New Hampshire Insurance Department

2018 Preliminary Report of Health Care Premium and Claim Cost Drivers
Gorman Actuarial, Inc.

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GOAL OF THE ANNUAL HEARING AND REPORT

In May 2010, New Hampshire passed RSA 420-G:14-a, V-VII (Chapter 240 of the laws of 2010, an act requiring public hearings concerning health insurance cost increases). In 2014, SB 345 amended Section VI: "The commissioner shall prepare an annual report concerning premium rates in the health insurance market and the factors that have contributed to rate increases during prior years."

The report shall be based on the analysis of information and data, including items such as medical loss ratios, cost of medical care by payment type and insurance premiums by network, among other things.

OVERVIEW OF MARKETS AND NATIONAL COMPARISONS

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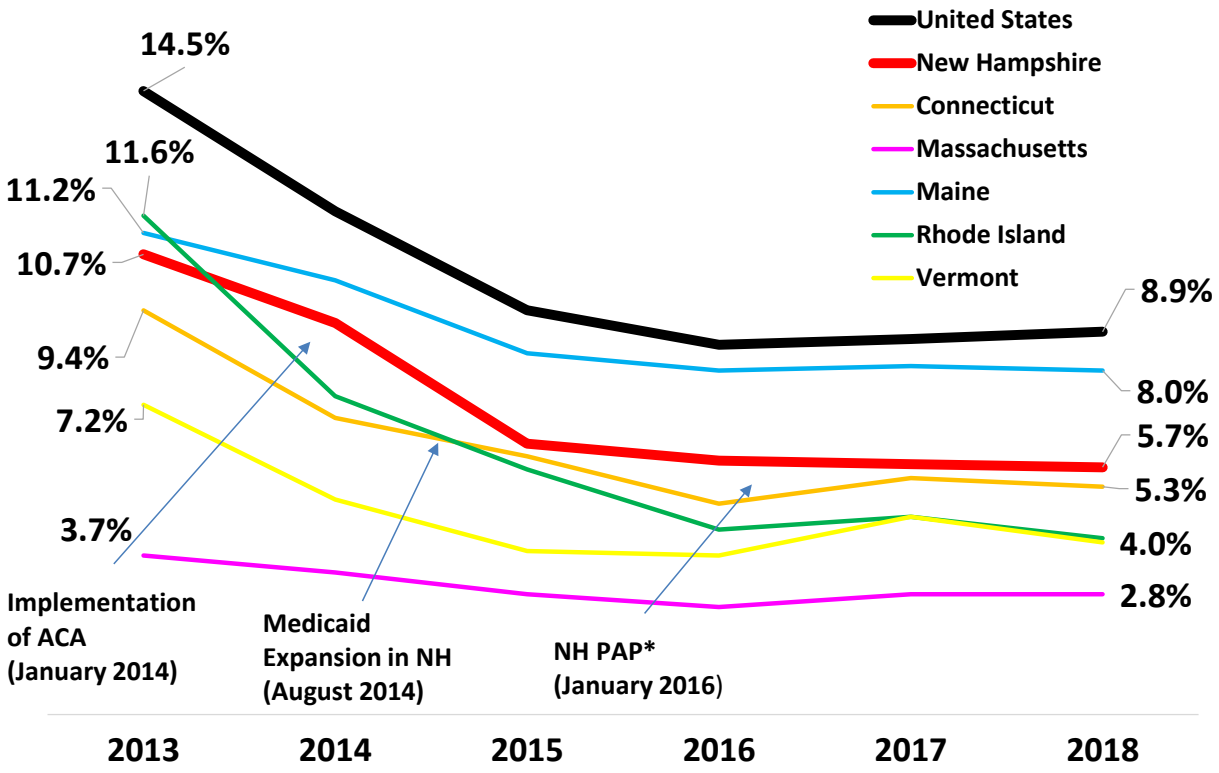
The uninsured rate has decreased 5 percentage points for NH residents, from a high of 10.7% in 2013 to 5.7% in 2018. During that same time, the United States uninsured rate experienced a similar decrease, dropping from 14.5% to 8.9%. The NH uninsured rate remains lower than the national uninsured rate. Significant impacts on the uninsured rate in NH were the implementation of many major provisions of the Affordable Care Act in 2014 and Medicaid Expansion in August 2014. Compared to other New England states, New Hampshire's uninsured rate in 2018 is in the middle, with Maine having the highest at 8.0% and Massachusetts the lowest at 2.8%.

In both the United States and New Hampshire, there was little change in the uninsured rate from 2017 to 2018. Compared to other New England States, New Hampshire's uninsured rate is in the middle, with Maine having the highest and Massachusetts the lowest.

New England States and United States Uninsured Rate 2013 - 2018



Source: U.S. Census Bureau. American Community Survey 1-Year Estimates.

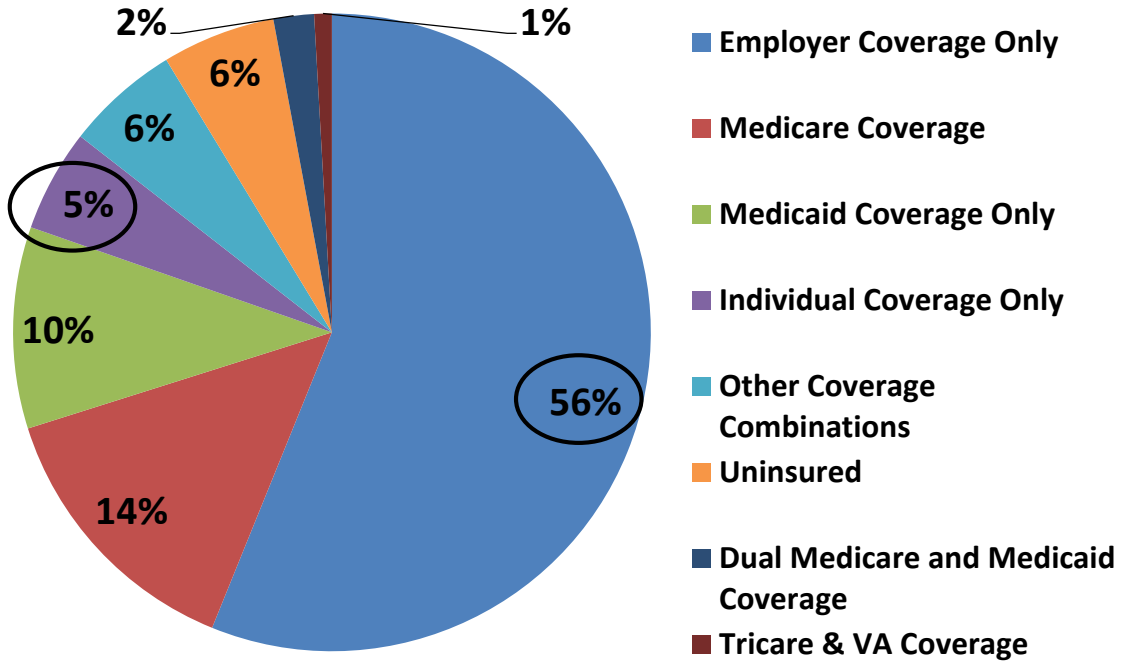
*Note: NH's Medicaid Expansion was converted to the Premium Assistance Program (NH PAP) on January 1, 2016. As of that date, these members are part of the Commercial Individual Market and are rated under the single risk pool requirements of the ACA. Individuals eligible for the NH Premium Assistance Program generally include adults aged 19-64 with incomes up to 138% of the Federal Poverty Level (FPL) who do not fall into other Medicaid eligibility categories and who do not qualify for Medicare.

OVERVIEW OF MARKETS AND NATIONAL COMPARISONS

Of the 1,340,000 NH residents in 2018, approximately 77,000 did not have health insurance. This number has remained steady from 2016 to 2018. However, there were changes in the number insured by insurance category. The number of residents receiving coverage through Employer Coverage increased from 2017 to 2018 by approximately 11,000 members. This was partially offset by a membership decrease in the Individual Market of 9,000 members. Therefore, the overall uninsured rate is largely unchanged.

Approximately 61%, or 821,000, residents in New Hampshire received health insurance through the private insurance market, either through their employer or by purchasing their own coverage. Membership decreases in the Individual Market were offset by increases in the Employer Market along with Medicaid and Medicare.

New Hampshire Residents by Health Insurance Status in 2018



1,340,000 Total NH Residents

Source: U.S. Census Bureau. 2018 American Community Survey 1-Year Estimate. The "Other Coverage Combinations" category includes those persons with two or more types of health insurance coverage that are not in the following six multi-coverage categories: With employer-based and direct-purchase coverage; With employer-based and Medicare coverage; With direct-purchase and Medicare coverage; With Medicare and Medicaid/means-tested public coverage; Other private only combinations; Other public only combinations. The ACS does not explicitly state that the NH PAP population is designated as Medicaid, but based on the size of the Medicaid and Individual membership, it is assumed that NH PAP is designated as Medicaid.

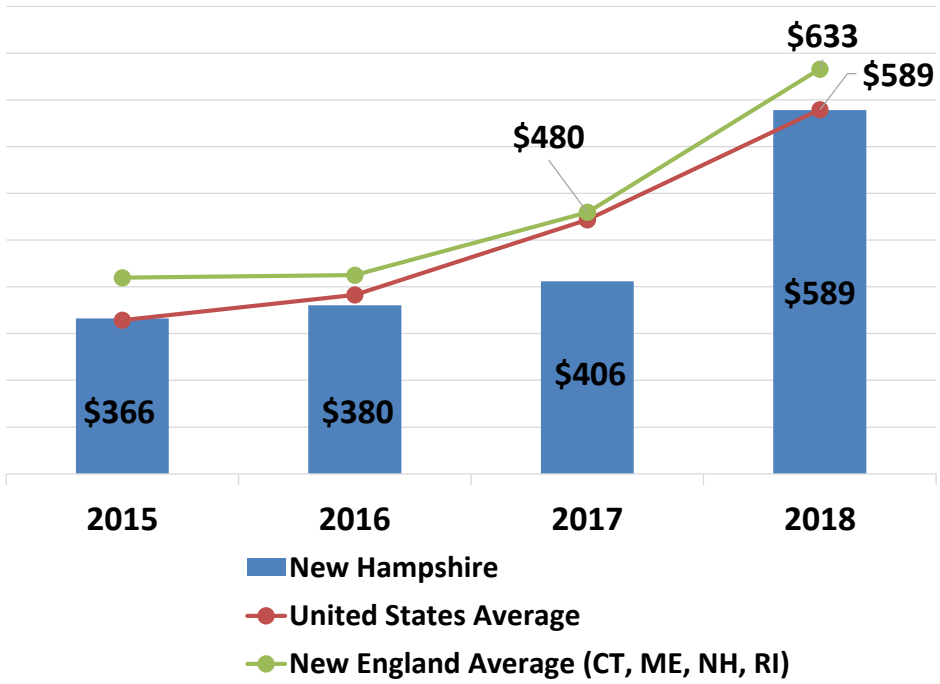
OVERVIEW OF MARKETS AND NATIONAL COMPARISONS

The large premium increases in New Hampshire and across the United States are attributed to the elimination of the cost-sharing reduction (CSR) subsidies along with general uncertainty in the market at that time. In addition, New Hampshire's low cost insurer, Minuteman, exited the market as of 12/31/2017 and insurers expected healthier members to leave the market which would increase the morbidity expectations for the remaining insurers.

Following the loss of CSR subsidies in late 2017, insurers in New Hampshire increased premiums in 2018 for on exchange silver plans, a strategy referred to as "silver loading." Members receiving CSR subsidies were largely insulated from these changes as federal advance premium tax credits increased to offset these additional costs.

Average premiums in the Individual Market increased significantly both in New Hampshire and across the United States in 2018. The average United States premium increased 25% while average premiums in New Hampshire increased 45%.

Individual Market Average Premium PMPM Adjusted for MLR Rebates



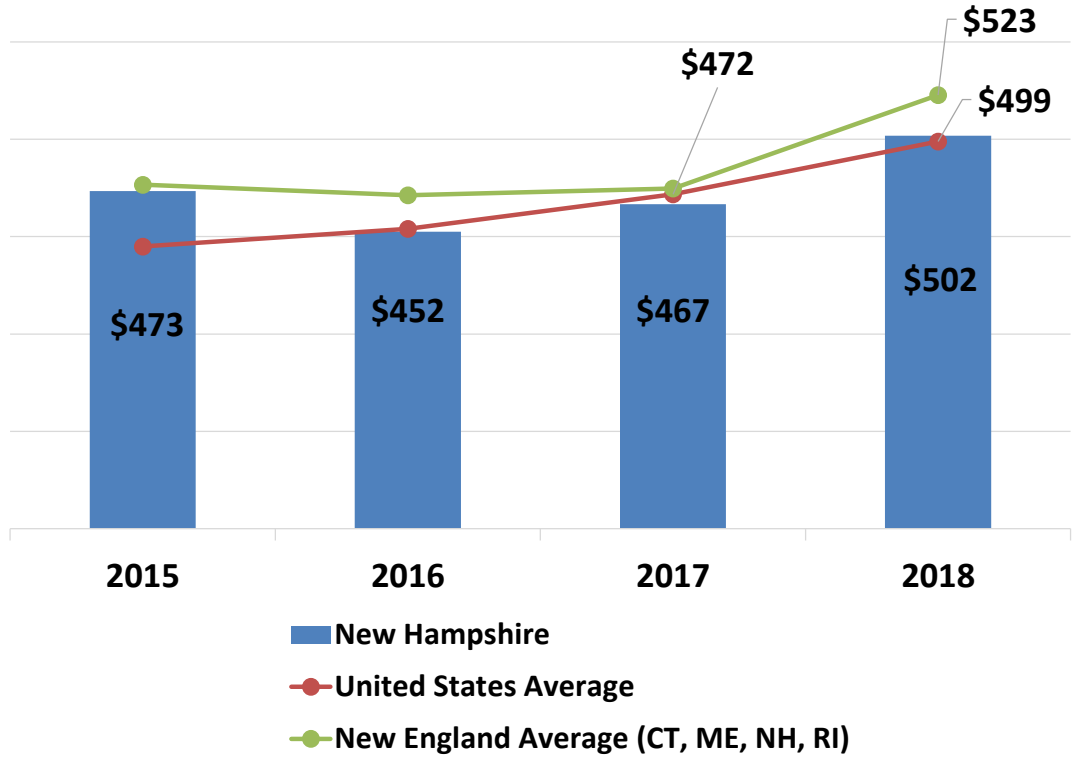
Source: Centers for Medicare and Medicaid Services. Risk Adjustment Report Appendix A for 2015, 2016, 2017 and 2018 benefit years. https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/index.html. Rebates information from MLR reports at https://www.cms.gov/CCIIO/Resources/Data-Resources/mlr.html.

