>

\*\* The credit rating agency used for this disclosure was Standard & Poor's (S&P) supplemented with Moody's ratings for bonds not rated by the S&P.

At times after purchase, the rating of a security may fall below investment grade and the security may be retained if the risk of default is deemed low by HealthTrust's investment manager and investment advisor.

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 5 - Investments (Continued)**

*Fair Value*

The following table presents the levels within the fair value hierarchy at which HealthTrust's investments are measured on a recurring basis as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Fixed-maturity securities:</u>				
U.S. Treasuries	\$ 4,740,609	\$ -	\$ -	\$ 4,740,609
Corporate bonds	-	12,209,274	-	12,209,274
Municipal bonds	-	4,369,904	-	4,369,904
CMBS	-	3,706,037	-	3,706,037
Asset backed	-	4,162,192	-	4,162,192
GSE MBS	-	13,877,740	-	13,877,740
Total fixed-maturity securities	<u>\$ 4,740,609</u>	<u>\$ 38,325,147</u>	<u>\$ -</u>	<u>\$ 43,065,756</u>
<u>Mutual funds and ETFs:</u>				
Institutional index fund	\$ 13,151,448	\$ -	\$ -	\$ 13,151,448
Small cap index fund	2,275,647	-	-	2,275,647
Developed markets index fund	1,524,900	-	-	1,524,900
Total mutual funds and ETFs	<u>\$ 16,951,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,951,995</u>

The following table presents the levels within the fair value hierarchy at which HealthTrust's investments are measured on a recurring basis as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Fixed-maturity securities:</u>				
U.S. Treasuries	\$ 4,931,920	\$ -	\$ -	\$ 4,931,920
Foreign	-	409,524	-	409,524
Corporate bonds	-	13,998,744	-	13,998,744
Municipal bonds	-	3,740,157	-	3,740,157
CMBS	-	4,902,907	-	4,902,907
Asset backed	-	4,527,991	-	4,527,991
GSE MBS	-	15,512,171	-	15,512,171
Total fixed-maturity securities	<u>\$ 4,931,920</u>	<u>\$ 43,091,494</u>	<u>\$ -</u>	<u>\$ 48,023,414</u>
<u>Mutual funds and ETFs:</u>				
Institutional index fund	\$ 14,928,822	\$ -	\$ -	\$ 14,928,822
Small cap index fund	2,910,348	-	-	2,910,348
Developed markets index fund	1,927,110	-	-	1,927,110
Total mutual funds and ETFs	<u>\$ 19,766,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,766,280</u>

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 6 - Premium Deficiency**

In accordance with GASB Statement No. 30, *Risk Financing Omnibus*, premium deficiencies are required to be calculated and reported by public entity risk pools. A premium deficiency can result when expected costs for coverage obligations as of the financial statement date exceed expected contributions (based on rates set prior to the financial statement date) for such coverage. In establishing a premium deficiency reserve HealthTrust also considers generally accepted accounting principles issued by the Financial Accounting Standards Board (FASB) relative to prepaid health care services contracts and Statement of Statutory Accounting Principles No. 54, *Individual and Group Accident and Health Contracts*, issued by the National Association of Insurance Commissioners (NAIC). Such guidance provides premium deficiency reserve guidance specific to health insurance entities, and has been used by HealthTrust to clarify and supplement GASB GAAP guidance issued within GASB Statement No. 30 which is specific to property liability insurance coverage. Accordingly, in deriving the estimate of future health care costs and maintenance costs to be considered in determining whether a premium deficiency loss has been incurred, HealthTrust includes projections of fixed and variable, direct and allocable indirect costs allocated to each of its operating pools. HealthTrust recorded a premium deficiency reserve in the amount of \$8.7 million as of June 30, 2022. HealthTrust recorded no premium deficiency reserve as of June 30, 2021. Investment income was included as part of the calculation in determining if a premium deficiency existed. HealthTrust relies on the work of a consulting actuary to determine the premium deficiency reserve at June 30, 2022 and 2021.

A significant degree of judgment and uncertainty is involved in estimating premium deficiency reserves, which is increased due to the uncertainty caused by disruptions in health care trends caused by COVID-19. Management believes that the premium deficiency reserve recorded represents its best estimate of the amount necessary to cover the cost of future claims HealthTrust is obligated to cover, however due to the uncertainty associated with the COVID-19 pandemic the actual claims experience may not conform to the assumptions used in determining the current estimate. The ultimate liability could be significantly in excess of or less than the amount accrued in the financial statements. As adjustments to these estimates become necessary, they will be reflected in current operations.

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 7 - Property and Equipment**

HealthTrust's property and equipment balances and activity for the year ended June 30, 2022 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Reclassifications</u>	<u>Ending Balance</u>
Property and equipment, at cost:				
Office equipment	\$ 105,747	\$ 22,956	\$ -	\$ 128,703
Computer equipment	<u>1,791,055</u>	<u>-</u>	<u>(540,867)</u>	<u>1,250,188</u>
Total at cost	1,896,802	22,956	(540,867)	1,378,891
Less: accumulated depreciation	<u>(1,446,131)</u>	<u>(32,581)</u>	<u>138,998</u>	<u>(1,339,714)</u>
Total property and equipment, net	<u>\$ 450,671</u>	<u>\$ (9,625)</u>	<u>\$ (401,869)</u>	<u>\$ 39,177</u>

As disclosed in Note 2, leased computer equipment net of depreciation totaling \$422,704 that previously qualified to be treated as capital leases were reclassified out of property and equipment, as a result of adopting GASB 87 during 2022.

