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July 22, 2022

Via Electronic Mail

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

**Re: HealthTrust Incurred but Not Paid Claim Reserves as of June 30, 2022 and Fiscal
Year 2023 Monthly Factors**

Dear George:

As requested, we have developed the incurred but not paid (IBNP) claim reserves for HealthTrust as of June 30, 2022. These reserves are for claims incurred prior to June 30, 2022 that are not yet paid as of that date. We have also developed the IBNP claim reserve factors for HealthTrust for fiscal year 2023 based on the reserve estimate as of June 30, 2022. These reserve factors shown in Exhibit III are to be used to calculate a claim reserve estimate as of the end of each month from July 2022 through June 2023.

Results

Our estimates of the June 30, 2022 claim reserves for medical (excluding prescription drugs), dental, and short-term disability are summarized below. We believe that these amounts make a good and sufficient provision, in the aggregate, for all unpaid claims.

June 30, 2022 IBNP Claim Reserves

1. Reserve for claims	
a. Medical (excl. prescription drugs)	\$32,636,000
b. Dental	\$928,000
c. Short-term disability	<u>\$213,330</u>
d. Total reserve for claims	<u>\$33,777,330</u>
2. Reserve for administration	
a. Medical (excl. prescription drugs)	\$2,453,936
b. Dental	<u>\$308,340</u>
c. Total reserve for administration	<u>\$2,762,276</u>
3. Total reserve	
a. Medical (excl. prescription drugs)	\$35,089,936
b. Dental	\$1,236,340
c. Short-term disability	<u>\$213,330</u>
d. Total reserve for claims/admin	<u>\$36,539,606</u>

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

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

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

The June 30, 2022 medical and dental IBNP claim reserves are based on analyses of paid claims through June 30, 2022 broken down by incurred date and paid date as furnished by HealthTrust. A 5% explicit margin is included in the medical and dental claim reserves.

Restated 2021 Medical Claim Reserve

The restated June 30, 2021 medical IBNP claim reserve is \$30,544,000. The June 30, 2021 IBNP reserve (including margin) was \$23,550,000. The restated estimate is 29.7% above the original reserve with margin and 36.2% above the original reserve without margin (\$22,429,000).

Discussion

When the June 30, 2021 medical IBNP claim reserve analysis was performed, the triangles showed emerging experience that suggested a longer claim lag pattern than in prior years. Based on discussions with HealthTrust, we determined that this was due, in part, to the transition to a different claims administration system with Anthem. We attributed the slow-down in payments to

the platform transition itself, rather than a new long-term payment pattern, and assumed that the effect would be short-term. Now, a year on, claim payment patterns remain at this same level.

The majority of the medical IBNP value is based on outstanding claims in the month of the reserve; that is, the June 2021 reserve was comprised mainly of the expected outstanding claims for June 2021 (lag 0). For medical reserving, completion factors are generally not appropriate when estimating the reserve for lag 0. More typically, the projection method is used. In the projection method, we trend historical PMPMs to the projection month and subtract the amount paid in lag 0 to calculate the outstanding IBNP. We projected the claims for June 2021 assuming the payment pattern change would be short-term.

Performing the IBNP analysis as of June 30, 2022 it is clear that the payment pattern change persists. As a result, our restated medical IBNP claim reserve as of June 30, 2021 is greater than our original estimate.

Methodology

The IBNP reserves were calculated using the “claim runout” method which examines past claims payment patterns and determines the portion of claims incurred during a month that are paid within specific time periods. For recent months, when paid claims data is too sparse to develop estimated incurred claims, we use trend assumptions and average claims per member projections to develop incurred claims. The claim reserves were calculated as estimated incurred claims through June 30, 2022, minus claims paid through June 30, 2022. We then added a 5% explicit margin to the reserve.

We estimate the reserve for STD to be the amount of premium received for May and June 2022, as reported by HealthTrust.

The reserve for administration covers the cost of administering unreported claims. The termination provisions in HealthTrust’s contracts with Anthem and Delta Dental require payment of two months of administrative fees upon contract termination. Therefore, the reserve is equal to two months of medical and dental administrative fees based on the respective June 2022 contracts.

Monthly Factor Application

The medical claim reserve as of the end of a given month is based on the headcount for that month and the preceding three months. The reserve is equal to the summation of the product of the headcount for each month in the series and the factors in the table below. For example, the reserve as of the end of August 2022 is based on the headcounts in each of the months May 2022 through August 2022, multiplied by the factors in the “Aug-22” column below. The dental claim reserve as of the end of a given month is based on headcount for that month only. There remains significant uncertainty related to recent changes in Anthem’s claims payment patterns. Medical factors should be reviewed and updated as necessary.