OVERVIEW OF MARKETS AND NATIONAL COMPARISONS

Average premiums in the United States Small Group Market increased 5.7% from 2017 to 2018 which is lower than the New Hampshire Small Group Market increase of 7.5%. The average premium in New England increased 10.1% during this same time period. New Hampshire premiums continued to be close to the United States average premium and slightly lower than the New England average. There is also much more stability in the Small Group Market premiums as compared to the Individual Market.

Similar to last year, New Hampshire Small Group Market premiums in 2018 were close the average across the United States. New Hampshire premiums also continue to be slightly lower than the New England average.

Small Group Market Average Premium PMPM Adjusted for MLR Rebates

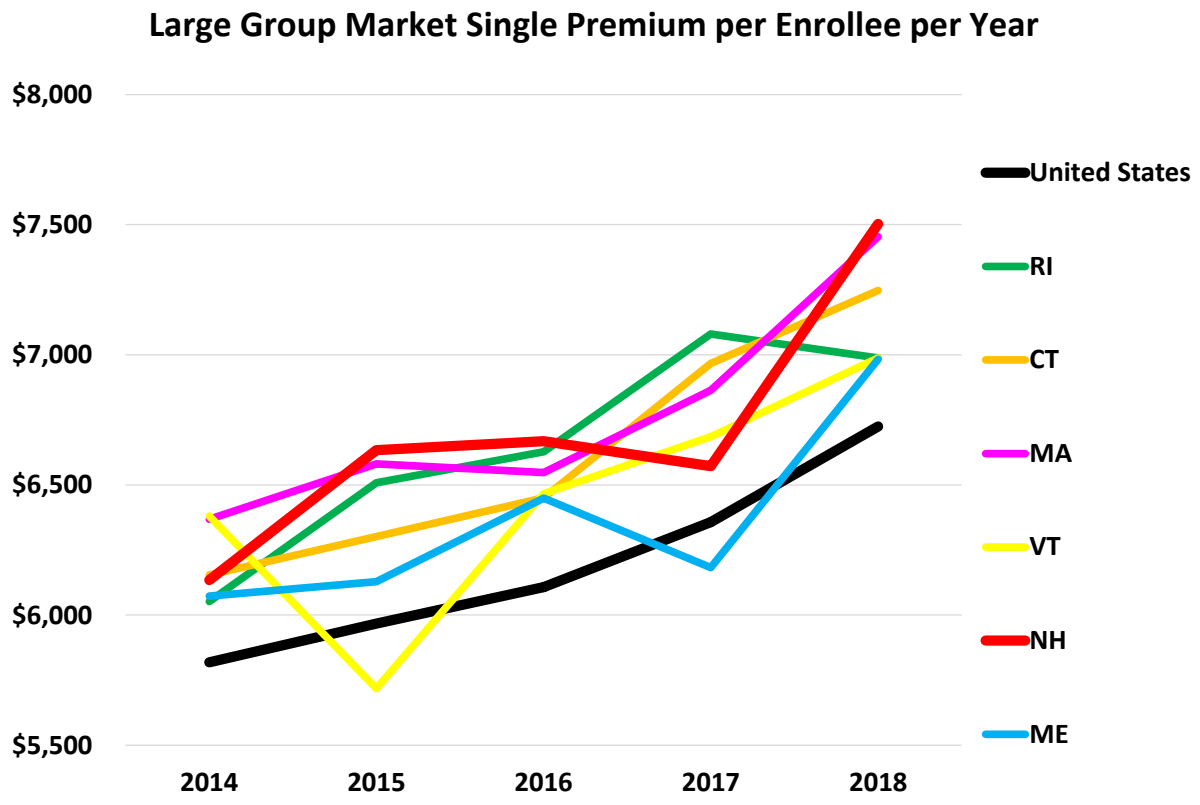


Source: Centers for Medicare and Medicaid Services. Risk Adjustment Report Appendix A for 2015, 2016, 2017 and 2018 benefit years. https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/index.html. Rebates information from MLR reports at https://www.cms.gov/CCIIO/Resources/Data-Resources/mlr.html.

OVERVIEW OF MARKETS AND NATIONAL COMPARISONS

This information is from the Medical Expenditure Panel Survey (MEPS). It illustrates that in the Large Group Market, New Hampshire premiums are consistently higher than the United States average. In 2017, New Hampshire had lower premiums than the other New England states, except Maine. However, in 2018, with average annual premiums at $7,500, New Hampshire has one of the highest compared to other New England states. It is important to note there is variability in the data and the ranks of the New England states have changed over time.

In the Large Group Market, New Hampshire's relative position compared to the other New England states has fluctuated over time, but New Hampshire consistently had higher average premiums than the United States average.

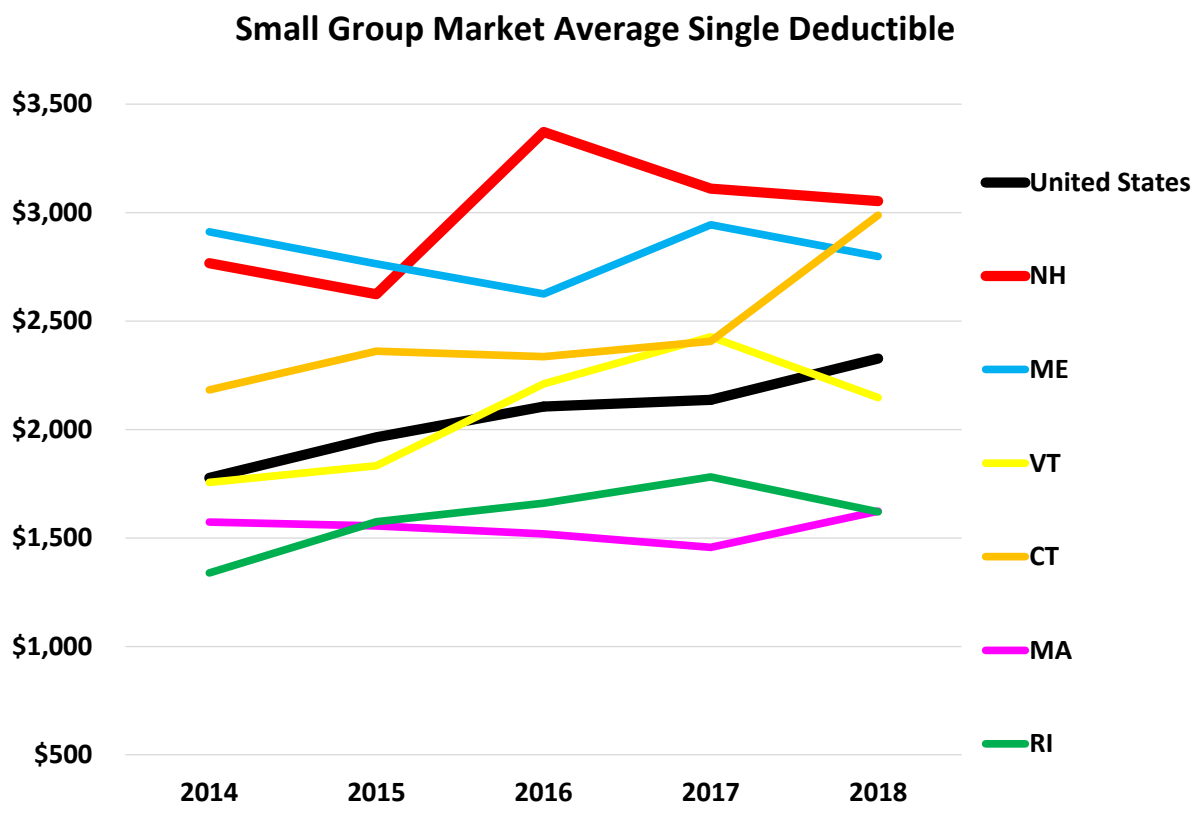


Source: Medical Expenditure Panel Survey (MEPS); https://meps.ahrq.gov/mepsweb/index.jsp.
Table II.C.1 Average total single premium (in dollars) per enrolled employee at private-sector establishments that offer health insurance by firm size and State: United States, 2014- 2018.

OVERVIEW OF MARKETS AND NATIONAL COMPARISONS

This information comes from Medical Expenditure Panel Survey (MEPS) data. It shows that in the Small Group Market, New Hampshire's single deductible was significantly higher than the United States average and consistently higher than most other New England states. Maine's average Small Group deductible has been consistently in line with New Hampshire's. Massachusetts and Rhode Island had consistently lower average deductibles compared to other New England states. Connecticut experienced a large increase in the average deductible this year to bring them closer to the average deductible in New Hampshire.

In the 2018 Small Group Market, the average deductible remained fairly unchanged but is still significantly higher than the United States average. New Hampshire's deductible continued to be the highest among New England states, followed closely behind by Connecticut and Maine.

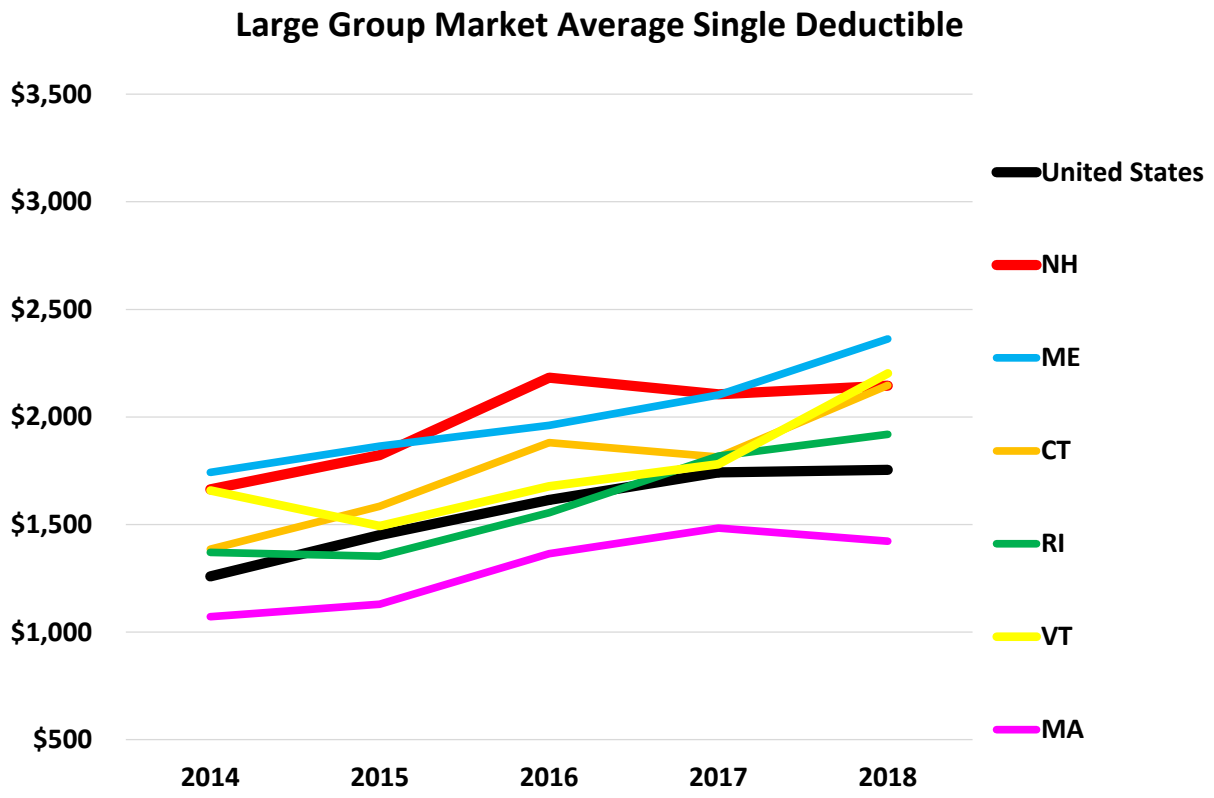


Source: Medical Expenditure Panel Survey (MEPS); https://meps.ahrq.gov/mepsweb/index.jsp.
Table II.F.2 Average individual deductible (in dollars) per employee enrolled with single coverage in a health insurance plan that had a deductible at private-sector establishments by firm size and State: United States, 2014- 2018.

OVERVIEW OF MARKETS AND NATIONAL COMPARISONS

This information is from the Medical Expenditure Panel Survey (MEPS) data. New Hampshire's average deductible was fairly constant between 2017 and 2018. New Hampshire, Maine, Vermont and Connecticut have the highest average deductibles in the Large Group Market compared to Rhode Island and Massachusetts. There is less variability in average deductibles by state in the Large Group Market compared to the Small Group Market, although the variability in the Large Group Market increased in 2018 compared to 2017. In 2017, there was a 42% difference when comparing the highest to lowest New England states compared to 66% in 2018.

New Hampshire's Large Group Market average deductible was higher than the United States average by approximately 22% in 2018. There continues to be much less variability in the average deductible by state in the Large Group Market compared to the Small Group Market.



Source: Medical Expenditure Panel Survey (MEPS); https://meps.ahrq.gov/mepsweb/index.jsp.
Table II.F.2 Average individual deductible (in dollars) per employee enrolled with single coverage in a health insurance plan that had a deductible at private-sector establishments by firm size and State: United States, 2014- 2018.