HealthTrust's property and equipment balances and activity for the year ended June 30, 2021 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Property and equipment, at cost:				
Office equipment	\$ 105,747	\$ -	\$ -	\$ 105,747
Computer equipment	<u>1,229,354</u>	<u>561,701</u>	<u>-</u>	<u>1,791,055</u>
Total at cost	1,335,101	561,701	-	1,896,802
Less: accumulated depreciation	<u>(1,258,284)</u>	<u>(187,847)</u>	<u>-</u>	<u>(1,446,131)</u>
Total property and equipment, net	<u>\$ 76,817</u>	<u>\$ 373,854</u>	<u>\$ -</u>	<u>\$ 450,671</u>

CTP's property and equipment balances and activity for the year ended June 30, 2022 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Property and equipment, at cost:				
Land and land improvements	\$ 1,145,629	\$ -	\$ (200,000)	\$ 945,629
Buildings and building improvements	7,415,843	-	-	7,415,843
Equipment	<u>331,058</u>	<u>-</u>	<u>-</u>	<u>331,058</u>
Total at cost	8,892,530	-	(200,000)	8,692,530
Less: accumulated depreciation	<u>(3,879,204)</u>	<u>(179,768)</u>	<u>-</u>	<u>(4,058,972)</u>
Total property and equipment, net	<u>\$ 5,013,326</u>	<u>\$ (179,768)</u>	<u>\$ (200,000)</u>	<u>\$ 4,633,558</u>

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 7 - Property and Equipment (Continued)**

CTP's property and equipment balances and activity for the year ended June 30, 2021 are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Property and equipment, at cost:				
Land and land improvements	\$ 1,145,629	\$ -	\$ -	\$ 1,145,629
Buildings and building improvements	7,415,843	-	-	7,415,843
Equipment	331,058	-	-	331,058
Total at cost	8,892,530	-	-	8,892,530
Less: accumulated depreciation	(3,676,180)	(203,024)	-	(3,879,204)
Total property and equipment, net	<u>\$ 5,216,350</u>	<u>\$ (203,024)</u>	<u>\$ -</u>	<u>\$ 5,013,326</u>

No impairment losses were recorded during the year ended June 30, 2022 or 2021. During May of 2022, CTP sold a parcel of land with a book value of \$200,000 for \$158,945 resulting in a loss on sale of \$41,055.

**Note 8 - Claims and Administration Reserves**

As discussed in Note 2, HealthTrust establishes a liability for both reported and unreported covered events, which includes estimates of both future payments of claims and related claim adjustment credits. The following represents changes in the aggregate undiscounted claims and claims administration reserves for HealthTrust during the years ended June 30:

	2022	2021
Claims and administration reserves at beginning of year	\$ 27,490,917	\$ 23,217,697
Incurred claims and claim adjustment expenses:		
Provision for covered events of current year	422,204,974	399,111,886
Adjustments to provision for covered events of prior years	5,932,506	(4,414,529)
Total incurred claims and claim adjustment expenses	428,137,480	394,697,357
Payments of claims and claim adjustment expenses:		
Payments attributable to covered events of current year	(388,226,667)	(372,680,970)
Payments attributable to covered events of prior years	(30,862,124)	(17,743,167)
Total payments	(419,088,791)	(390,424,137)
Claims and administration reserves at end of year	<u>\$ 36,539,606</u>	<u>\$ 27,490,917</u>

Incurred claims and claim adjustment expenses included in claims payable on the statements of net position as of June 30, 2022 and 2021 are considered to have been paid for the purpose of the claims and claims administration reserves reconciliation above.

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 9 - Transactions With Other Entities**

HealthTrust leases office space from CTP pursuant to a lease agreement whose current term runs through June 30, 2024, and automatically renews for additional two-year terms unless either party notifies the other of its intent not to renew pursuant to the terms of the lease agreement. Total lease expense under this arrangement was \$303,537 and \$322,138 for the years ended June 30, 2022 and 2021, respectively, to cover its share of CTP's operating expenses based on HealthTrust's proportional usage of the building. CTP has included these amounts as operating revenues in the same year.

CTP leases office space to NHMA pursuant to a lease agreement that extends through May 30, 2026. Total lease income recorded by CTP under this arrangement was \$34,815 and \$34,500 for the years ended June 30, 2022 and 2021, respectively, to cover its share of CTP's operating expenses based on NHMA's proportional usage of the building.

HealthTrust received administrative and other business support services income from CTP pursuant to service agreements ratified by each entity's governing board. Under those agreements, HealthTrust earned and CTP expensed \$91,484 and \$86,003 related to support services during the years ended June 30, 2022 and 2021, respectively.

HealthTrust provides employee benefits coverage to its employees. HealthTrust also provides employee benefits coverage to the employees of NHMA, as participating Member Groups in HealthTrust. The associated revenue is included in contributions earned from Member Groups on the statements of revenues, expenses and changes in net position. The costs incurred by HealthTrust related to providing employee benefits coverage to its employees are included in salaries and benefits expense within operating expenses on the statements of revenues, expenses and changes in net position.

Although NHMA is not technically a related party to HealthTrust, transactions with this entity are reported here due to the historical relationship that previously existed between the entities.