Data Reliance

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

- *Anthem HealthTrust Claims and Member Matrix 2022-06 Exhibit (002).xlsx* - Medical claim triangles and monthly membership
- *Delta Triangle - HEALTHTRUST INC 2022-06-30.xlsx* - Dental claim triangle
- *Healthtrust Capital Analysis as of 6.30.22 for Milliman.xlsx* - STD premiums
- *HT Reserve Balances 6.30.2022 Prelim.xlsx* - medical and dental administrative fees

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

Caveats, Limitations, and Qualifications

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to estimate HealthTrust's IBNP claim reserve amount as of June 30, 2022 and to estimate the IBNP claim reserve factors for fiscal year 2023. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness for their intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs).

The models rely on data and information as input to the models. We have relied upon certain data and information provided by HealthTrust for this purpose and accepted it without audit. HealthTrust staff estimates the claim reserve for prescription drugs paid through CVS/Caremark. To the extent that the underlying data or information is inaccurate or incomplete, our assessment may likewise be inaccurate or incomplete.

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

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



Mr. George Tsiopras
July 22, 2022
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Catherine Murphy-Barron and Eric Buzby are Consulting Actuaries with Milliman. They are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Please let us know if you have any questions.

Sincerely,

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

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

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

Eric A. Buzby, FSA, MAAA
Consulting Actuary

CC: Wendy Parker, HealthTrust
Kathleen Fox, HealthTrust
Alexander Hart, Milliman

Exhibit I
HealthTrust
Reserve for Medical (excl. Rx) Claims as of June 30, 2022

	(A)	(B)	(C)	(D) = (B)/(C)	(E) = (C)/(A)	(F)	(G) = (C)-(B)		
Incurring Month	Member Months	Cumulative Paid	Estimated Incurred	Completion Factor	Incurred Cost per Member Month	Rolling 3 Month Cost Per Member Month	Reserve (IBNP)		
Jun-22	52,890	8,324,739	25,926,341	0.3211	490.19	497.86	17,601,602		
May-22	52,939	21,535,981	26,529,359	0.8118	501.13	514.38	4,993,378		
Apr-22	53,037	24,112,530	26,637,445	0.9052	502.24	497.48	2,524,915		
Mar-22	53,133	26,938,966	28,675,565	0.9394	539.69	484.15	1,736,599		
Feb-22	53,198	22,958,242	23,969,051	0.9578	450.56	459.42	1,010,809		
Jan-22	53,271	23,800,285	24,626,706	0.9664	462.29	465.03	826,421		
Dec-21	53,543	24,265,324	24,917,492	0.9738	465.37	462.22	652,168		
Nov-21	53,474	24,521,399	24,994,521	0.9811	467.41	456.58	473,122		
Oct-21	53,479	23,968,402	24,272,193	0.9875	453.86	452.68	303,791		
Sep-21	53,475	23,767,843	23,981,781	0.9911	448.47	456.76	213,938		
Aug-21	53,138	24,042,288	24,216,141	0.9928	455.72	471.69	173,853		
Jul-21	53,175	24,662,615	24,787,092	0.9950	466.14	464.20	124,477		
Jun-21	53,504	26,288,876	26,381,641	0.9965	493.08	474.16	92,765		
May-21	53,689	23,185,697	23,274,164	0.9962	433.50	473.06	88,467		
Apr-21	53,720	26,568,675	26,642,407	0.9972	495.95	474.00	73,732		
Mar-21	53,796	26,287,426	26,343,568	0.9979	489.69	457.77	56,142		
Feb-21	53,846	23,460,754	23,500,205	0.9983	436.43	444.66	39,451		
Jan-21	53,935	24,093,696	24,120,768	0.9989	447.22	450.35	27,072		
Dec-20	53,974	24,286,526	24,304,416	0.9993	450.30	460.83	17,890		
Nov-20	54,002	24,473,163	24,492,064	0.9992	453.54	454.86	18,901		
Oct-20	54,007	25,833,165	25,849,949	0.9994	478.64	444.16	16,784		
Sep-20	53,921	23,307,275	23,313,476	0.9997	432.36	432.76	6,201		
Aug-20	53,612	22,583,585	22,586,697	0.9999	421.30	423.17	3,112		
Jul-20	53,634	23,843,633	23,845,668	0.9999	444.60	387.07	2,035		
Jun-20	53,434	21,560,637	21,562,386	0.9999	403.53	317.56	1,749		
May-20	53,465	16,729,853	16,730,050	1.0000	312.92	307.18	197		
Apr-20	53,470	12,634,970	12,635,090	1.0000	236.30	349.10	120		
Mar-20	53,445	19,900,602	19,900,916	1.0000	372.36	433.07	314		
Feb-20	53,489	23,459,734	23,460,374	1.0000	438.60	458.03	640		
Jan-20	53,431	26,087,355	26,088,242	1.0000	488.26	465.05	887		
Dec-19	53,253	23,815,209	23,815,270	1.0000	447.21	452.97	61		
Nov-19	53,246	24,471,511	24,471,611	1.0000	459.60	444.05	100		
Oct-19	53,243	24,071,470	24,071,534	1.0000	452.11	439.52	64		
Sep-19	53,202	22,366,890	22,366,890	1.0000	420.41	434.59	0		
Aug-19	52,920	23,606,159	23,606,159	1.0000	446.07	441.33	0		
Jul-19	52,697	23,048,527	23,048,527	1.0000	437.38	446.59	0		
Jun-19	53,043	23,367,082	23,367,082	1.0000	440.53	453.44	0		
May-19	53,151	24,543,654	24,543,654	1.0000	461.77	465.40	0		
Apr-19	53,183	24,357,224	24,357,224	1.0000	457.99	447.90	0		
Mar-19	53,222	25,355,805	25,355,805	1.0000	476.42	454.48	0		
Feb-19	53,280	21,809,985	21,809,985	1.0000	409.35	443.51	0		
Jan-19	53,124	25,381,106	25,381,106	1.0000	477.77	477.77	0		
Total		\$973,678,858	\$1,004,760,615				\$31,081,757		
						Provision for Adverse Deviation	5%	\$1,554,088	
								Rounded Final Reserve	\$32,636,000
						CY 2019		\$0	
						CY 2020		\$72,000	
						CY 2021		\$2,435,000	
						CY 2022		\$30,129,000	