COVERAGE SHIFTS

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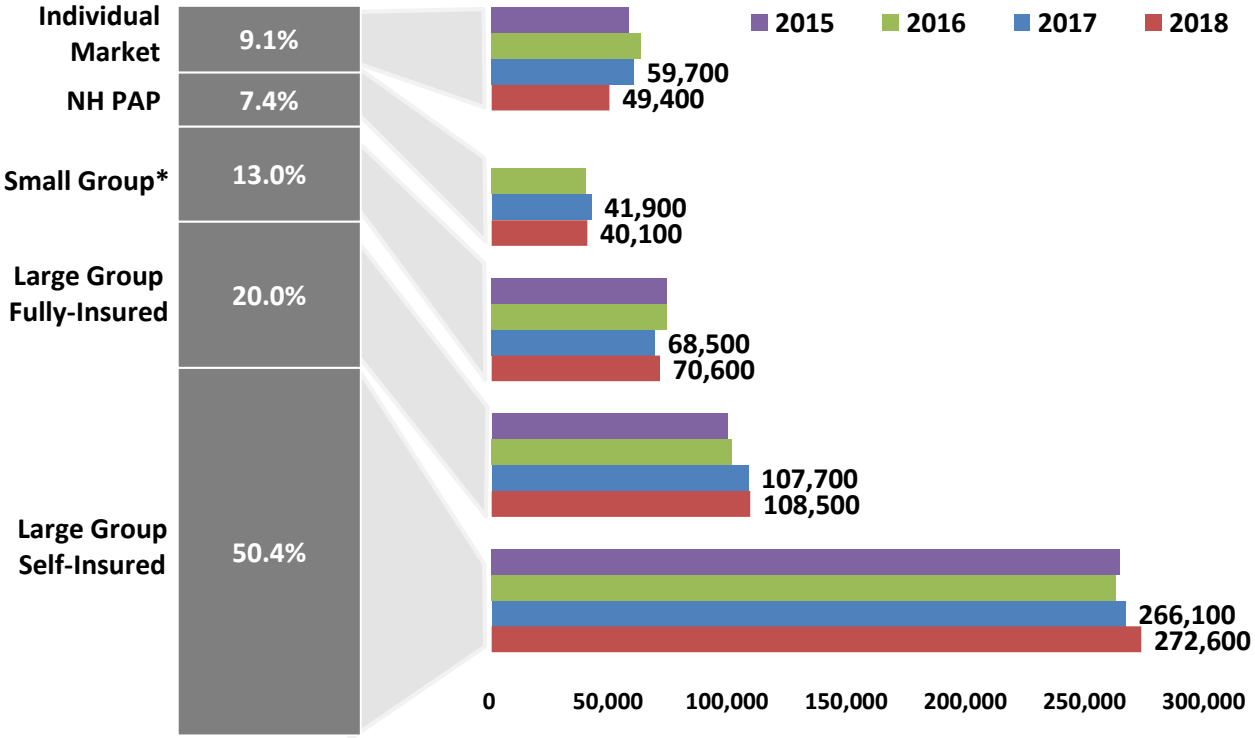
Similar to prior years, in 2018, the majority (83%) of private commercial coverage was purchased through Employer-Sponsored Insurance (ESI). This consists of Small Group (employers with 50 or less employees), Large Group Fully-Insured, and Large Group Self-Insured. The Large Group Self-Insured segment represented 50% of the Commercial Market. Enrollment in each of the group segments experienced small increases. The number of individual purchasers decreased slightly in 2017 and decreased more significantly in 2018. In 2018, the Individual Market decreased 17% or by approximately 10,000 members. The NH PAP population was new to the Commercial Market in 2016 adding 40,100 members to the total market in 2018. The NH PAP ended on 12/31/2018 and these members were transitioned from qualified health plans (QHP) to Medicaid Care Management (MCM) plans.

There has been growth in employer-sponsored insurance plans, led by growth in the Self-Insured Market coupled with membership losses in the Individual Market.

Commercial Market Enrollment by Segment, 2015 - 2018

2017 Total Enrollment: 543,900 members
2018 Total Enrollment: 541,200 members



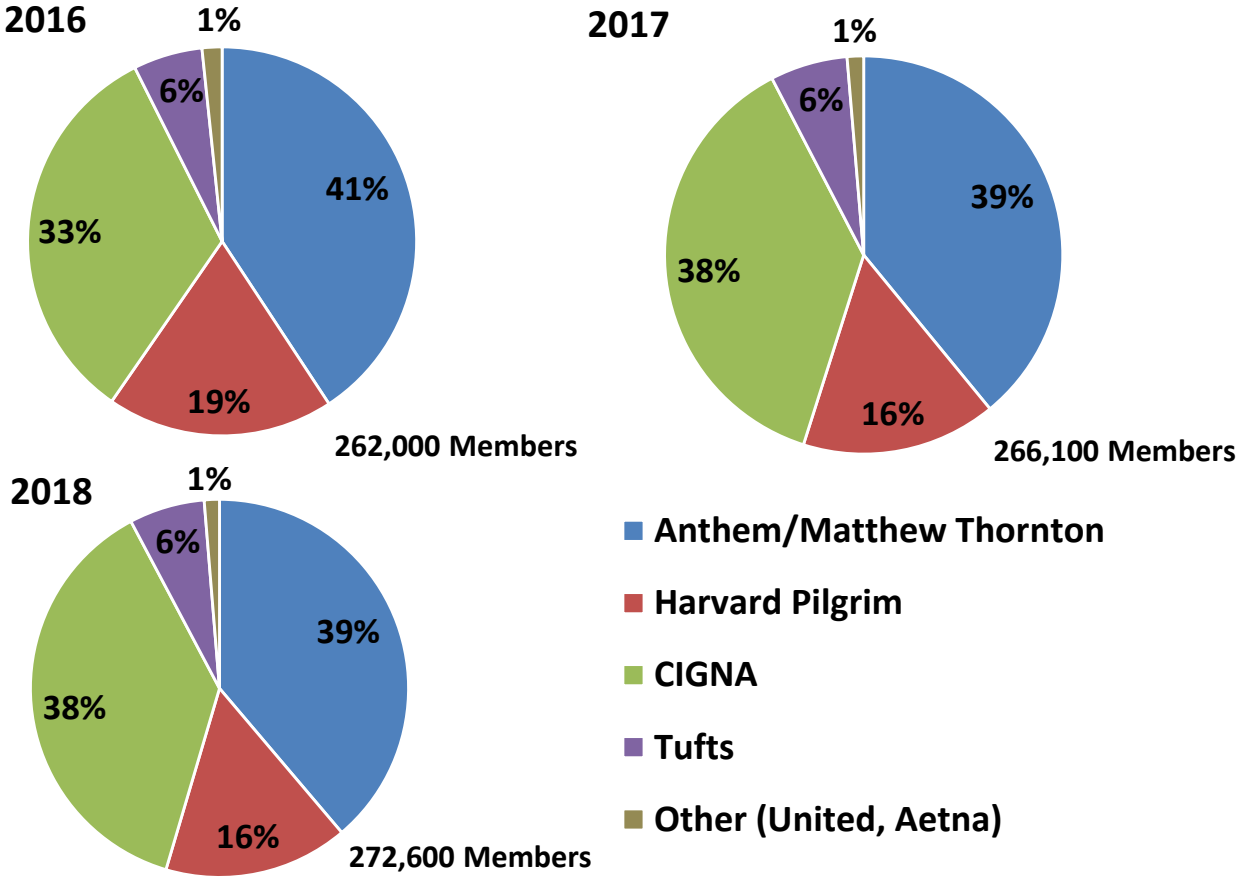
Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population. Membership is estimated based on calendar year member months divided by 12. Note that percent values may not add to 100% due to rounding.
*The Small Group Market has less than 500 self-insured members (0.65% of the Small Group Market), and are included in this chart.

COVERAGE SHIFTS

Membership within the Self-Insured Large Group Market increased by approximately 4% or approximately 10,600 members from 2016 to 2018. Market share remained relatively consistent among all insurers in 2017 to 2018. There was more change in the prior year where CIGNA experienced an increase in market share from 2016 to 2017, increasing from 33% to 38%. Anthem/Matthew Thornton and Harvard Pilgrim experienced a decrease in market share during this time. Tufts has consistently maintained 6% market share from 2016 to 2018.

The Self-Insured Large Group Market membership increased by approximately 10,600 members from 2016 to 2018. CIGNA's market share has increased 5 percentage points during this time period while Anthem/Matthew Thornton and Harvard Pilgrim have lost market share.

Distribution by Insurer of Large Group Situs and Self-Insured



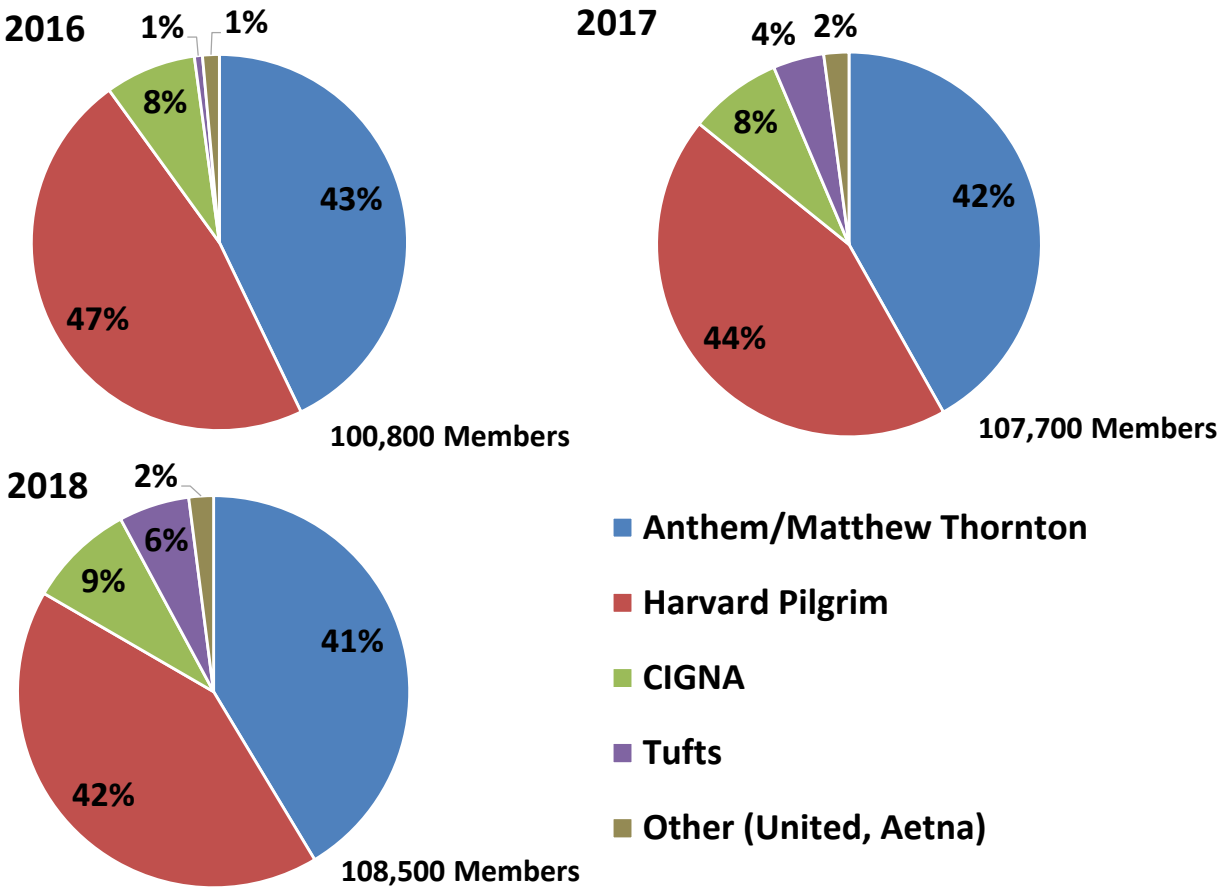
Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population. Membership is estimated based on calendar year member months divided by 12.

COVERAGE SHIFTS

The Large Group Fully-Insured Market is smaller than the Self-Insured Market, representing 28% of the total Large Group Market. The two largest insurers, Anthem/ Matthew Thornton and Harvard Pilgrim, represented 83% of Large Group Fully-Insured members in 2018. This has decreased from prior years where their combined market share was 90%. Tufts was a new entrant in 2016 and its market grew from 1% in 2016 to 6% in 2018 -- approximately 5,600 members.

Over a two-year period, Tufts' Large Group market share increased 5 percentage points while Harvard Pilgrim's market share decreased 5 percentage points. Over this this same time period, overall membership increased by approximately 8,000 members.

Distribution by Insurer of Large Group Situs and Fully-Insured



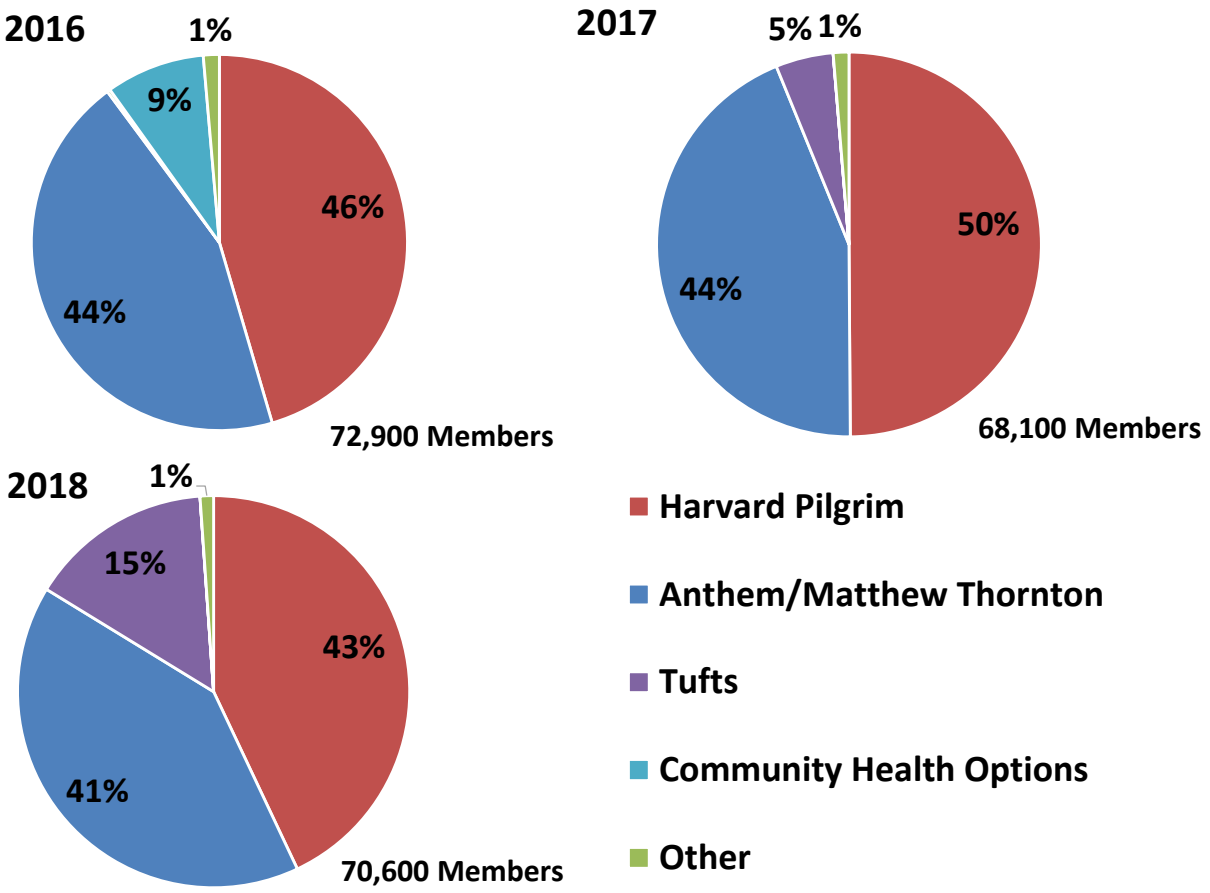
Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population. Membership is estimated based on calendar year member months divided by 12.