#### **Note 10 - Self-Funded Plus Option**

As of June 30, 2020, HealthTrust provided a Self-Funded Plus (SFP) option to one Member Group. SFP is a financial arrangement for Member Groups with 100 or more eligible employees and retirees that allows the Member Group to assume responsibility for the payment of medical claims incurred by its covered employees, retirees and dependents, subject to the contracted individual stop-loss coverage protection provided by HealthTrust. In addition to its claims liability, a participating Member Group pays a fee to HealthTrust to cover the administrative and other costs associated with this program. As of July 1, 2020, the aforementioned member has transitioned from the Self-Funded Plus option to the financial arrangement used by HealthTrust's other Members. The net activity from the self-funded program is recorded as part of operating revenues on the statements of revenues, expenses and changes in net position.

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 11 - Life Insurance and Long-Term Disability Programs**

HealthTrust provides access for its Member Groups to life insurance and long-term disability coverage provided on a fully insured basis by other insurance companies. HealthTrust pays the premiums to the insurance providers on behalf of the participating Member Groups, which are then reimbursed to HealthTrust by the participating Member Groups. During the years ended June 30, 2022 and June 30, 2021, HealthTrust paid \$1,985,845 and \$1,939,139, respectively, in premiums for life insurance and long-term disability coverage. These amounts are included in both ancillary services revenue and as a component of claims administrative fees paid on the statements of revenues, expenses and changes in net position.

#### **Note 12 - Exemption from Statutory Accounting Practices**

HealthTrust was established for the benefit of the political subdivisions of the State of New Hampshire. As such, HealthTrust is not considered an insurer under the laws of the State, and administration of the activities of HealthTrust do not constitute conducting an insurance business for purposes of regulation or taxation. At June 30, 2022 and 2021, Statements of Statutory Accounting Practices as promulgated by the National Association of Insurance Commissioners are not applicable to HealthTrust.

#### **Note 13 - Deferred Compensation Plan**

The employees of HealthTrust are covered by a Section 457 Deferred Compensation Plan administered by MissionSquare Retirement (formerly ICMA Retirement Corporation). All full-time employees are immediately eligible to participate in the plan and may elect to defer up to 100% of their gross compensation up to the federal limits. Contributions to the plan and the related income on those contributions are held by MissionSquare Retirement.

Employee contributions to the deferred compensation plan totaled \$181,026 and \$164,215 for the years ended June 30, 2022 and 2021, respectively. There were no employer contributions during 2022 and 2021.

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note 14 - Defined Benefit Pension Plan**

##### *Plan Description*

The HealthTrust/NHMA Pension Plan (the Plan) is a cost-sharing multiple-employer defined benefit pension plan. The Boards of Directors of the participating employers in the Plan, HealthTrust and NHMA, collectively retain the authority to establish, amend or terminate the Plan and its provisions at any time subject to any legal limitations. The Plan documents have established a Retirement Committee to administer the Plan. The majority of the members of the Retirement Committee are appointed by the Boards of Directors of the participating employers. HealthTrust appoints four of the nine members to the Retirement Committee. The Retirement Committee serves as the Plan administrator to the Plan and has discretionary authority regarding issues related to administration, interpretation and application of the Plan. All active, non-temporary employees of HealthTrust and NHMA are required to participate in the Plan as a condition of employment. The Plan provides a monthly benefit when a Plan participant retires or leaves after qualifying for benefits. The Plan does not issue a standalone financial report.

##### *Summary of Significant Accounting Policies*

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement No. 68) establishes financial reporting requirements for most governmental organizations that provide their employees with pension benefits. In accordance with Statement No. 68, HealthTrust recognizes its proportionate share of the Plan's collective net pension liability and pension expense, and the related deferred outflows and inflows of resources, on the financial statements.

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense reported by the Plan have been determined using the accrual basis of accounting in conformity with GAAP as applied to governmental entities. The Plan's investments are reported at fair value based upon quoted market prices.

##### *Benefits*

The participants' benefits are established in the Plan and may only be changed with an amendment to the Plan. A participant's benefit is determined under a formula that multiplies the participant's final average earnings by her/his credited service. The formula is 1.50% of the final average earnings for each year of credited service, not to exceed 50% of the participant's final average salary. Final average salary is defined as the average of the highest three consecutive years out of the last ten years base salary prior to retirement or termination. Participants are eligible for normal retirement at age 65, or early retirement at the age of 55 with 10 years of credited service. If a participant chooses early retirement, the benefit will be reduced by 0.25% for each month prior to the normal retirement date. If a participant remains employed after age 65, benefits will continue to accrue without any actuarial adjustment for late retirement, however the maximum benefit shall not exceed 50% of the average final salary. Upon reaching eligible retirement age, a vested participant who elects to retire generally receives benefit payments in annuity installments based upon the participant's retirement elections; however, participants may elect to receive a lump sum payment if the lump sum benefit is less than \$10,000.

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 14 - Defined Benefit Pension Plan (Continued)**

*Contributions*

The contribution requirements of the participating employers under the Plan are established and may be amended by the Retirement Committee based on the annual actuarial valuation of the Plan. The contribution requirements of the participating employees was established in the Plan and could only be changed with an amendment to the Plan.

For the plan years ended December 31, 2022, 2021 and 2020, the employees contribution rate is 5.5% and the employer's contributions are 9.08%, 8.94% and 9.12%, respectively, of each participant's earnings to the Plan.

