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July 28, 2023

Via Electronic Mail

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

Re: Premium Deficiency Reserve Estimate as of June 30, 2023

Dear George:

As requested, we have performed an analysis to determine the need for HealthTrust to hold a premium deficiency reserve as of June 30, 2023.

Results

Based on our projection of revenue and expenses for the period July 1, 2023 through June 30, 2024, HealthTrust requires a premium deficiency reserve of \$17,200,000 as of June 30, 2023.

The premium deficiency reserve is estimated based on the following information:

1. Membership information through June 2023.
2. Medical claims incurred May 1, 2022 through April 30, 2023, paid through May 31, 2023.
3. Prescription drug claims incurred and paid May 1, 2022 through April 30, 2023.
4. Dental and short-term disability claims paid July 1, 2022 through June 30, 2023.
5. Prescription drug rebates owed to HealthTrust for claims incurred January 1, 2019 through June 30, 2023.
6. Projected carrier, state and federal fees for July 1, 2023 through June 30, 2024.
7. Projected HealthTrust operating budget for July 1, 2023 through June 30, 2024.
8. Investment income projection for July 1, 2023 through June 30, 2024.
9. Current premium rates.

Methodology and Assumptions

We made the following assumptions in our calculations:

Deficiency Period: 6-month period ending December 31, 2023 for the January Renewal medical, dental, and short-term disability (STD) coverages.

12-month period ending June 30, 2024 for the July Renewal medical, dental, and short-term disability (STD) coverages.

Membership: Enrollment will remain the same as on July 1, 2023.

Claims Trend: Annual claims trends:

- HMO & POS 7.0%
- Medcomp 6.5%
- CDHP 8.5%
- Prescription Drug
 - January Renewal 9.5%
 - July Renewal 9.5%
- Dental 3.0%

Our analysis and results are shown in the attached exhibit.

Data Reliance

We relied upon the membership, claims, expenses, investment income and premium information provided in the following files:

- *Global Data-724 GMR Milliman_071923.xlsx* - July renewal membership, paid claims and income at current rates
- *Global Data-124 Milliman.xlsx* - January renewal membership, paid claims and income at current rates
- *2024 Dental RateCalc D1.xlsx* - dental paid claims and income at current rates
- *STD Ratecalc 2024 Draft1.xlsx* - STD paid claims and contributions
- *HeathTrust Rebate JE Workbook 2023.xlsx* - prescription drug rebates owed to HealthTrust

- *RateCalc724GMR Fixed Fees Final to Milliman.xlsx* - HealthTrust administrative expenses and investment income
- *724 GMR RateCalc D1 Milliman.xlsx* - July renewal number of children under age 19
- *124 RateCalc D1 Milliman.xlsx* - January renewal number of children under age 19
- *Anthem HealthTrust Claims and Member Matrix 2023-06 Exhibit.xlsx* - current vs. average membership for July and January renewals
- *Delta 000003116 - HEALTHTRUST INC 2023-06-30.xlsx* - current vs. average membership for dental
- *Renewal Covered Lives Count by Renewal by Member Group PPT as of 0723.xlsx* - split of covered dental membership between January and July renewal groups
- *Healthtrust Capital Analysis as of 6.30.23 for Milliman.xlsx* - current vs. average membership for STD

We evaluated this information for reasonableness and consistency to the extent practicable. As is our practice, we did not audit or verify the underlying data and information but relied on it as provided to us. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

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 premium deficiency reserve amount as of June 30, 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. 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 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 reserve would be different from what is presented in this letter.

This letter is prepared solely for the internal business use of HealthTrust, Inc. for the preparation of US GAAP financial statements. The reserve amount 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
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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

HealthTrust, Inc.
Premium Deficiency Reserve (PDR) at June 30, 2023

	July Renewal Medical	January Renewal Medical	Dental	STD	Total
1. Experience Period (EP)	5/1/22 - 4/30/23	5/1/22 - 4/30/23	7/1/22 - 6/30/23	7/1/22 - 6/30/23	
2. Average number of enrollees	21,265	4,444	26,628	4,198	
3. a. Average number of members	43,656	9,031			
b. Average number of non-Medicomp members	37,664	8,156			
4. Claims					
a. Paid claims	\$328,707,289	\$76,294,598	\$26,710,130	\$1,366,518	
b. Completed claims	\$339,440,169	\$78,951,218	\$26,889,735	\$1,366,518	
c. Plan changes (infertility/1.5x dental maximum)	\$0	\$0	\$0	\$0	
d. Prescription drug rebates	<u>(\$2,785,029)</u>	<u>(\$526,592)</u>	<u>\$0</u>	<u>\$0</u>	
e. Completed claims adjusted for new benefits/rebates	\$336,655,140	\$78,424,626	\$26,889,735	\$1,366,518	
5. Guarantee period claims	7/1/23 - 6/30/24	7/1/23- 12/31/24	July: 7/1/23 - 6/30/24 Jan: 7/1/23 - 12/31/23	July: 7/1/23 - 6/30/24 Jan: 7/1/23 - 12/31/23	
a. Claims trended to guarantee period	\$358,807,411	\$83,051,012	\$27,670,344	\$1,366,518	
b. Total claims, adjusted for length of guarantee period	\$358,807,411	\$41,525,506	\$25,912,023	\$1,087,470	
6. Carrier fees (contract rates applied to enrollees or members)					
a. Administrative fee	\$12,311,405	\$1,366,905	\$1,794,598	\$0	
b. Anthem EPHC provider payments	<u>\$2,388,158</u>	<u>\$258,573</u>	<u>\$0</u>	<u>\$0</u>	
c. Total	\$14,699,563	\$1,625,478	\$1,794,598	\$0	
7. HealthTrust administrative expense (projected budget, allocated by number of contracts)	\$14,843,726	\$1,550,982	\$576,863	\$84,732	
8. Investment income credit	(\$1,841,175)	(\$192,379)	(\$121,266)	\$0	
9. State & federal fees					
a. New Hampshire Vaccine Fee	\$902,598	\$89,607			
b. ACA PCORI fee	\$137,953	\$14,269			
c. ACA Reinsurance fee	<u>\$0</u>	<u>\$0</u>			
d. Total	\$1,040,551	\$103,876			
10. Total projected cost on average enrollment in experience period [(5.b.)+(6.c.)+(7.)+(8.)+(9.d.)]	\$387,550,076	\$44,613,462	\$28,162,218	\$1,172,202	
11. Income at current rates on average enrollment in experience period	\$371,559,526	\$42,461,375	\$29,133,373	\$1,170,696	
12. Cost and income scaled to current enrollment					
a. Cost	\$387,120,807	\$44,405,787	\$28,300,522	\$1,213,042	\$461,040,158
b. Income at current rates on current enrollment	\$371,133,682	\$42,257,509	\$29,278,798	\$1,214,661	\$443,884,651
13. Premium Deficiency Reserve [(12.a) - (12.b), "Total" column, but not less than zero]					\$17,200,000