COVERAGE SHIFTS

Community Health Options (CHO) exited the market in 2017 and Tufts, the new entrant in 2016, grew their market share to 15% in 2018. Overall membership decreased by 7% in 2016 to 2017. CHO was the lower cost option in 2016, so small group employers may have dropped coverage when CHO was no longer available in 2017 but some membership has returned in 2018. Anthem/Matthew Thornton's market share has decreased slightly from 2016 to 2018, from 44% to 41%. Harvard Pilgrim increased their market share from 2016 to 2017, but experienced a significant decrease from 2017 to 2018, decreasing from 50% to 43%.

Overall membership in the Small Group Market has decreased from 2016 to 2018, although 2018 increased slightly compared to 2017. Tufts greatly increased their market share from less than 1% in 2016 to 15% in 2018.

Distribution by Insurer of Small Group Situs and Fully-Insured



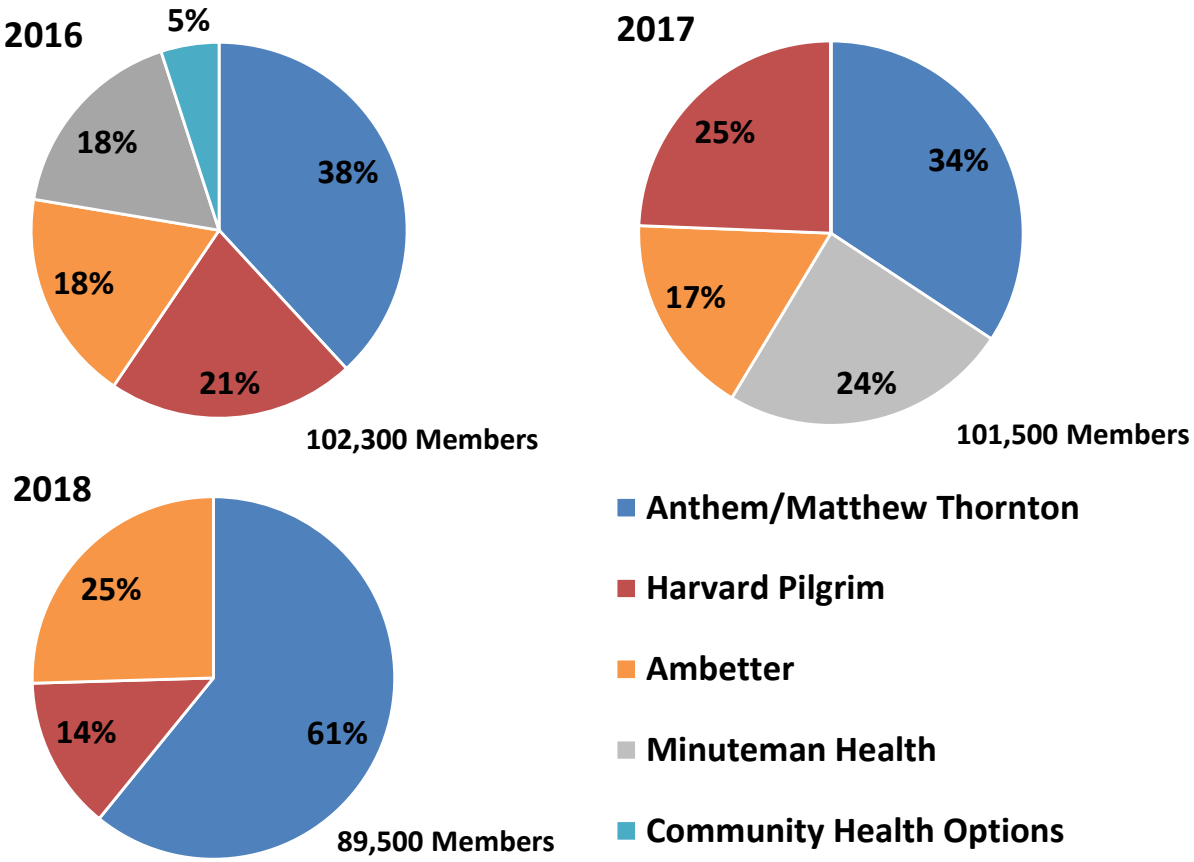
Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population. Membership is estimated based on calendar year member months divided by 12.

COVERAGE SHIFTS

After remaining fairly stable in 2017, membership in the Individual Market in 2018 decreased 12%, driven by decreases in the non-PAP population. Due to the high premium rate increases in the Individual Market in 2018 and the closure of Minuteman in 2017, which was the low cost option, some enrollees in the Individual Market either dropped health insurance coverage or found it elsewhere via Medicaid or Employer Sponsored Insurance (ESI). Anthem/Matthew Thornton significantly increased their market share from 2017 to 2018, gaining close to 20,000 members. These charts include approximately 2,700 Grandfathered and 3,000 Transitional members in 2018, approximately 1,200 less than in 2017.

In 2016, the Individual Market had five insurers participating. This has dropped to three insurers in 2018 with the closure of Minuteman and exit of Community Health Options. Anthem/Matthew Thornton and Ambetter have increased market share during this time.

Distribution by Insurer of Individual and NH PAP



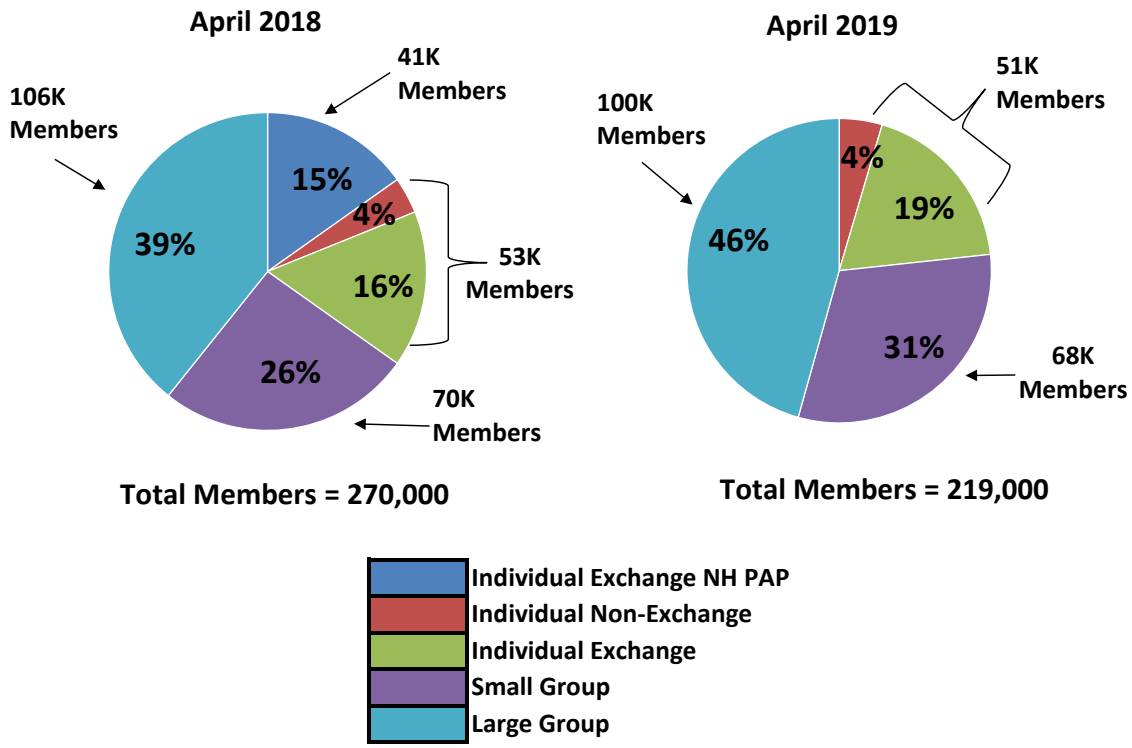
Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population. Membership is estimated based on calendar year member months divided by 12.

COVERAGE SHIFTS

The NH PAP ended on 12/31/2018 and these members were transitioned from Qualified Health Plans (QHP) to Medicaid Care Management (MCM) plans. There were approximately 41,000 NH PAP members as of April 2018. The non-PAP membership decreased slightly from 2018 to 2019, losing approximately 2,000 members. This is much less than the prior year's loss of 10,000 members. The Small Group Market and Large Group Market membership also decreased in early 2019, by 2,000 and 6,000 members respectively.

The Individual Market membership decreased by 43,000 members as of April 2019 compared to the prior year. The majority of these members (41,000) were NH PAP while approximately 2,000 members were Individual non-PAP members. The Small Group Market and Large Group Market also experienced small decreases in 2019.

Fully-Insured Membership by Market Segment



Source: NHID Annual Hearing data 2018 and 2019; Excludes FEHBP.

COVERAGE SHIFTS

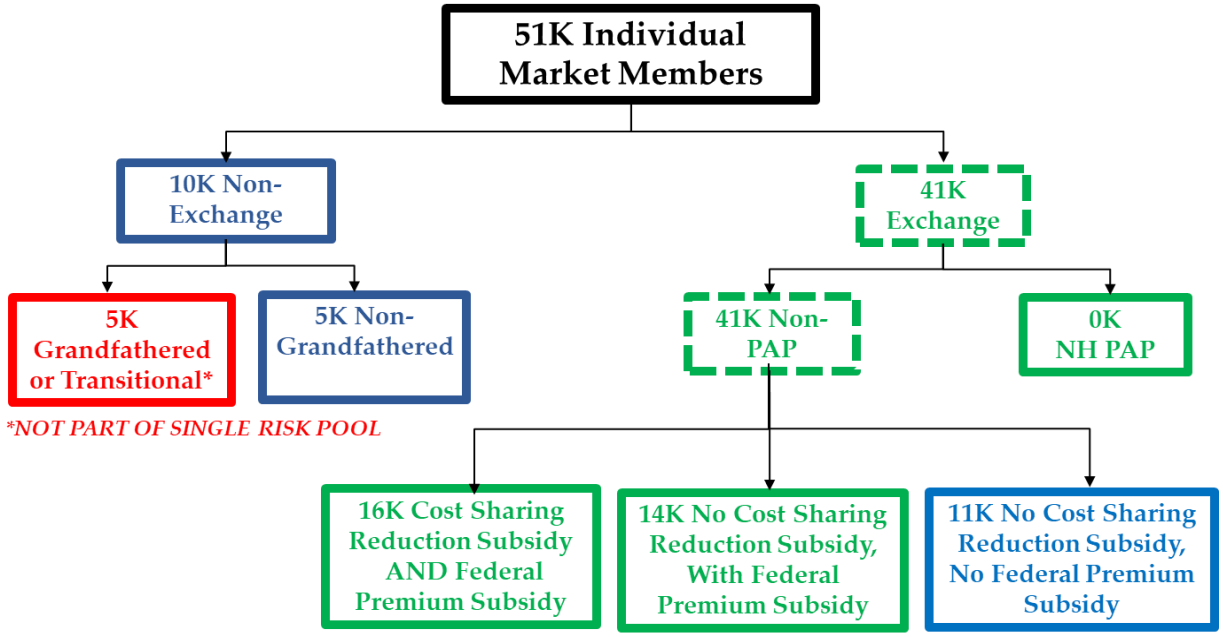
The Individual Market population who are receiving some kind of subsidy are outlined in green, while segments who are not receiving some kind of subsidy are outlined in blue.

Each of these sub-populations of the Individual Market may have different plan offerings, distribution channels, and risk characteristics.

The box highlighted in red is the Grandfathered and Transitional members who are not part of the Single Risk Pool.

Due to the ending of the NH PAP on 12/31/18, the Individual Market was cut almost in half, experiencing a decrease from 94,000 members down to 51,000. The Individual Market continues to be diverse and includes several sub-populations.

