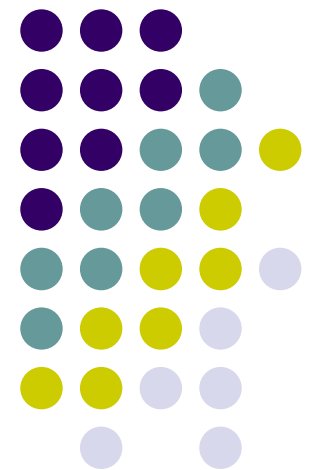
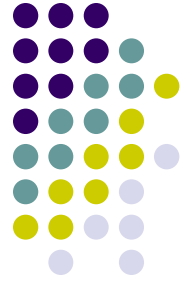


HealthFirst Advisory Meeting

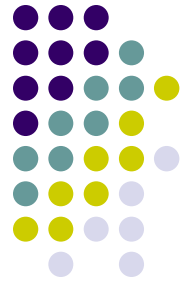
October 30, 2008





Agenda

- Opening Remarks
- Data Sources and Methodology for Pricing
- Administrative Expense Overview
- Rate Target Overview
- Revised HealthFirst Benefit Plan Design
- Comparable Small Business Quotes
- Revised HealthFirst Wellness Design
- Next Steps



Claims Expense

- Tyler Brannen (NHID's statistician) pulled 2006 and 2007 claim and membership information from the New Hampshire Comprehensive Health Care Information System (NHCHIS). This information was compared to historical claims data included in the 3rd Quarter 2008 (3Q08) carrier filings. On a per member per month (PMPM) basis, the differences were minimal and therefore the use of either source was assumed to be reasonable.
- Since claim PMPMs by benefit category (IP, OP, ER, OV, etc.) were available in the Anthem filing, which is the carrier with the largest share of the small group market, the historical claim information from the 3Q08 Anthem filing was used as the basis for the HealthFirst pricing. The impact of various deductibles and copay amounts were either modeled using NHCHIS data pulls or derived from information found in the 3Q08 carrier rate filings.

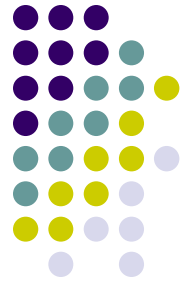


Claims Expense

- Favorable risk selection impact is assumed to be 10%
- Future claim trend assumptions:
 - Medical: 10.8%
 - Pharmacy: 12.0%
 - Aggregate: 11.1%,

Aggregate trend is in the range of 3Q08 carrier filings (8.7%-13.1%), however, one carrier is below 11.1% with the other three clustered in the 12%-13% range.

Administrative Expense/Profit Charge

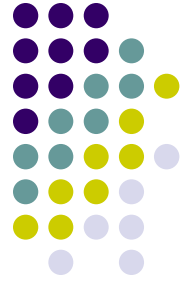


- HealthFirst pricing assumes 14% for administrative expense and profit/contingency, which we believe is reasonable, but at the lower end of the range.
- If NH carrier administrative expense/profit factors from 3rd Quarter 2008 small group filings were used in pricing HealthFirst, the range would be 12.1%-20.3%.
- Milliman studied the annual statements of 900 health plans and cite an average of 15% (12% administration and 3% profit); study not restricted to small group.
- Administrative expenses are generally higher for small group and individual coverage due to fixed costs such as enrollment and billing, benefit setup, and account management.

Administrative Expense/Profit Charge

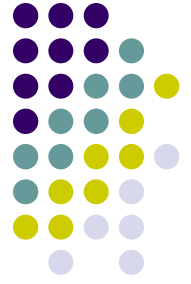


- Administrative costs unique to the health insurance industry include claims processing, medical management, provider contracting.
- Administrative costs inherent in most businesses include marketing and sales, finance and accounting, information systems, customer services, human resources, legal, and executive management .
- Profit and contingency
 - Profit or “Addition to Surplus” is required to provide reserves for future potential excess claims over expected.
 - Insurance company reserve levels are tested using the Health Risk-Based Capital formula to ensure they have enough capital to remain financially sound.
 - Required reserve levels grow with healthcare claims spending and so need to increase each year.



Rate Target

Benefit & Wellness Designs and Comparable Small Business Quotes



Next Steps

- Finalize design
- Independent actuary review
- Begin rulemaking process
- Begin operational detailing with carriers
 - Benefit design components
 - Wellness components
 - Technology and collaboration opportunities