Exhibit II
HealthTrust
Reserve for Dental Claims as of June 30, 2022

	(A)	(B)	(C)	(D) = (B)/(C)	(E) = (C)/(A)	(F)	(G) = (C)-(B)		
Incurring Month	Member Months	Cumulative Paid	Estimated Incurred	Completion Factor	Incurred Cost per Member Month	Rolling 3 Month Cost Per Member Month	Reserve (IBNP)		
Jun-22	57,543	\$1,558,252	\$2,226,664	0.6998	\$38.70	\$34.73	\$668,412		
May-22	57,590	1,769,219	1,839,192	0.9620	31.94	35.27	69,973		
Apr-22	57,651	1,896,750	1,934,177	0.9806	33.55	35.99	37,427		
Mar-22	57,722	2,298,784	2,326,306	0.9882	40.30	35.77	27,522		
Feb-22	57,786	1,955,356	1,971,991	0.9916	34.13	34.17	16,635		
Jan-22	57,815	1,888,655	1,900,739	0.9936	32.88	34.59	12,084		
Dec-21	57,977	2,049,063	2,059,283	0.9950	35.52	34.87	10,220		
Nov-21	57,919	2,040,402	2,048,878	0.9959	35.37	34.50	8,476		
Oct-21	57,943	1,945,566	1,952,760	0.9963	33.70	37.95	7,194		
Sep-21	57,747	1,982,391	1,987,768	0.9973	34.42	40.98	5,377		
Aug-21	57,138	2,612,176	2,618,557	0.9976	45.83	44.44	6,381		
Jul-21	57,204	2,441,439	2,446,203	0.9981	42.76	41.07	4,764		
Jun-21	56,748	2,534,760	2,538,345	0.9986	44.73	39.86	3,585		
May-21	56,881	2,030,834	2,032,183	0.9993	35.73	39.09	1,349		
Apr-21	56,955	2,228,066	2,229,298	0.9994	39.14	40.15	1,232		
Mar-21	57,001	2,415,448	2,416,684	0.9995	42.40	39.72	1,236		
Feb-21	57,143	2,223,302	2,224,050	0.9997	38.92	37.48	748		
Jan-21	57,172	2,163,428	2,163,867	0.9998	37.85	36.20	439		
Dec-20	57,180	2,040,004	2,040,286	0.9999	35.68	36.44	282		
Nov-20	57,198	2,005,143	2,005,245	0.9999	35.06	37.25	102		
Oct-20	57,183	2,205,641	2,205,722	1.0000	38.57	40.89	81		
Sep-20	57,000	2,172,546	2,172,644	1.0000	38.12	44.59	98		
Aug-20	56,585	2,604,768	2,604,839	1.0000	46.03	44.24	71		
Jul-20	56,612	2,811,870	2,811,954	1.0000	49.67	32.57	84		
Jun-20	56,118	2,073,163	2,073,229	1.0000	36.94	16.47	66		
May-20	56,198	615,984	615,984	1.0000	10.96	10.92	0		
Apr-20	56,236	86,062	86,062	1.0000	1.53	19.08	0		
Mar-20	56,258	1,140,591	1,140,591	1.0000	20.27	31.83	0		
Feb-20	56,235	1,992,227	1,992,227	1.0000	35.43	35.49	0		
Jan-20	56,282	2,238,965	2,238,965	1.0000	39.78	34.84	0		
Dec-19	56,241	1,757,542	1,757,542	1.0000	31.25	34.40	0		
Nov-19	56,224	1,883,312	1,883,312	1.0000	33.50	35.34	0		
Oct-19	56,078	2,156,912	2,156,912	1.0000	38.46	39.33	0		
Sep-19	55,880	1,903,623	1,903,623	1.0000	34.07	43.20	0		
Aug-19	55,432	2,523,313	2,523,313	1.0000	45.52	43.69	0		
Jul-19	55,407	2,775,835	2,775,835	1.0000	50.10	39.79	0		
Jun-19	55,617	1,974,107	1,974,107	1.0000	35.49	35.31	0		
May-19	55,677	1,882,278	1,882,278	1.0000	33.81	34.77	0		
Apr-19	55,702	2,040,654	2,040,654	1.0000	36.64	35.20	0		
Mar-19	55,795	1,889,869	1,889,869	1.0000	33.87	35.97	0		
Feb-19	55,852	1,960,339	1,960,339	1.0000	35.10	37.01	0		
Jan-19	55,840	2,173,736	2,173,736	1.0000	38.93	38.93	0		
Total		\$84,942,375	\$85,826,213				\$883,838		
						Provision for Adverse Deviation	5%	\$44,192	
								Rounded Final Reserve	\$928,000
								CY 2019	\$0
								CY 2020	\$800
								CY 2021	\$53,500
								CY 2022	\$873,700