2019 Individual Market Membership



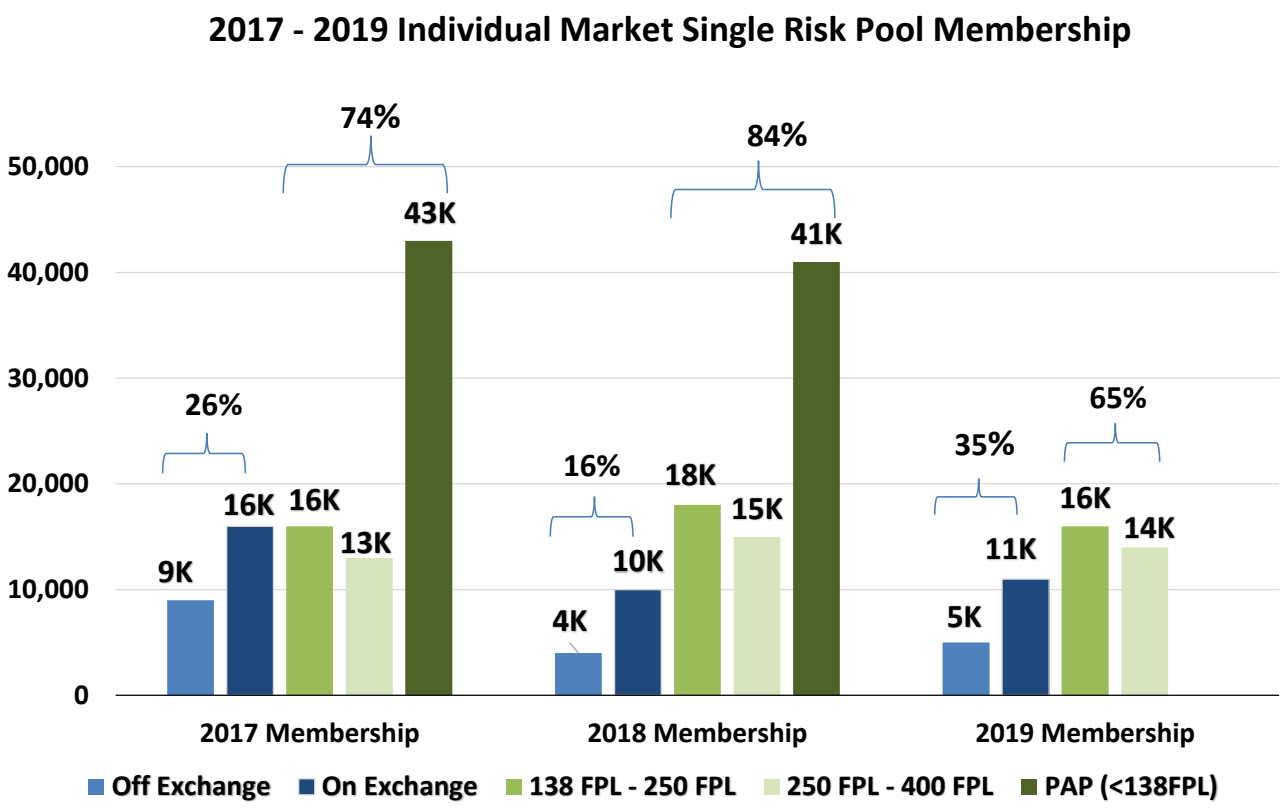
Source: NHID Annual Hearing data 2019; Membership as of April 2019; Excludes FEHBP.

Note: Single Risk Pool is a concept under the ACA where the claims experience from all enrollees have to be considered when an insurer calculates premiums for that market segment. All of the segments shown above are included as part of the Individual Market Single Risk Pool except for the Grandfathered/Transitional population outlined in red. The Grandfathered/Transitional members are exempt from the Single Risk Pool provision per the ACA and therefore continue to be rated separately from the rest of the Individual Market.

COVERAGE SHIFTS

Consistent with the previous slide, the Individual Market members who are receiving some kind of subsidy are colored in green, while segments who are not receiving some kind of subsidy are colored in blue. In 2018, the Individual Market experienced significant shifts within its subpopulations as the proportion of individuals receiving subsidies increased. However, the NH PAP ended 12/31/18 and resulted in the proportion of the Individual Market receiving subsidies to decrease significantly to below the 2017 level.

In 2019, about 65% of the Individual Market received some form of subsidy towards health insurance, a significant decrease from prior years, mainly due to the ending of the NH PAP.



Source: NHID Annual Hearing data 2018 and 2019; Membership as of April; Excludes FEHBP.

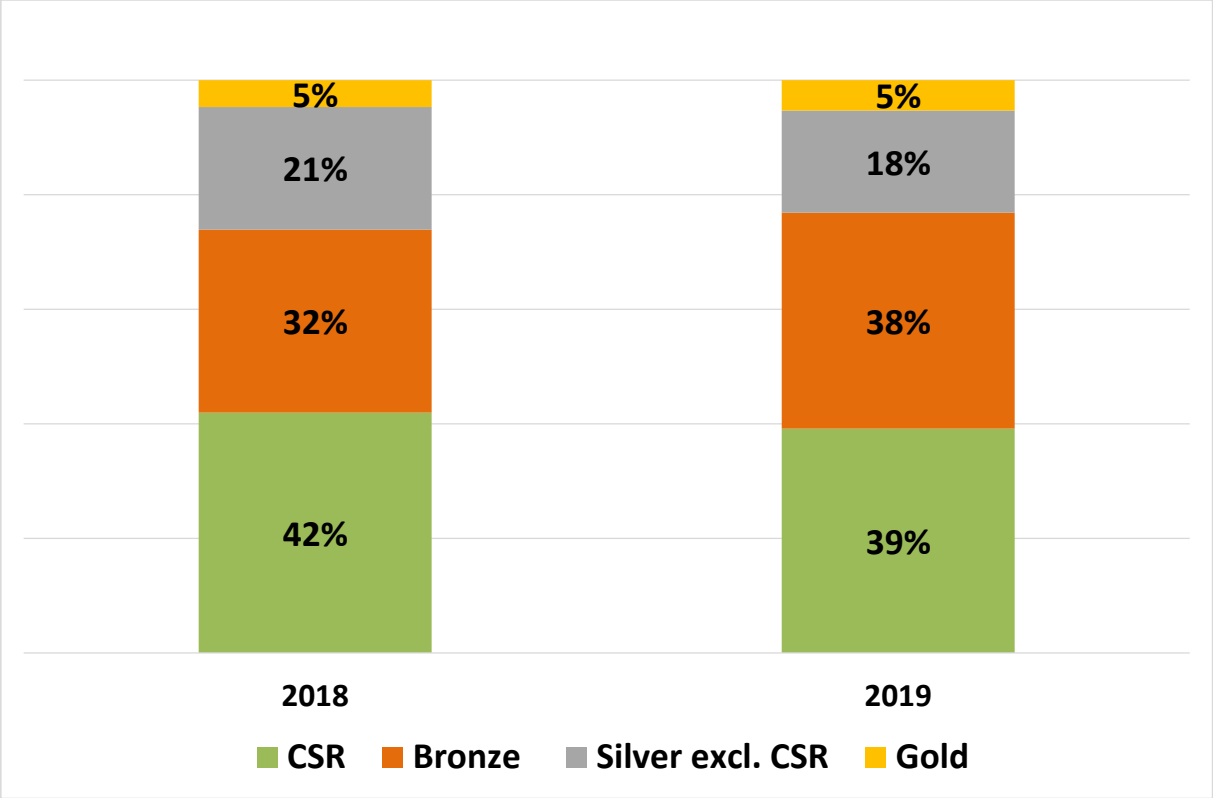
Note this chart only represents the Single Risk Pool.

COVERAGE SHIFTS

The metal level represents a plan's actuarial value (AV) or benefit richness. Generally, Bronze plans have lower premiums and higher cost sharing while Silver and Gold plans have higher premiums and lower cost sharing. For members on the Individual Market Exchange, there was a shift away from Silver plans to less rich Bronze plans. In 2018, 21% of the membership was in Silver plans and this decreased to 18% in 2019. This is coupled with an increase in Bronze plans from 32% in 2018 to 38% in 2019. As shown on the previous slide, membership in CSR plans has also decreased from 2018 to 2019. Membership in Gold plans has remained steady at 5% of the Individual Market Exchange.

From 2018 to 2019, membership in the Individual Market Exchange shifted away from Silver plans towards Bronze plans.

2018 and 2019 Individual Market Exchange Membership by Metal Level



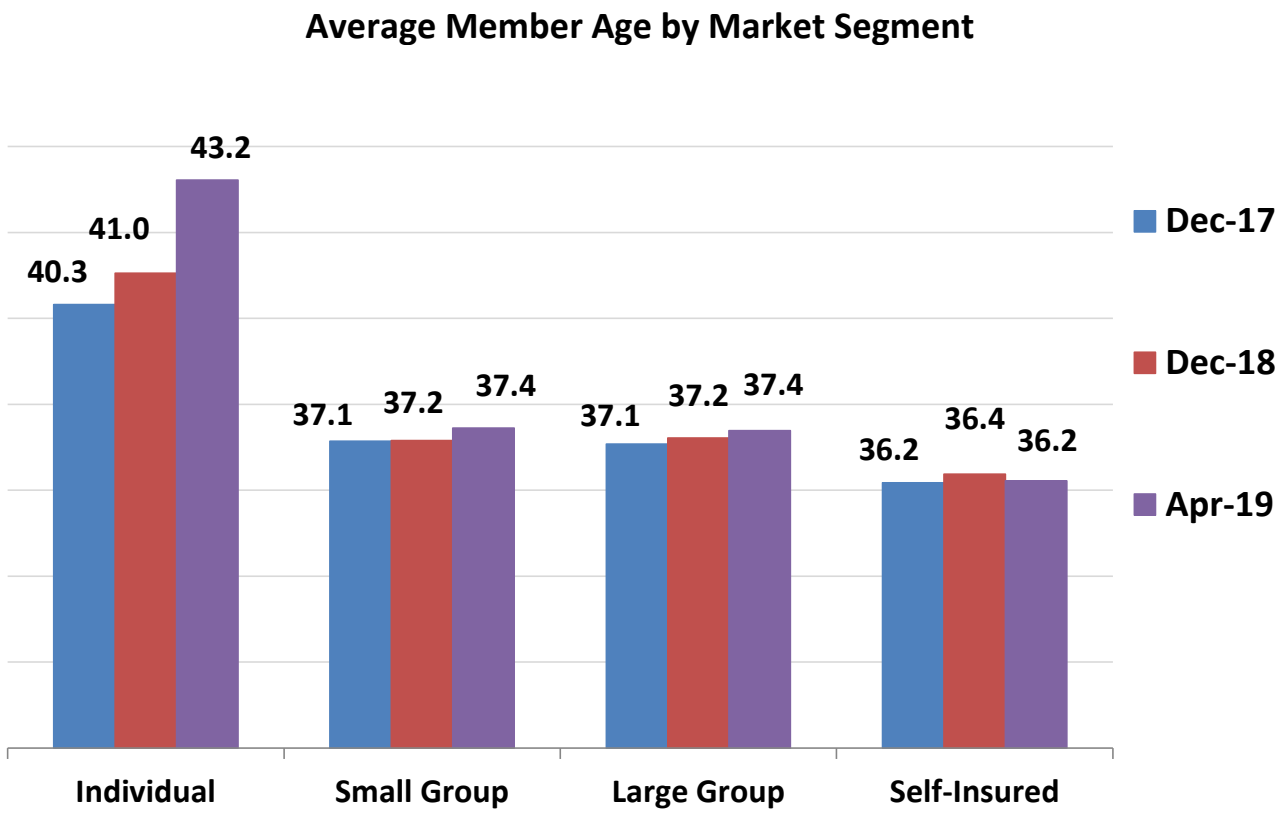
Source: NHID Marketplace Enrollment Reports as of July each year. CSR membership collected from SDR and NHID Annual Hearing data requests. Excludes NH PAP and catastrophic membership.

COVERAGE SHIFTS

The Individual Market's average age is higher than the other segments, suggesting that its health care needs may be higher. The average age in the Individual Market has increased significantly in early 2019 due to the end of the NH PAP. The average age also increased in 2018 compared to 2017. Given the membership declines in 2018, this most likely means that younger members left the market in 2018.

The Self-Insured Market continued to have slightly younger average ages than the Small Group and Large Group Fully-Insured Markets.

The average age in the Individual Market has increased slightly in 2018 and again in 2019. The significant increase in 2019 was due to the ending of NH PAP as of 12/31/2018. The Individual Market continued to be older than other segments.



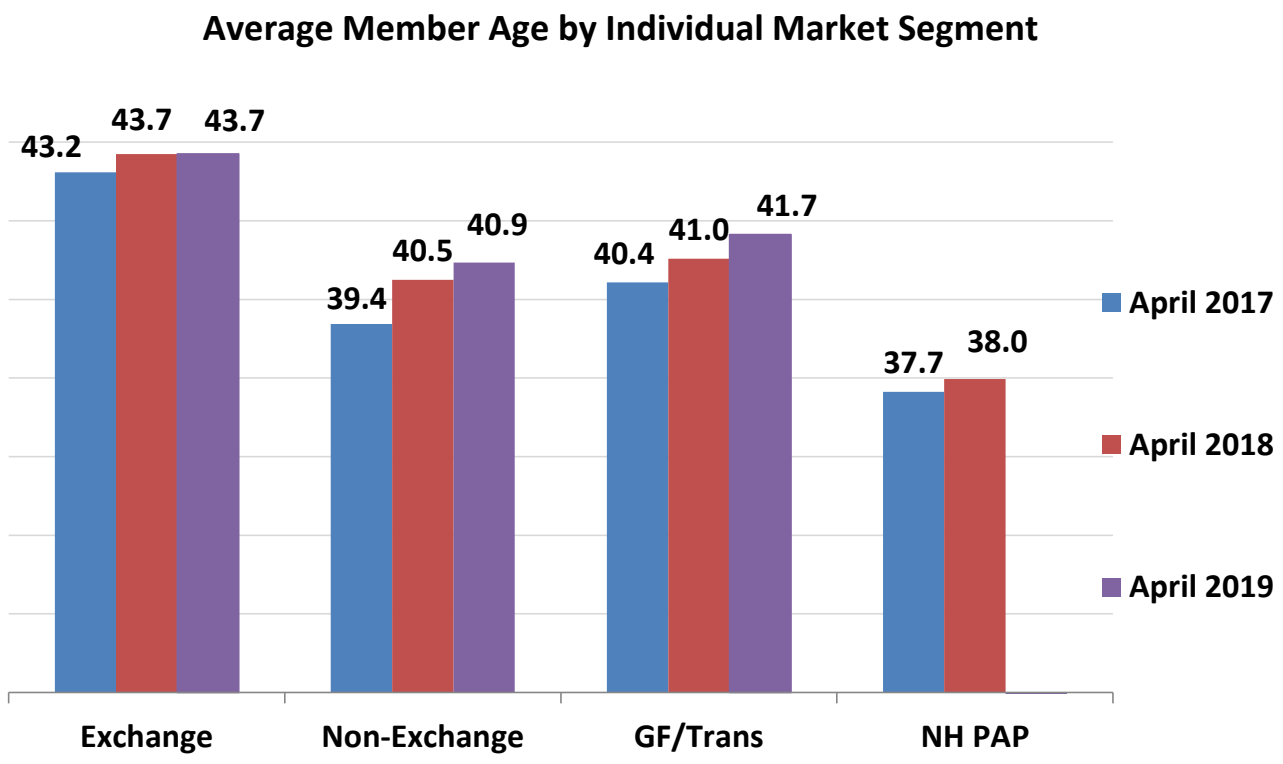
Source: NHID Annual Hearing data 2017, 2018, and 2019; Excludes FEHBP.