A summary of employer and employee contributions to the Plan is as follows for the plan years ended December 31:

	<u>Annual Required Contributions</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Percentage Contributed</u>
2021	\$ 496,076	\$ 496,076	\$ 305,192	100%
2020	\$ 528,433	\$ 528,433	\$ 318,052	100%

*Summary Plan Financial Information*

The net pension liability was measured as of December 31, 2021 and 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

A schedule of the Plan's fiduciary net position is as follows as of the plan year ended December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 267,744	\$ 632,216
Accrued interest and other dividends	-	23,026
Investments, at fair value:		
Equities - domestic and foreign	-	6,312,394
Exchange-traded funds	17,725,320	4,958,577
Corporate bonds	-	1,865,680
U.S. Treasuries	-	2,108,531
Accounts payable	<u>(58,725)</u>	<u>(7,031)</u>
Net position available for pension benefits	<u>\$ 17,934,339</u>	<u>\$ 15,893,393</u>

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 14 - Defined Benefit Pension Plan (Continued)**

As of December 31, 2021 and 2020, the Plan's equities and exchange-traded funds are categorized as Level 1 in accordance with the fair value hierarchy and are valued based on quoted prices for identical assets in active markets. As of December 31, 2020, the Plan's corporate bonds are categorized as Level 2 and U.S. Treasuries are categorized as Level 1 in accordance with the fair value hierarchy and are valued based on quoted prices for similar or identical assets in active or non-active markets, or inputs other than quoted prices that are observable for the asset and market-corroborated inputs.

The schedule of changes in net pension liability and related ratios of the Plan is as follows for the plan years ended December 31:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 619,462	\$ 605,272
Interest on total pension liability	1,054,784	1,005,934
Changes of benefit terms	-	-
Difference between expected and actual experience on total pension liability	(75,009)	(84,702)
Benefit payments	(727,688)	(612,997)
Refunds of employee contributions	<u>(32,335)</u>	<u>(65,851)</u>
Net change in total pension liability	839,214	847,656
Total pension liability - beginning	<u>17,650,013</u>	<u>16,802,357</u>
Total pension liability - ending (a)	<u>\$ 18,489,227</u>	<u>\$ 17,650,013</u>
Employer contributions	\$ 496,076	\$ 528,433
Employee contributions	305,192	318,052
Plan net investment income	2,040,291	1,170,440
Benefit payments	(727,688)	(612,997)
Refunds of employee contributions	(32,335)	(65,851)
Plan administrative expenses	<u>(40,590)</u>	<u>(34,332)</u>
Net change in Plan fiduciary net position	2,040,946	1,303,745
Plan fiduciary net position - beginning	<u>15,893,393</u>	<u>14,589,648</u>
Plan fiduciary net position - ending (b)	<u>17,934,339</u>	<u>15,893,393</u>
Net pension liability - ending (a) - (b)	<u>\$ 554,888</u>	<u>\$ 1,756,620</u>
Plan fiduciary net position as a percentage of total pension liability	97.00 %	90.05 %
Covered payroll	\$ 5,548,945	\$ 5,782,764
Net pension liability as a percentage of covered payroll	10.00 %	30.38 %

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 14 - Defined Benefit Pension Plan (Continued)**

An independent consulting actuary was engaged to perform the annual actuarial valuation as of December 31, 2021 and 2020. The information included in the schedule of changes in net pension liability and relative funding progress of the Plan from the December 31, 2020 actuarial valuations was prepared using the entry age normal cost method. The purpose of providing the above schedule is to provide information that serves as a surrogate for the funded status and funding progress of the Plan. The assumptions for the pension liability are outline later in this note to the financial statements.

The schedule of total pension expenses is as follows for the plan years ended December 31:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 619,462	\$ 605,272
Interest on total pension liability	1,054,784	1,005,934
Current year benefit changes	-	-
Employee contributions	(305,192)	(318,052)
Projected earnings on Plan investments	(953,623)	(879,378)
Plan administrative expenses	40,590	34,332
Recognition of outflow (inflow) of resources due to liabilities	(34,979)	(38,882)
Recognition of outflow (inflow) of resources due to assets	<u>(257,929)</u>	<u>(77,408)</u>
Total pension expenses	<u>\$ 163,113</u>	<u>\$ 331,818</u>

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 14 - Defined Benefit Pension Plan (Continued)**

*Actuarial Assumptions*

The significant assumptions and methods used in the actuarial valuations for the December 31, 2021 and 2020 measurement periods are as follows:

	2021	2020
Actual cost method:	Entry age normal cost method	Entry age normal cost method
Investment rate of return:	6.0%	6.0%
Price inflation rate:	2.25%	2.25%
Projected salary increases:	3.5% including inflation	3.5% including inflation
Cost-of-living adjustments:	None	None
Retirement age:	Age 65 for Normal Retirement and 55 for Early Retirement with 10 years of credited service. Retirement age assumptions are as follows: <ul style="list-style-type: none"> <li>- 12% retired 55-64 years</li> <li>- 75% 65-69 years</li> <li>- 100% by 70 years</li> </ul>	Age 65 for Normal Retirement and 55 for Early Retirement with 10 years of credited service. Retirement age assumptions are as follows: <ul style="list-style-type: none"> <li>- 12% retired 55-64 years</li> <li>- 75% 65-69 years</li> <li>- 100% by 70 years</li> </ul>
Mortality assumptions:	Utilized RP-2014 Mortality Tables with MP-2014 projected longevity improvements (from 2006-2014) removed and with projected longevity improvements from 2006-2026 using MP-2017 projected statistics.	Utilized RP-2014 Mortality Tables with MP-2014 projected longevity improvements (from 2006-2014) removed and with projected longevity improvements from 2006-2026 using MP-2017 projected statistics.
Section 417(e) interest rate:	Option factors are currently based on the IRC Section 417(e) applicable mortality and interest.	Option factors are currently based on the IRC Section 417(e) applicable mortality and interest.

