Why SB297 Precludes HealthTrust from Offering Coverage

SB297 fundamentally changes risk pool management in New Hampshire. If passed, SB297 will prevent HealthTrust from providing the high-quality, affordable, medical and related coverages that New Hampshire's cities, towns and school districts have come to rely on since 1985.

HealthTrust Model Today

HealthTrust provides its participating Member Groups with fully-insured coverage through a pooled risk management program. HealthTrust operates like an insurance company and is subject to many of the same risks as an insurance company. Like an insurance company, HealthTrust determines the benefit plans, coverages, and rules for operating those coverages, and sets rates calculated to cover projected claims. For times when things don't go as expected, HealthTrust maintains a contingency reserve. Because the coverage relationship is fully insured, participating Member Groups are protected at all times against the risks inherent in providing medical coverage.

SB297 does not allow HealthTrust's Model to Exist

There are various forms and models of risk pooling. For 40 years, HealthTrust's model has been for the organization to be a self-insured entity (meaning HealthTrust bears the risk of losses) and for our Member Groups to be fully insured against those losses. Groups are responsible to pay premiums, but bear no further responsibility for losses even if the costs of claims exceed expectations.

HealthTrust's coverage model would be explicitly prohibited if SB297 becomes law. SB297 fundamentally changes the pooled risk management program operated by HealthTrust by:

1. Removing HealthTrust's authority to provide fully-insured health coverages through a self-insured risk pool,
2. Requiring HealthTrust to shift the risk of losses from HealthTrust to the Member Groups (municipalities, school districts and counties), and
3. Removing HealthTrust's ability to prudently manage benefit plans, coverages, and the rules for operating those coverages.

Rather than strengthening HealthTrust, SB297 requires HealthTrust to end its current risk pool model in which HealthTrust is the insurer and change into a new model where HealthTrust is the administrator. In short, SB297 harms the very entities and people risk pools are intended to help – municipalities, school districts, counties and their respective employees.

HealthTrust's Model has Value

NH RSA 5-B was enacted in 1987 because the commercial market did not meet the needs of the public sector. We operate in a free market, competing with other risk pools and with the commercial market. Even with these choices, the vast majority of New Hampshire's political subdivisions still choose HealthTrust for their coverage. We remain the only organization (including commercial carriers and other risk pools) that **never** declines to quote an eligible Group. Our mission is to serve all who need us, and the need is as strong, or stronger, than it was in 1987.

Can HealthTrust Change Models?

As testified to and discussed in previous materials, HealthTrust does not operate under the model required by SB297. While there are a number of other concerns with the SB297 model, three main questions must be answered:

1. **Does the SB297 model provide value to the public sector?** No. It increases costs for political subdivisions and lowers the coverage value for public sector employees. Public sector entities need protection from risk and SB297 removes that protection. Further, the low and narrow band of required reserves along with strict assessment and one-year replenishment requirements will create significant volatility for Groups; for example, large rate increases one year, followed by returns of surplus the following year. Compared to HealthTrust's current model, Groups would go from being protected from both risk and volatility to now being exposed to both. If SB297 passes into law, many Groups will be better served by going to the commercial market (at a higher cost and with less services) to obtain the protection they need from risk of losses and rate volatility.

2. **Is the SB297 model financially viable?** No. It removes the financial stability that comes with fully insured coverage through a self-insured risk pool. Under SB297, solvency depends on replenishments and assessments being able to be paid by the towns, cities, schools, counties, and other public sector entities we serve, whenever needed. This is a flawed assumption and a fundamental flaw in SB297. By nature, insurance is protection against potential future risk. In most years, those risks will likely be as predicted. However, if events occur such that losses are *significantly* worse than expected, only fully-insured coverage would protect Groups. In those years, it is unlikely that political subdivisions and their taxpayers will be able to bear the burden of steep rate increases and required replenishments and assessments without extraordinary sacrifices.

3. **Will the SB297 model allow for prudent management?** No. The SB297 model creates conflicting rights and responsibilities for participating Groups that cannot be reconciled. In the SB297 model each Group is an owner, is ultimately responsible for the risk of losses, and is owed an individual fiduciary duty by the organization. As such, conflicts will arise from the competing interests of individual Groups. For example, if the board did not retire a costly and ineffective benefit, it could face allegations of not fulfilling its fiduciary duty to provide cost-effective coverage to one subset of Groups. However, if it retired the benefit, it could face allegations of interfering in the collective bargaining agreements of another subset of Groups. Political subdivisions cannot operate independently when making decisions while at the same time operating collectively when sharing the cost of those decisions. These concerns are not hypothetical; HealthTrust faces misguided claims from our regulator with respect to these very concerns today. If SB297 passes, these claims will be even more difficult to defend.

In total, when reviewing the challenges and ramifications of the model required by SB297, HealthTrust has identified that such a change is untenable.

Can the Stated Objectives be Accomplished?

If the motivating goal behind SB297 is to improve the financial stability of risk pools, there are many ways to accomplish that. HealthTrust welcomes reasonable regulation and standards that can help ensure future stability.

There are many available models in use throughout the country and in New Hampshire that can be adapted to apply to New Hampshire risk pools. Chief among them is the Risk Based Capital (RBC) model developed by the National Association of Insurance Commissioners (NAIC) and in use by the New Hampshire Insurance Department to ensure financial stability of insurers providing fully-insured medical coverage like HealthTrust does.

The RBC model's entire focus is to ensure that appropriate levels of reserves are retained in order to ensure the solvency and viability of an insurer. It is a tried-and-true, proven methodology supported by a full set of well-developed systems and standards. Rather than a fixed percentage of reserves, the system adapts to changes in the wider ecosystem, which is critical in a period of volatility.

HealthTrust's current model would remain viable and would be strengthened by the application of such reasonable standards.

Conclusion

Risk pooling is an important and essential option for New Hampshire's public sector. HealthTrust has had the privilege of serving the vast majority of the towns, cities, schools, counties, and other eligible organizations during those years. Our operating model as a self-insured entity while individual Member Groups are fully-insured has met the unique needs of the public sector. This includes keeping rates low for taxpayers, protecting the political subdivisions from risk, and providing coverages to all eligible Groups, **never** declining to quote even those who are unable to obtain coverage elsewhere.

HealthTrust exists to serve New Hampshire's public sector. As we have said from the beginning, we welcome the opportunity to work collaboratively with the legislature, Members, Covered Individuals, unions and all other stakeholders to craft a law that protects sustainable access to health coverage through RSA 5-B pooled risk management programs.

Sincerely,

Scott DeRoche

Scott DeRoche
Executive Director