COVERAGE SHIFTS

The Exchange population's average age did not change from 2018 to 2019, remaining at 43.7. Over the three years examined, the average age of the Non-Exchange segment experienced the largest increase in average age from 39.4 to 40.9. The Grandfathered/ Transitional segment also increased in age from 40.4 to 41.7.

The NH PAP population had the youngest average age of the segments within the Individual Market. The NH PAP ended on 12/31/2018 and these members were transitioned from qualified health plans (QHP) to Medicaid Care Management (MCM).

Within the Individual Market, the Exchange population's average age did not change significantly, while the Non-Exchange and Grandfathered/Transitional population increased from 2017 to 2019.



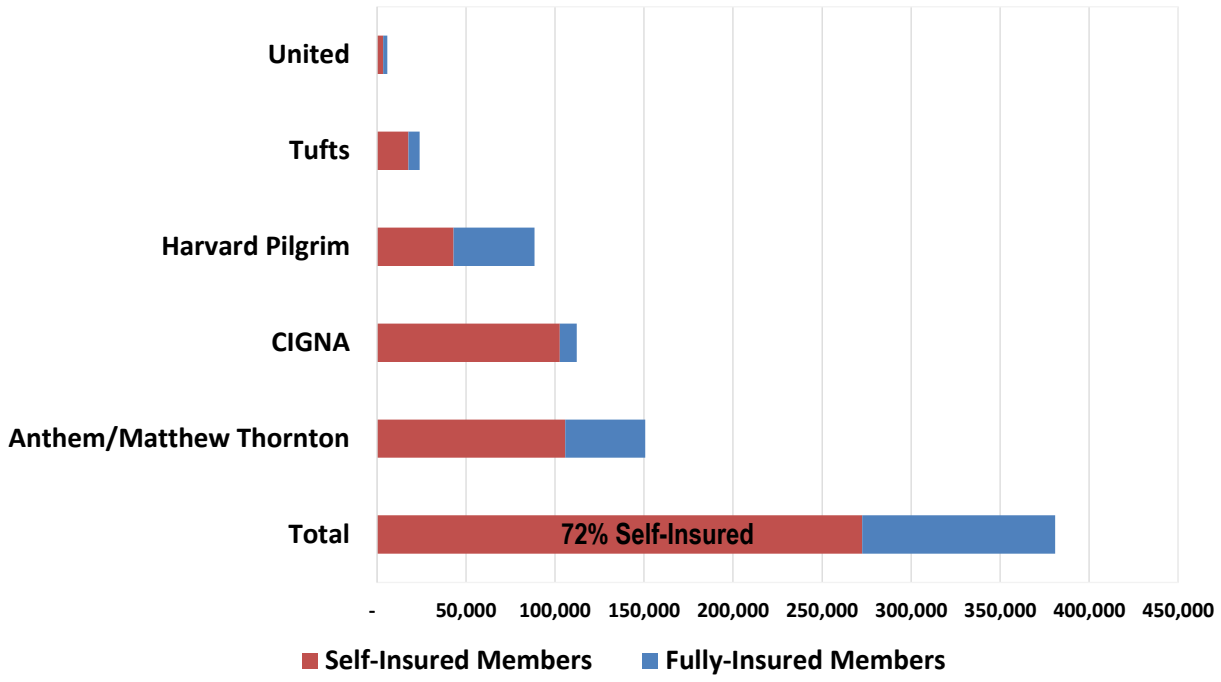
Note: 2017 data includes Minuteman whereas 2018 does not as they exited the market end of 2017.
Source: NHID Annual Hearing data 2017 and 2018; Excludes FEHBP.

COVERAGE SHIFTS

The primary difference between a self-insured and a fully-insured arrangement is that under the first, the employer assumes the risk of the health care claims of its members. Under the second, the insurer assumes the risk for health care claims and will charge a risk premium for this benefit. An employer will weigh the pros and cons of the self-insurance arrangement considering questions such as:
Is the employer large enough to smooth out the volatility in health care claims expenditures?
Is the employer able to absorb an unexpected high cost claim?
Will the savings the employer expects under a self-insured arrangement be enough to take on the added risks?

The Self-Insured Market continued to dominate the Large Group Market. In 2018, 72% of the Large Group Market was self-insured, driven by enrollment in Anthem & CIGNA. These two insurers account for more than two thirds of self-insured enrollment.

Large Group Membership Distribution by Self-Insured vs. Fully-Insured for 2018



Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population. Anthem Health Plans of NH, Inc Matthew Thornton Health Plans Inc. are shown combined, as are the 3 HPHC entities (Harvard Pilgrim Health Care of New England, HPHC Insurance Company and Health Plans, Inc).United includes United Healthcare Services Inc. and UnitedHealthcare Insurance Company.

Membership is estimated based on calendar year member months divided by 12.

PREMIUM LEVEL AND TRENDS

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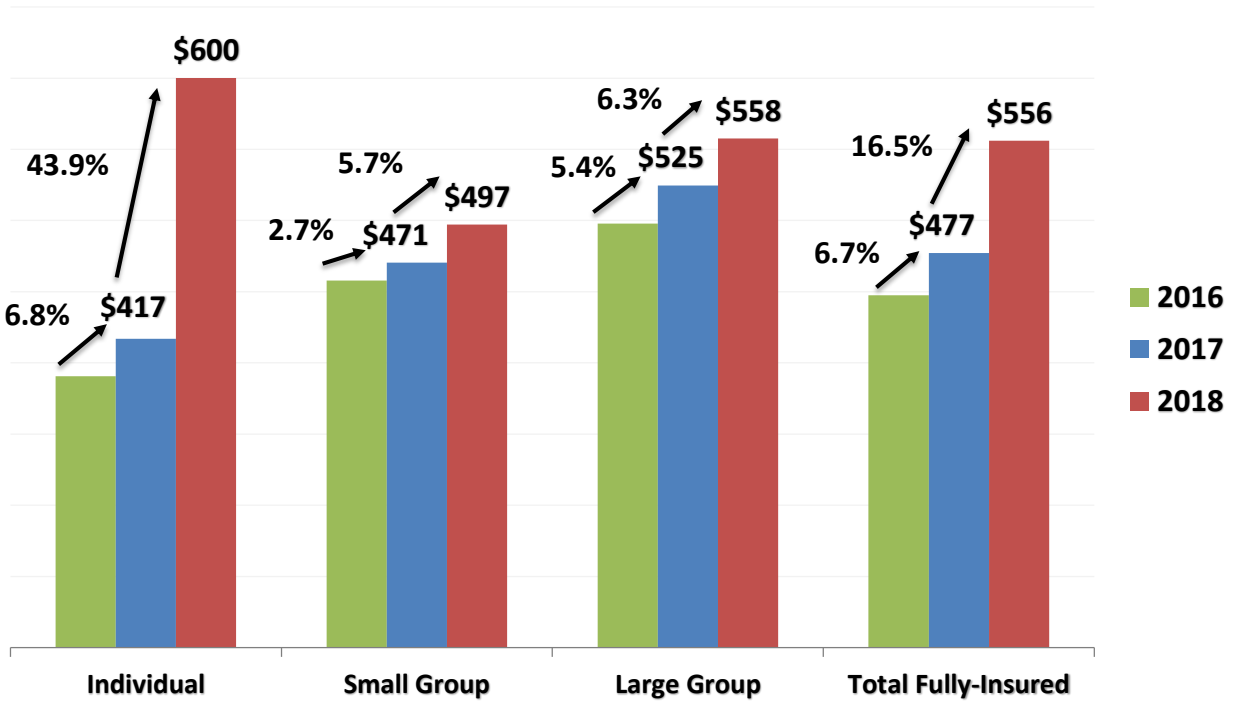
Premiums in the Fully-Insured Market increased 6.7% in 2017 and 16.5% in 2018. The Individual Market increase in 2018 was driven in part by the closure of Minuteman in 2017, which was the lower costing option in New Hampshire, and in part by silver loading due to the loss of CSR subsidies (described on Slide 1.3). The Small Group Market experienced a higher increase compared to the previous year. The Large Group Market experienced an increase of 6.3%, slightly higher than the prior year's increase of 5.4%. Based on the 2018 Employer Benefits Survey from the Kaiser Family Foundation and the Health Research & Education Trust, in 2018, average premiums in the Employer Market increased 3% for single coverage and 5% for family coverage.

After a year of moderate premium increases, overall fully-insured premiums in New Hampshire increased 16.5% in 2018 led by the 43.9% increase in the Individual Market. Premiums in the Individual Market are now higher than in the Group Markets.

Fully-Insured Commercial Unadjusted Earned Premium PMPM by Market Segment

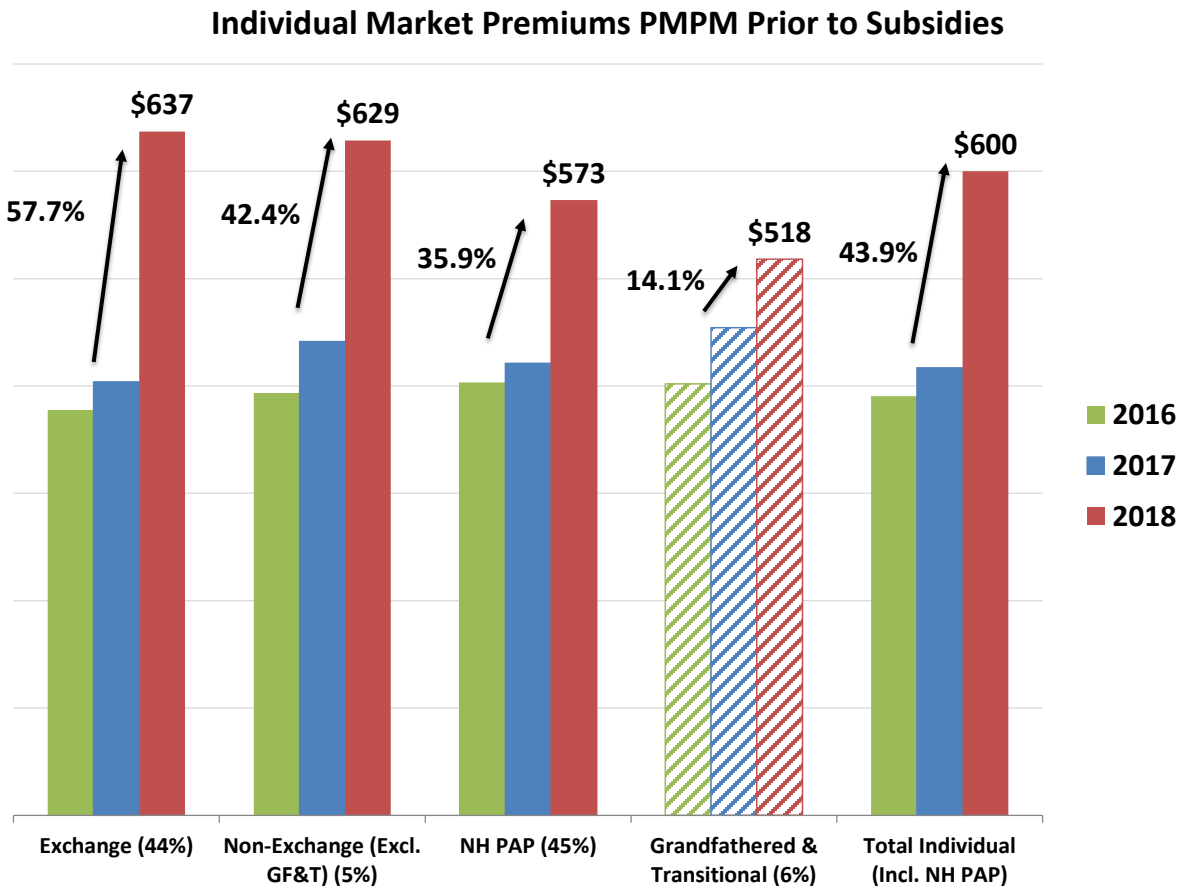


Source: NHID Supplemental Data Request; Commercial fully-insured population including New Hampshire situs membership only. Excludes FEHBP population. Individual Market includes the NH PAP population and Minuteman data, which was estimated using premium data from federal risk adjustment reports for the non-PAP population and estimates for the NH PAP premium, with adjustments to account for actual 2017 NH PAP premium.

PREMIUM LEVEL AND TRENDS

Premiums in the Individual Market increased 43.9% in 2018 which was much higher than the prior year's increase of 6.8%. The Exchange population experienced the highest average increase at 57.7%, and comprised approximately 44% of the market. These high increases were not unexpected due to the closure of Minuteman in 2017, New Hampshire's low cost insurer. When Minuteman exited the market as of 12/31/2017, insurers expected healthier members to leave the market which would increase the morbidity expectations for the remaining population, thus driving up premiums. The Exchange premiums were also impacted by silver loading due to the loss of CSR subsidies. The Grandfathered/Transitional population experienced the lowest increase at 14.1%. This segment is not part of the Single Risk Pool and is shown as shaded rather than in solid colors.

Overall average premiums in the Individual Market increased 43.9% from 2017 to 2018, led by increases in the Exchange segment. The Grandfathered/Transitional Market had the lowest increase at 14.1%.