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 14 - Defined Benefit Pension Plan (Continued)**

Additional significant assumptions and methods used in the actuarial projections and determination of contribution rates for December 31, 2021 and 2020 are as follows:

	2021	2020
Asset valuation method:	5-year smoothed market; 25% corridor	5-year smoothed market; 25% corridor
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed
	Two separate layers: December 31, 2017 and prior - 13 years with 10 years remaining	Two separate layers: December 31, 2017 and prior - 13 years with 11 years remaining
Amortization period:	Subsequent to December 31, 2017 - 20 years with 17 years remaining	Subsequent to December 31, 2017 - 20 years with 18 years remaining

*Single Discount Rate and Long-Term Expected Rate of Return*

A Single Discount Rate of 6.00% was used to measure the total pension liability as of December 31, 2021 and 2020. The projection of cash flows used to determine this Single Discount Rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The Single Discount Rate is based on the long-term expected rate of return on Plan investments and the long-term tax-exempt municipal bond rate. As of December 31, 2021 and 2020, the long-term expected rate of return on Plan investments is 6.00%, the municipal bond rate is 2.00%, and the resulting Single Discount Rate is 6.00%.

The tax-exempt municipal bond rate was based on the weekly rate closest to but not later than the measurement date of the Bond Buyer Index of 20-year general obligation bonds with an average AA credit rating.

The long-term expected rate of return on Plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of Plan investment expenses and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 14 - Defined Benefit Pension Plan (Continued)**

For each major asset class that is included in the Plan's target asset allocations as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
Domestic fixed income	39.35 %	3.07 %	1.21 %
Domestic equity	50.86 %	3.74 %	1.90 %
International equity	9.79 %	8.10 %	0.79 %
Cash	- %	- %	- %
Total	100.00 %		3.90 %
Expected inflation rate			2.10 %
Total return			6.00 %

*Discount Rate Sensitivity Analysis*

The following presents HealthTrust's proportionate share of the net pension liability, calculated using the Single Discount Rate of 6.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.0%) or one percentage point higher (7.0%) than the Single Discount Rate as of June 30, 2022:

HealthTrust's Proportionate Share of the Net Pension Liability	1% Rate Decrease (5.0%)	Current Single Discount Rate (6.0%)	1% Rate Increase (7.0%)
June 30, 2022	\$ 2,464,165	\$ 477,394	\$ (1,195,413)

*Net Pension Liability and Pension Expense*

As of June 30, 2022 and 2021, HealthTrust reported a net pension liability of \$477,394 and \$1,501,220, respectively, and a pension expense of \$144,092 and \$285,179, respectively, for its proportionate share of the Plan's net pension liability.

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 14 - Defined Benefit Pension Plan (Continued)**

The schedule of each employer's proportionate share of the collective net pension liability and pension expense is as follows as of and for the years ended June 30:

	2022		2021	
	Net Pension Liability	Pension Expense	Net Pension Liability	Pension Expense
HealthTrust	\$ 477,394	\$ 144,092	\$ 1,501,220	\$ 285,179
NHMA	77,494	19,021	255,400	46,639
Total	<u>\$ 554,888</u>	<u>\$ 163,113</u>	<u>\$ 1,756,620</u>	<u>\$ 331,818</u>

The net pension liability was measured as of December 31, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the December 31, 2021 and 2020 valuations, HealthTrust's and NHMA's proportionate share of the collective net pension liability was based on each entity's contributions to the Plan relative to the contributions of HealthTrust and NHMA for the period from January 1<sup>st</sup> to December 31<sup>st</sup> of the respective year.

At December 31, 2021 and 2020, HealthTrust's proportion of the collective net pension liability was 86.03% and 85.46%, respectively, and HealthTrust's proportion of the pension expense was 88.34% and 85.94%, respectively.

There were no changes to benefit terms for December 31, 2021. There were no changes between the measurement date of the collective net pension liability of December 31, 2021 and HealthTrust's reporting date of June 30, 2022 that are expected to have a significant impact on HealthTrust's proportionate share of the collective net pension liability.

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 14 - Defined Benefit Pension Plan (Continued)**

*Deferred Outflows and Inflows of Resources*

As of and for the fiscal years ended June 30, 2022 and 2021, HealthTrust reported its proportionate share of the Plan's deferred outflows and inflows of resources related to pensions from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 38,822	\$ (216,537)	\$ 49,563	\$ (313,545)
Changes in Assumptions	126,445	-	247,264	-
Net difference between projected and actual earnings on Plan investments	317,971	(1,339,576)	631,703	(938,250)
Changes in proportion and differences between employer contributions and share of contributions	28,404	(4,859)	23,427	(8,370)
Contributions paid to Plan subsequent to the measurement date	<u>199,511</u>	<u>-</u>	<u>198,361</u>	<u>-</u>
Total	<u>\$ 711,153</u>	<u>\$ (1,560,972)</u>	<u>\$ 1,150,318</u>	<u>\$ (1,260,165)</u>

The net amounts of HealthTrust's balances of deferred outflows and inflows of resources as of June 30, 2022 related to pensions will be recognized as pension expense as follows during the fiscal years ended June 30:

	Pension Expense Amount
2023	\$ (124,430)
2024	(471,627)
2025	(245,591)
2026	(198,981)
2027	(8,701)
Thereafter	<u>-</u>
Total	<u>\$ (1,049,330)</u>

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 15 - Leases**

HealthTrust leases office space from CTP pursuant to a lease agreement whose current term runs through June 30, 2024, and automatically renews for additional two-year terms unless either party notifies the other of its intent not to renew pursuant to the terms of the lease agreement. As of June 30, 2022, HealthTrust and CTP have estimated the currently enforceable lease term for GASB 87 to be through June 30, 2024. In addition, HealthTrust entered into two equipment lease agreements. Health Trust and CTP utilize its incremental borrowing rate to measure its office leases and the lease implicit rate to measure equipment leases.