**Exhibit III
HealthTrust**

Reserve for Medical (excl. Rx) and Dental Claims as of June 30, 2022 and at Monthly Intervals Thereafter

Notes: Excludes prescription drugs for which the recorded payable incorporates the full obligation. The June 2022 medical and dental claims reserves are the given amount. For July 2022 and later months, the medical claim reserve as of the end of a given month is based on the headcount for that month and the preceding three months. The reserve is equal to the summation of the product of the headcount for each month in the series and the factor shown below. For example, the reserve as of the end of August 2022, is based on the headcounts in each of the months May 2022 through August 2022, multiplied by the factors in the "Aug-22" column below. The dental claim reserve as of the end of a given month is based on headcount for that month. Reserve for administration is determined separately. *Medical factors should be reviewed each month.*

Headcount Month	Claim Reserve Month													
	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	
	Medical Reserve Factors													
Mar-22														
Apr-22		\$313.64												
May-22		\$315.18	\$315.01											
Jun-22		\$316.73	\$316.56	\$316.47										
Jul-22	6/30/2022 medical and dental IBNR are not computed by factors. Use values:	\$318.29	\$318.12	\$318.03	\$317.97									
Aug-22			\$319.69	\$319.60	\$319.54	\$319.54								
Sep-22				\$321.17	\$321.11	\$321.11	\$321.11	\$321.11						
Oct-22					\$322.69	\$322.69	\$322.69	\$322.69	\$322.69					
Nov-22						\$324.28	\$324.28	\$324.28	\$324.28	\$324.28				
Dec-22							\$325.88	\$325.88	\$325.88	\$325.88	\$325.88			
Jan-23		\$ 32,636,000						\$327.48	\$327.48	\$327.48	\$327.48	\$327.48		
Feb-23		for medical							\$329.09	\$329.09	\$329.09	\$329.09	\$329.09	
Mar-23										\$330.71	\$330.71	\$330.71	\$330.71	\$330.71
Apr-23		\$ 928,000									\$332.34	\$332.34	\$332.34	\$332.34
May-23	for dental										\$333.98	\$333.98	\$333.98	
Jun-23												\$335.62	\$335.62	
Dental		\$36.00	\$36.10	\$36.19	\$36.29	\$36.39	\$36.49	\$36.59	\$36.69	\$36.79	\$36.89	\$36.99	\$37.09	