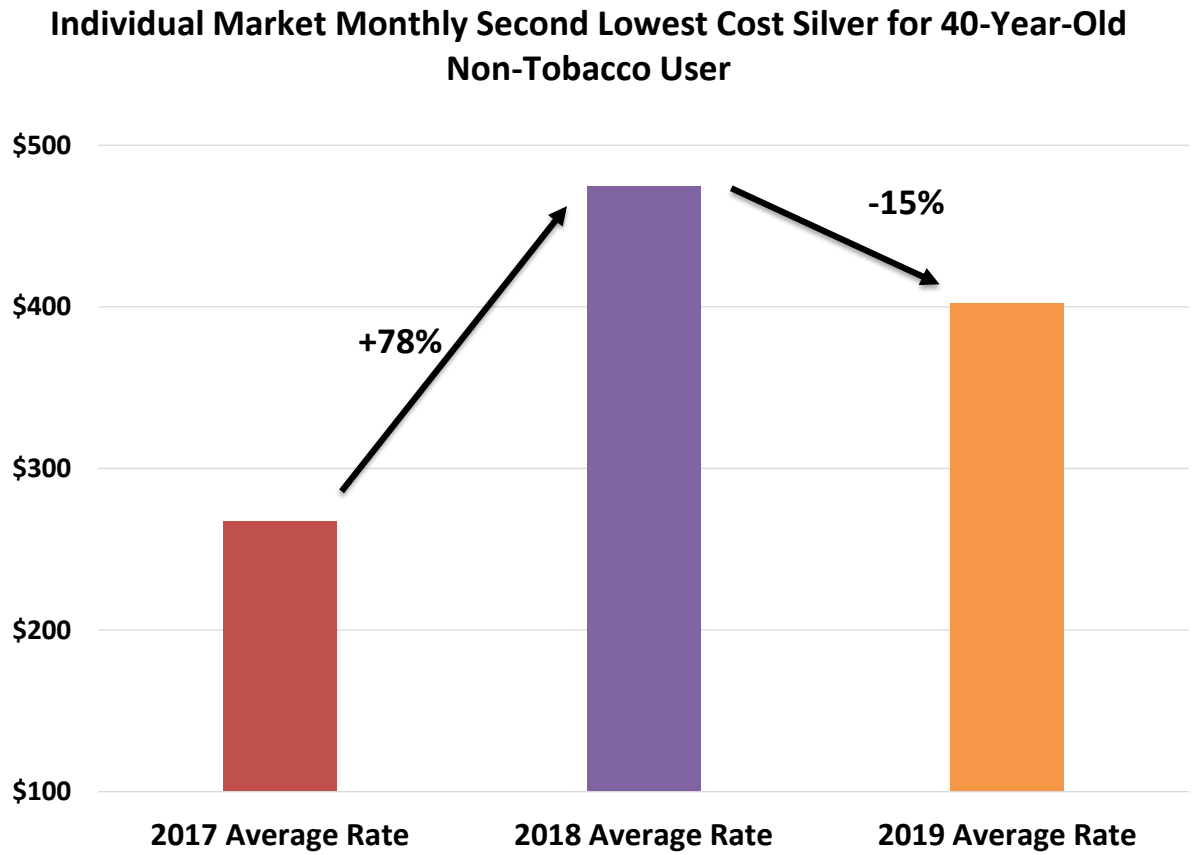


Note: The distribution % shown under each market is based on 2018 member months.
Source: NHID Supplemental Data Request; Commercial fully-insured population including New Hampshire situs membership only. Excludes FEHBP population. Individual Market includes NH PAP.

PREMIUM LEVEL AND TRENDS

The increase in the second lowest cost silver plan from 2017 to 2018 was +78%. The increase in the second lowest cost silver plan from 2018 to 2019 was -15%. The rate decrease is due in part to the migration of NH PAP out of the Individual Market Single Risk Pool in 2019. This translates into a 51% rate change from 2017 to 2019. Since this is still a large rate increase, it is not anticipated that a significant number of members who left in 2018 will re-enter the market in 2019.

While the 2019 rate change in the Individual Market's second lowest cost silver plan was favorable at -15%, it does not negate the significant rate increase in 2018 of 78%.



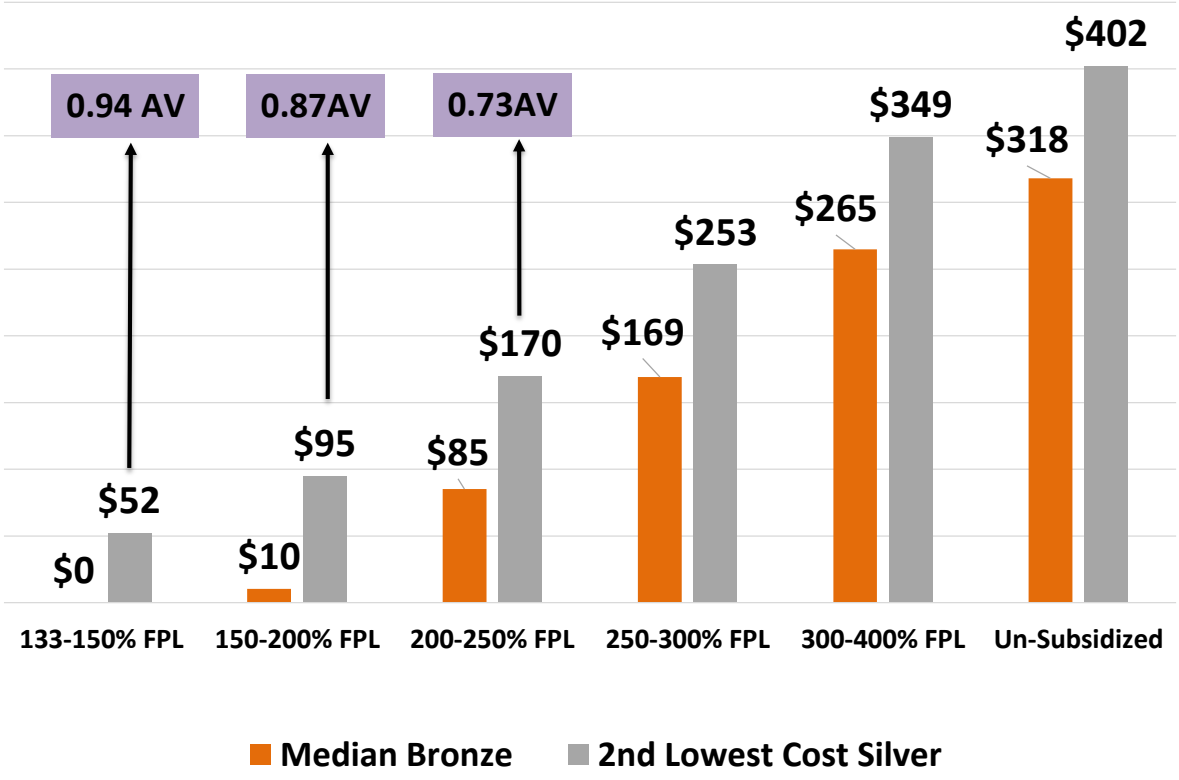
Source: Average Monthly Premiums for Second Lowest Cost Silver Plan released by CMS 10/11/2018. Translated to represent 40-year-old rather than 27-year-old. https://www.cms.gov/sites/drupal/files/2018-10/10-11-18%20Average%20Monthly%20Premiums%20for%20SLCSP%20and%20LCP%202016-2019_0.pdf.

PREMIUM LEVEL AND TRENDS

This slide shows an illustrative example of what a 40-year-old single policyholder in NH would pay for the second lowest cost silver plan and median bronze plan in 2019 at various income levels. Federal premium subsidies (or APTCs) are available on a sliding scale to qualifying individuals and families on the Exchange with incomes less than 400% of the Federal Poverty Level. In this example, APTC members will pay between $52 a month and $349 a month in premium depending on their income. At the far right we show that the non-subsidized individual pays $402 a month, which is about $350 more per month than what the individual earning 150% FPL will pay. Members with FPL between 133% and 250% will also receive CSR subsides which increase the richness of their benefit levels between .73 AV to .94 AV depending on income level.

Lower income members with cost sharing reduction subsidies and advanced premium tax credits pay significantly less than non-subsidized individuals.

2019 Illustrative Monthly Premium 40-Year-Old Single Policyholder



Note: These charts assume the age of the adult enrollee is 40 and that the APTC and un-subsidized enrollees are enrolled in the second lowest cost silver plan or median bronze plan.

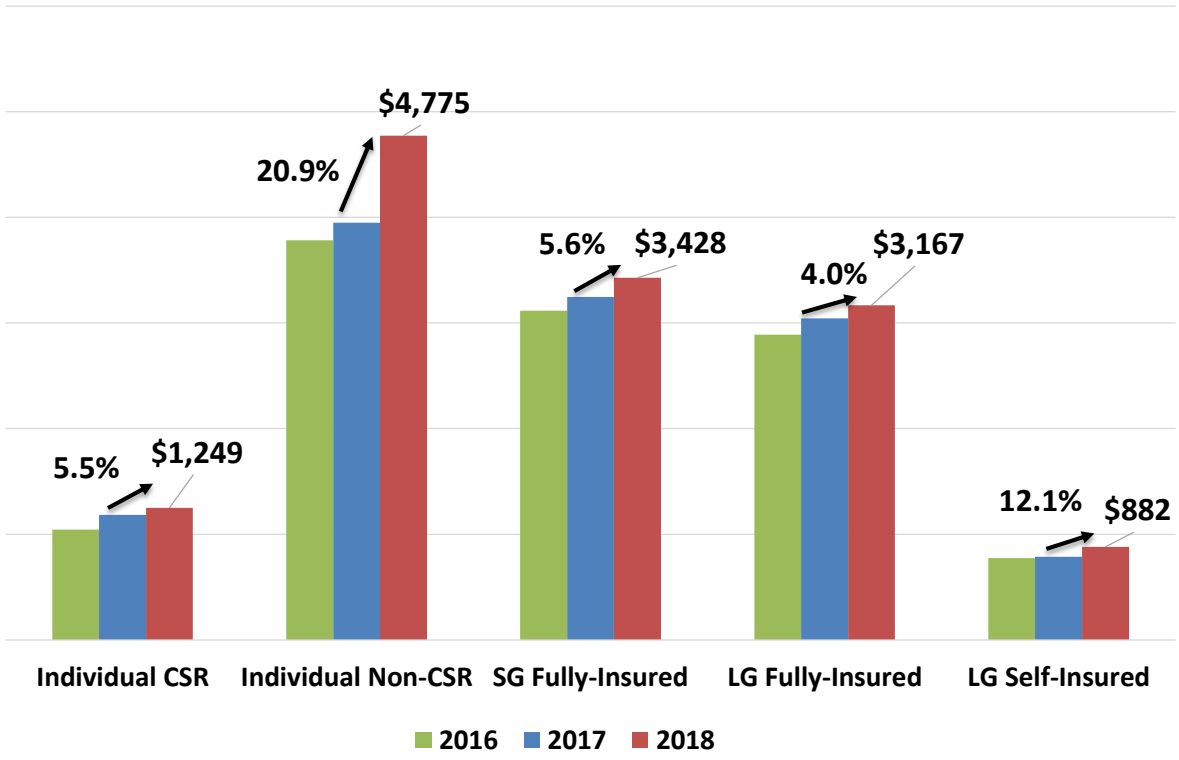
MEMBER COST SHARING

COST SHARING

The average deductible for the Individual Market without Cost Sharing Reduction (CSR) subsidies increased 20.9% from 2017 to 2018. This segment continued to have a much higher deductible than the Individual Market with CSR subsidies. The large premium increases in the Individual Market most likely led to the large increase in deductibles as individuals may have attempted to purchase less rich plans to mitigate premium increases. The Large Group Self-Insured Market experienced a fairly large increase of 12.1%, but continued to have a much lower average deductible, over $2,000 lower than the Large Group Fully-Insured Market. Nearly half of all Large Group Self-Insured members are in State and Municipal plans.

The average deductible increased in all segments from 2017 to 2018. The Individual Market without CSR subsidies had the highest average deductible and a significant increase compared to 2017.

Comparison of Average Single Deductible by Market Segment



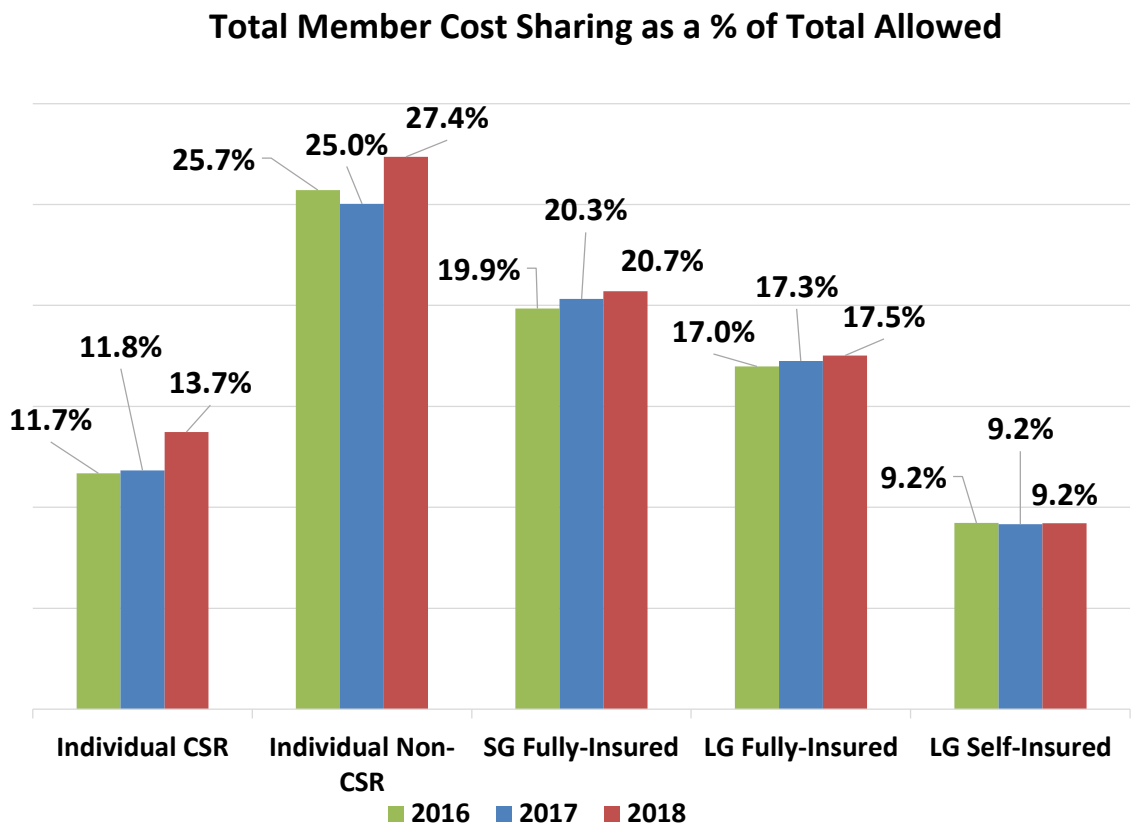
Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes NH PAP and FEHBP population. Data shown is for single, in-network coverage and includes zero dollar deductibles.
Minuteman data is excluded, however an analysis of 2015 and 2016 data shows that average Minuteman deductibles are similar to the rest of the market. Individual Market data accounts for the lower cost sharing for members that receive Cost Sharing Reduction (CSR) discounts.