In accordance with GASB 87, HealthTrust recognized a right of use asset and lease liability upon adoption of GASB 87. As of June 30, 2022, the right of use asset and lease liability balances were \$828,816 and \$837,649, respectively.

HealthTrust's future minimum lease payments and the net present value of those payments and weighted average discount rate used as of June 30, 2022, along with the total lease cost for the year then ended, are as follows:

Years ending June 30:	Minimum Lease Payments		
	Office Space	Equipment	Total
2023	\$ 254,278	\$ 142,899	\$ 397,177
2024	313,438	119,344	432,782
2025	-	51,259	51,259
2026	-	-	-
Future undiscounted lease payments	567,716	313,502	881,218
Less present value discount	29,131	14,438	43,569
Lease liabilities	<u>\$ 538,585</u>	<u>\$ 299,064</u>	<u>\$ 837,649</u>
Weighted average discount rate	<u>5.27 %</u>	<u>3.98 %</u>	<u>4.81 %</u>
Total lease cost	<u>\$ 303,537</u>	<u>\$ 145,929</u>	<u>\$ 449,466</u>

HealthTrust's right of use asset and related accumulated amortization as of June 30, 2022, are as follows:

	Office Space	Equipment	Total
Right of use asset	\$ 806,049	\$ 422,704	\$ 1,228,753
Accumulated amortization	(268,683)	(131,254)	(399,937)
Net right of use asset	<u>\$ 537,366</u>	<u>\$ 291,450</u>	<u>\$ 828,816</u>

As of June 30, 2021, prior to the adoption of GASB 87, HealthTrust reported capital lease obligations related to the two equipment leases of \$427,288 and included leased equipment in property and equipment totaling \$422,704 net of applicable depreciation.

## HealthTrust, Inc.

### Notes to the Financial Statements (Continued)

#### Note 15 - Leases (Continued)

CTP leases office space pursuant to lease agreements whose current terms runs through various dates ranging from June 30, 2023 to May 30, 2026.

In accordance with GASB 87, CTP recognized a rent receivable and deferred inflow of resources upon adoption of GASB 87. As of June 30, 2022, the rent receivable asset and deferred inflow of resources liability balances were \$807,630 and \$784,999, respectively.

The future minimum lease receipts and the net present value of those receipts as of June 30, 2022 are as follows:

	Minimum Lease Receipts Office Space
Years ending June 30:	
2023	\$ 368,679
2024	398,780
2025	58,720
2026	<u>31,101</u>
Future undiscounted rent receipts	857,280
Less present value discount	<u>49,650</u>
Rent receivable	<u><u>\$ 807,630</u></u>

Rent income recognized by CTP during the year ended June 30, 2022 totaled \$534,784 and included \$166,502 in rental income on short-term leases not included in the expected future lease payments reported above. Interest income recognized by CTP on rental agreements for the year ended June 30, 2022 totaled \$50,991. Rental income recognized by CTP during the year ended June 30, 2021 totaled \$426,142.

#### Note 16 - Subscriptions Assets

HealthTrust implemented a hosted subscription based information technology system (OneSource) for underwriting, client data, and other functions. As of June 30, 2022, HealthTrust has estimated the current OneSource subscription term for GASB 96 to be through June 30, 2026. OneSource was placed into service on April 1, 2022. Costs incurred for OneSource through June 30, 2021 of \$1,179,846 were reported as capitalized and prepaid system costs as of June 30, 2021. Capitalized and prepaid system costs for OneSource were included within the subscription asset calculation as of April 1, 2022. HealthTrust utilized its incremental borrowing rate of 5.27% as of April 1, 2022 to measure its subscription asset.

In accordance with GASB 96, the Company recognized a subscription asset and subscription liability upon adoption of GASB 96. As of June 30, 2022, the subscription asset and subscription liability balances were \$5,491,734 and \$3,550,945, respectively.

HealthTrust, Inc.

Notes to the Financial Statements (Continued)

**Note 16 - Subscriptions Assets (Continued)**

HealthTrust's future minimum subscription payments and the net present value of those payments and weighted average discount rate used as of June 30, 2022, along with the total subscription cost for the year then ended, are as follows:

	Minimum Subscription Payments
Years ending June 30:	
2023	\$ 1,199,988
2024	1,199,988
2025	1,199,988
2026	<u>388,353</u>
Future undiscounted subscription payments	3,988,317
Less present value discount	<u>437,372</u>
Subscription liability	<u><u>\$ 3,550,945</u></u>

HealthTrust's subscription asset and related accumulated amortization as of June 30, 2022, are as follows:

Subscription asset	\$ 5,834,967
Accumulated amortization	<u>(343,233)</u>
Net subscription asset	<u><u>\$ 5,491,734</u></u>

**Note 17 - Litigation Update**

As of June 30, 2022 and 2021, HealthTrust was not involved in any pending litigation.

**Note 18 - Contingencies**

HealthTrust assesses potential liabilities in connection with lawsuits and threatened lawsuits under GAAP. HealthTrust accrues an estimated loss for loss contingencies if both of the following conditions are met: (1) information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements; and (2) the amount of loss can be reasonably estimated. As of June 30, 2022 and June 30, 2021, HealthTrust did not accrue any contingent liability in connection with lawsuits or threatened lawsuits.

## REQUIRED SUPPLEMENTARY INFORMATION

HealthTrust, Inc.

Reconciliation of Claims Liabilities by Type of Contract (Unaudited)

Year ended June 30, 2022

The schedule below presents the changes in claims liabilities for HealthTrust's three types of contracts, employee health, dental benefits and short-term disability, for the year ended June 30, 2022:

	<u>Health</u>	<u>Dental</u>	<u>Short-Term Disability</u>	<u>Total</u>
Claims and administration reserves at beginning of fiscal year	\$ 26,035,500	\$ 1,245,153	\$ 210,264	\$ 27,490,917
Incurred claims and claim adjustment expenses:				
Provision for covered events of current year	395,194,813	25,620,093	1,390,068	422,204,974
Adjustments to provision for covered events of prior years	<u>6,281,188</u>	<u>(294,022)</u>	<u>(54,660)</u>	<u>5,932,506</u>
Total incurred claims and claim adjustment expenses	401,476,001	25,326,071	1,335,408	428,137,480
Payments of claims and claim adjustment expenses:				
Payments attributable to covered events of current year	(362,611,876)	(24,438,053)	(1,176,738)	(388,226,667)
Payments attributable to covered events of prior years	<u>(29,809,689)</u>	<u>(896,831)</u>	<u>(155,604)</u>	<u>(30,862,124)</u>
Total payments	<u>(392,421,565)</u>	<u>(25,334,884)</u>	<u>(1,332,342)</u>	<u>(419,088,791)</u>
Total claims and administration reserves at end of fiscal year	<u>\$ 35,089,936</u>	<u>\$ 1,236,340</u>	<u>\$ 213,330</u>	<u>\$ 36,539,606</u>

HealthTrust, Inc.

Reconciliation of Claims Liabilities by Type of Contract (Unaudited)

Year ended June 30, 2021

The schedule below presents the changes in claims liabilities for HealthTrust's three types of contracts, employee health, dental benefits and short-term disability, for the year ended June 30, 2021:

	<u>Health</u>	<u>Dental</u>	<u>Short-Term Disability</u>	<u>Total</u>
Claims and administration reserves at beginning of fiscal year	\$ 22,079,584	\$ 947,025	\$ 191,088	\$ 23,217,697
Incurred claims and claim adjustment expenses:				
Provision for covered events of current year	370,081,110	27,732,636	1,298,140	399,111,886
Adjustments to provision for covered events of prior years	<u>(4,265,169)</u>	<u>(67,180)</u>	<u>(82,180)</u>	<u>(4,414,529)</u>
Total incurred claims and claim adjustment expenses	365,815,941	27,665,456	1,215,960	394,697,357
Payments of claims and claim adjustment expenses:				
Payments attributable to covered events of current year	(345,053,611)	(26,539,484)	(1,087,875)	(372,680,970)
Payments attributable to covered events of prior years	<u>(16,806,414)</u>	<u>(827,844)</u>	<u>(108,909)</u>	<u>(17,743,167)</u>
Total payments	<u>(361,860,025)</u>	<u>(27,367,328)</u>	<u>(1,196,784)</u>	<u>(390,424,137)</u>
Total claims and administration reserves at end of fiscal year	<u>\$ 26,035,500</u>	<u>\$ 1,245,153</u>	<u>\$ 210,264</u>	<u>\$ 27,490,917</u>

## HealthTrust, Inc.

### Ten-Year Schedule of Claims Development Information (Unaudited)

Fiscal period ended June 30, 2022

The following claims development information includes health, dental and short-term disability contracts. The table illustrates how HealthTrust's earned revenues (net of reinsurance) and investment income compare to related costs of claims and claim adjustment expenses (net of loss assumed by reinsurers) and other expenses assumed by HealthTrust for the fiscal periods ended June 30, 2015 through June 30, 2022. The rows of the table are defined as follows:

1. Total of each fiscal period's gross earned contributions revenue and investment revenue, contributions revenue ceded to reinsurers, and net earned contributions revenue and investment revenue.
2. Other operating costs of HealthTrust, including overhead and claims expenses not allocable to individual claims for each fiscal period.
3. Gross incurred claims and allocated claims adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first fiscal period in which the event that triggered coverage under the contract occurred (called *policy year*).
4. This section shows the cumulative net amounts paid as of the end of each fiscal period and annually thereafter.
5. The latest re-estimated amount of claims assumed by reinsurers as of the end of each fiscal period.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of each fiscal period and annually thereafter. This re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This section compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

The columns of the table show data for successive fiscal periods.

As data for individual policy years matures, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

HealthTrust, Inc.

Ten-Year Schedule of Claims Development Information (Unaudited) (Continued)

Fiscal period ended June 30, 2022

	Fiscal periods ended June 30 (in thousands of dollars)								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
1) Required contributions and investment revenue									
Earned	\$ 446,219	\$ 458,554	\$ 436,310	\$ 413,437	\$ 395,487	\$ 396,105	\$ 403,221	\$ 408,035	\$ 359,834
Ceded	-	-	-	-	-	-	-	-	569
Net earned	446,219	458,554	436,310	413,437	395,487	396,105	403,221	408,035	359,265
2) Unallocated expenses	38,598	38,747	38,471	36,936	34,751	35,477	36,628	33,307	27,489
3) Estimated claims and expenses incurred at end of policy year									
Incurred	422,205	399,112	365,425	389,399	368,060	360,791	379,998	366,067	299,126
Ceded	-	-	-	-	-	-	-	-	-
Net incurred	422,205	399,112	365,425	389,399	368,060	360,791	379,998	366,067	299,126
4) Net paid (cumulative) as of:									
End of policy year	388,227	372,681	342,839	366,574	347,186	339,884	359,149	345,652	280,187
One year later	-	403,213	360,219	386,300	362,738	355,877	377,246	365,747	297,010
Two years later	-	-	360,542	386,569	362,532	356,259	377,356	365,489	296,926
Three years later	-	-	-	386,665	362,692	356,158	377,354	365,475	296,718
Four years later	-	-	-	-	362,610	356,090	377,352	365,511	296,709
Five years later	-	-	-	-	-	356,086	377,353	365,511	296,709
Six years later	-	-	-	-	-	-	377,351	365,511	296,708
Seven years later	-	-	-	-	-	-	-	365,513	296,708
Eight years later	-	-	-	-	-	-	-	-	296,709
5) Reestimated ceded incurred claims and expenses	-	-	-	-	-	-	-	-	-
6) Reestimated net incurred claims and expenses as of:									
End of policy year	422,205	399,112	365,425	389,399	368,060	360,791	379,998	366,067	299,126
One year later	-	405,701	361,240	386,899	362,964	356,130	377,447	365,778	296,870
Two years later	-	-	360,615	386,607	362,565	356,279	377,383	365,541	296,976
Three years later	-	-	-	386,665	362,692	356,158	377,356	365,475	296,717
Four years later	-	-	-	-	362,610	356,090	377,352	365,511	296,709
Five years later	-	-	-	-	-	356,086	377,353	365,511	296,709
Six years later	-	-	-	-	-	-	377,351	365,511	296,708
Seven years later	-	-	-	-	-	-	-	365,513	296,708
Eight years later	-	-	-	-	-	-	-	-	296,709
7) Decrease in estimated net incurred claims and expenses from end of policy year	\$ -	\$ (6,589)	\$ 4,810	\$ 2,734	\$ 5,450	\$ 4,705	\$ 2,647	\$ 554	\$ 2,417

HealthTrust, Inc.

Ten-Year Schedule of Employer Pension Information (Unaudited)

June 30, 2022

The following unaudited schedule presents HealthTrust's proportionate share of the Defined Benefit Pension Plan's net pension liability and related ratios for multiple years.

Plan Year Ended December 31:	Percentage Proportionate Share of Collective Net Pension Liability	Proportionate Share of Collective Net Pension Liability	Covered Payroll	Proportionate Share of Collective Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability
2013	72.09%	\$ 560,521	\$ 4,282,783	13.09%	92.81%
2014	72.09%	\$ 722,805	\$ 4,416,017	16.37%	91.37%
2015	73.68%	\$ 1,350,995	\$ 4,446,396	30.38%	85.27%
2016	79.06%	\$ 1,012,609	\$ 4,468,619	22.66%	90.23%
2017	84.57%	\$ 1,252,510	\$ 4,457,488	28.10%	89.95%
2018	84.03%	\$ 2,796,426	\$ 4,486,395	62.33%	78.80%
2019	85.00%	\$ 1,880,748	\$ 4,664,751	40.32%	86.83%
2020	85.46%	\$ 1,501,220	\$ 4,941,992	30.38%	90.05%
2021	86.03%	\$ 477,394	\$ 4,773,757	10.00%	97.00%

The following unaudited schedule presents HealthTrust's employer contributions to the Plan and related ratios by plan year through December 31, 2021 and for the period from January 1, 2022 through HealthTrust's June 30, 2022 fiscal year end.

Period Ended:	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
December 31, 2013	\$ 354,201	\$ 354,201	\$ -	\$ 4,282,783	8.27%
December 31, 2014	\$ 359,464	\$ 359,464	\$ -	\$ 4,416,017	8.14%
December 31, 2015	\$ 334,863	\$ 334,863	\$ -	\$ 4,446,396	7.53%
December 31, 2016	\$ 325,070	\$ 325,070	\$ -	\$ 4,468,619	7.27%
December 31, 2017	\$ 308,394	\$ 308,394	\$ -	\$ 4,457,488	6.93%
December 31, 2018	\$ 310,010	\$ 310,010	\$ -	\$ 4,486,395	6.91%
December 31, 2019	\$ 410,008	\$ 410,008	\$ -	\$ 4,664,751	8.78%
December 31, 2020	\$ 451,594	\$ 451,594	\$ -	\$ 4,941,992	9.14%
December 31, 2021	\$ 426,795	\$ 426,795	\$ -	\$ 4,773,757	8.94%
June 30, 2022	\$ 199,511	\$ 199,511	\$ -	\$ 2,197,254	9.08%

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Board of Directors  
HealthTrust, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of HealthTrust, Inc. (HealthTrust) and its discretely presented component unit, which comprise the statement of net position as of June 30, 2022 and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 6, 2022.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered HealthTrust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HealthTrust's internal control. Accordingly, we do not express an opinion on the effectiveness of HealthTrust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether HealthTrust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HealthTrust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HealthTrust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive style with a large, looping initial "J".

Burlington, Vermont  
October 6, 2022