COST SHARING

The average member cost sharing as of percentage of total allowed costs increased for both the Individual with CSR and Individual without CSR Markets from 2017 to 2018. The member cost sharing as a percentage of total allowed costs is much higher in the Individual Market without CSR at 27.4% compared to the Individual Market with CSR where 13.7% of total allowed costs are the member's responsibility in 2018.

In the Large Group Self-Insured Market the member cost sharing as percentage of total allowed costs is much lower than the Large Group Fully-Insured Market, at 9.2% versus 17.5%.

Total member cost sharing as a percentage of total allowed claims increased in the Individual Market without CSR segment from 25.0% in 2017 to 27.4% in 2018.



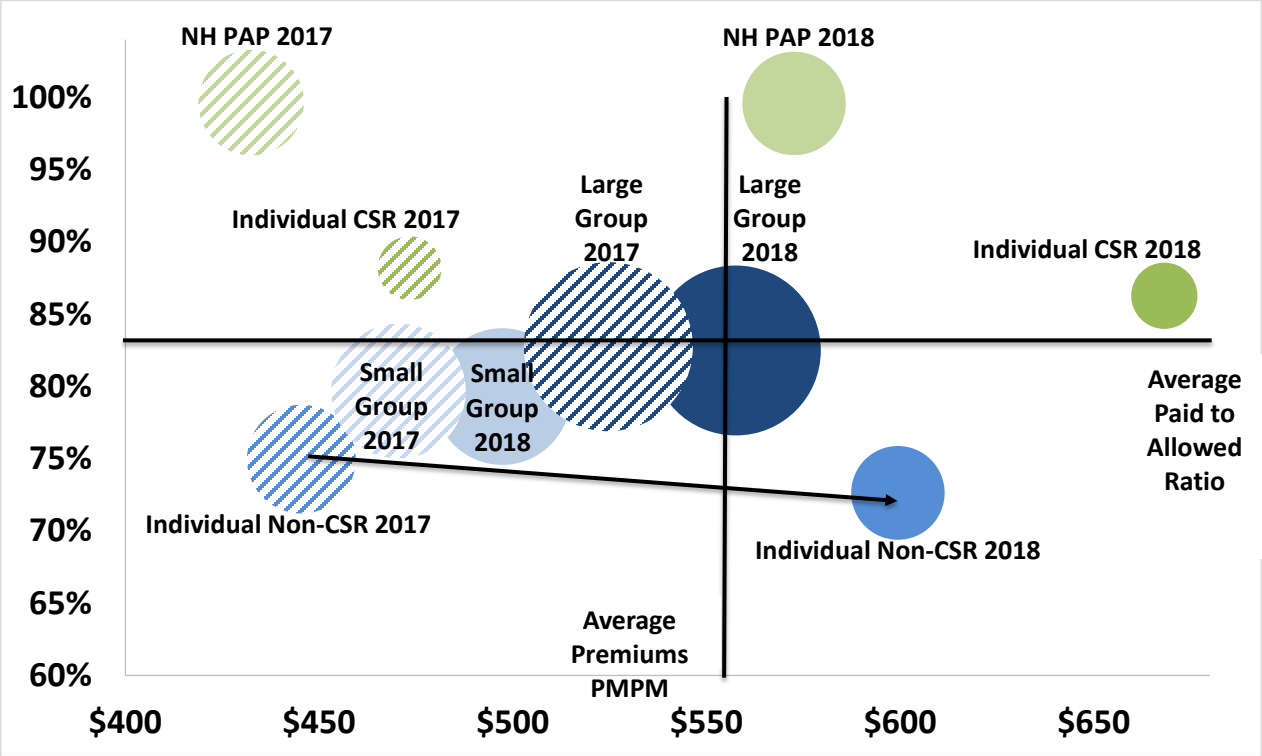
Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes NH PAP and FEHBP population.
Minuteman data is excluded, however an analysis of 2015 and 2016 data shows that average Minuteman cost sharing is similar to the rest of the market. Individual Market data accounts for the lower cost sharing for members that receive Cost Sharing Reduction (CSR) discounts.

COST SHARING

The paid to allowed claims ratio is an indicator of the richness of a health insurance plan's benefits. The higher the ratio, the more rich the benefits. The NH PAP population and the enrollees within the Individual Market who received Cost Sharing Reduction subsidies (indicated by the green bubbles) have the richest benefits in the market. By contrast, the enrollees within the Individual Market who do not receive Cost Sharing Reduction subsidies (Individual Non-CSR) have the least rich benefits in the market. However, due to the large premium increases in this segment, their premium levels are higher than the group markets but their benefit richness remains lower.

Enrollees with subsidized insurance had the most comprehensive health insurance benefits. The Individual Market without CSR experienced large premium increases, so they now have higher premiums than the Group Markets but their benefit richness is still lower.

2017 and 2018 Fully-Insured Premium Levels vs. Paid to Allowed Claims Ratio



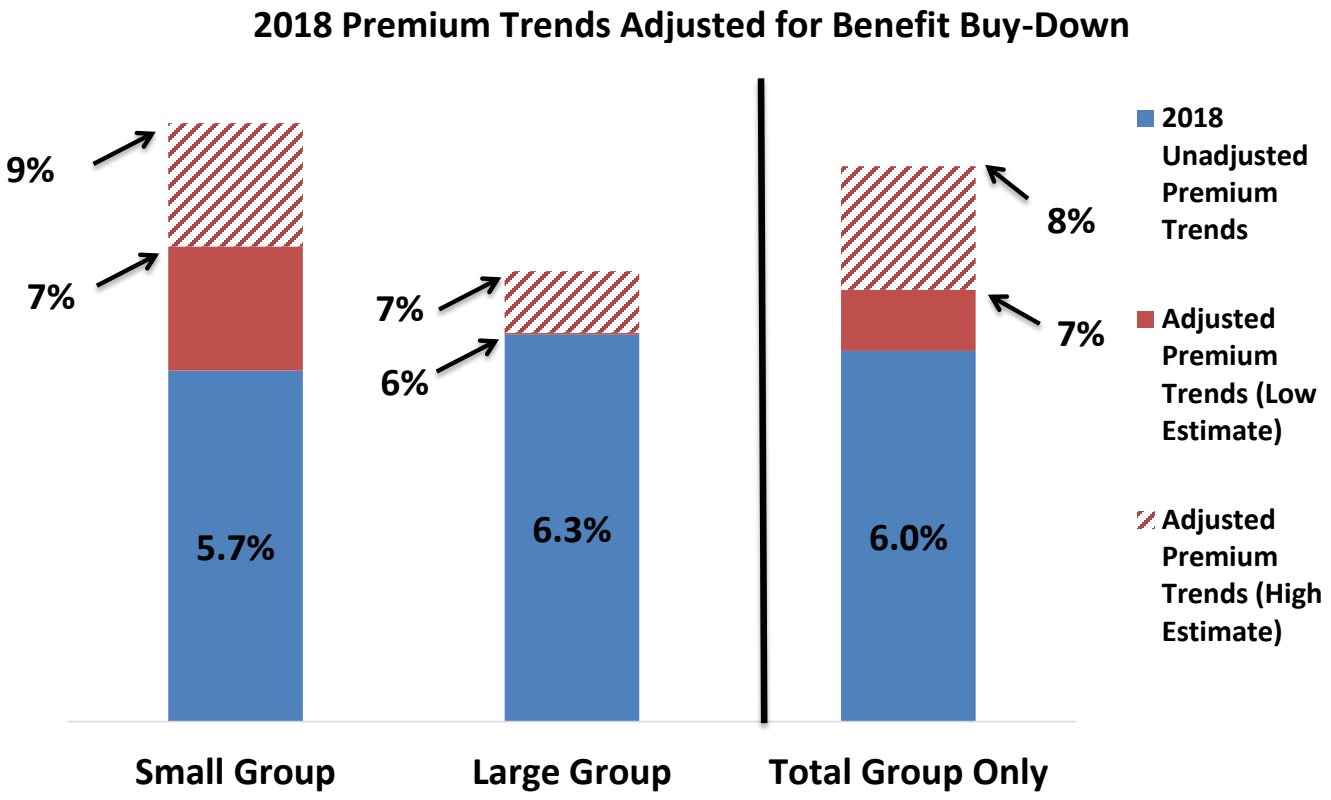
Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population. Includes an estimate of Minuteman's CY17 membership. The size of the circle indicates the relative size of the segment in members.
Segments that receive a subsidy are colored in green and segments that receive no subsidy are colored in blue.

BENEFIT BUY-DOWN AND BENEFIT ADJUSTED PREMIUM TRENDS

BENEFIT BUY-DOWN AND PREMIUM ADJUSTED TRENDS

This chart shows the "unadjusted premium trends" from slide 3.1 along with the estimated impact of benefit buy-down - which is the resulting premium trends in the absence of plan design changes. If Small Group employers had not changed their 2017 plan designs, in 2018, the Small Group Market would have experienced average premium increases in the range of 7% to 9%. However, since they did "buy-down," the resulting unadjusted premium trend is 5.7%. In the Large Group Market, there was minimal benefit buy-down in 2018. The Individual Market had benefit buy-down in the range of 3% to 5% but is not shown due to their high unadjusted premiums trends.

Small Group Market benefit buy-down increased slightly from 1 to 3% last year to 2 to 4% this year. Large Group Market benefit buy-down decreased slightly from 0 to 2% to 0 to 1%. Without benefit buy-down in these segments, premiums trends would have been higher.



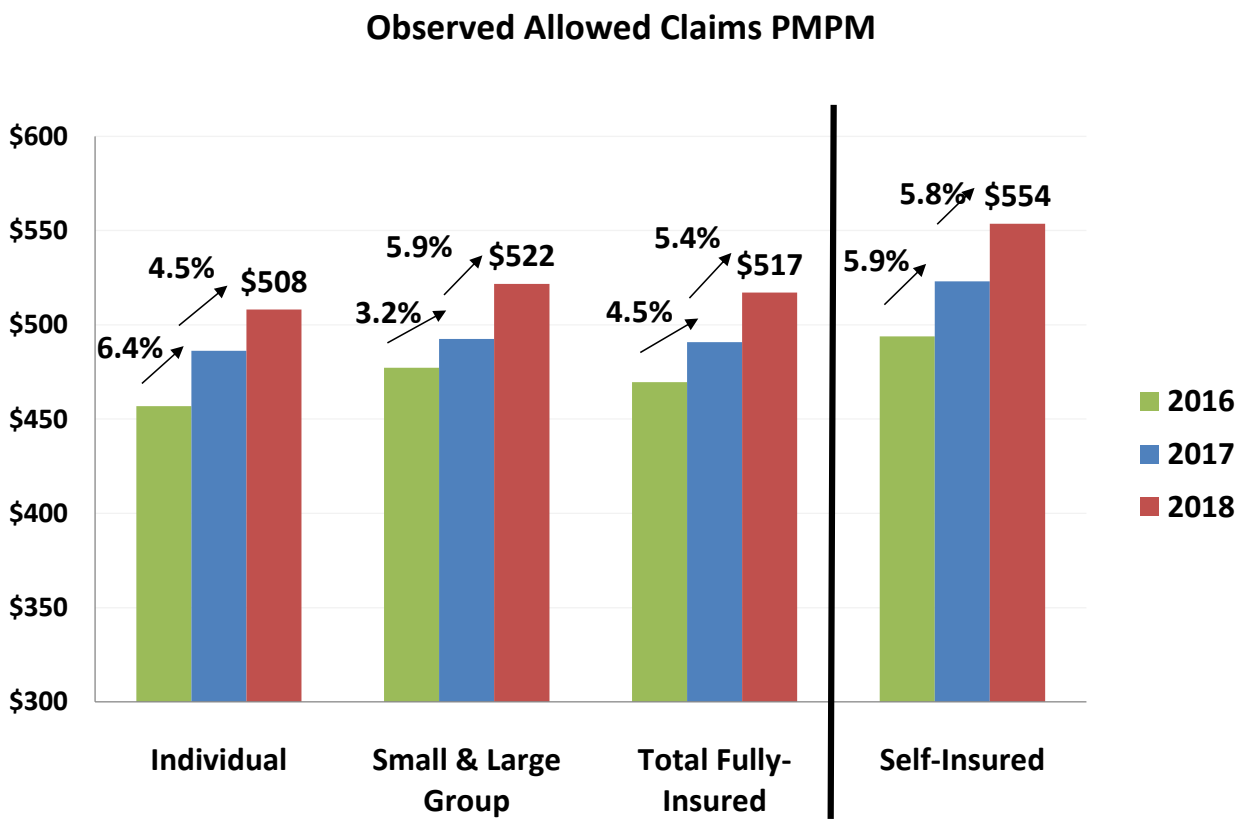
Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population. Minuteman data is excluded, however an analysis of 2015 and 2016 data shows that average Minuteman cost sharing and benefit buy-down is similar to the rest of the market.

CLAIM TRENDS

CLAIM TRENDS

Observed allowed claims per member per month (PMPM) trends in the overall Fully-Insured Market in 2018 were at 5.4%, representing an increase compared to the 2017 trends of 4.5%. The Small Group and Large Group Markets collectively experienced a higher trend in 2018 compared to the prior year at 5.9% compared to 3.2%. The overall Individual Market trend decreased in 2018 compared to 2017. The NH PAP population was part of the Individual Market in all three years shown in this slide, 2016-2018. The NH PAP ended on 12/31/2018 and these members were transitioned from QHP's to MCM plans. As a result, it is expected that the Individual Market allowed claims will decrease in 2019.

Trends in the Fully-Insured Group Markets were higher in 2018 compared to the trends in 2017 and are higher than the Individual Market. Self-Insured trends were similar to the Fully-Insured Market in 2018, but the allowed claim PMPM's are higher.



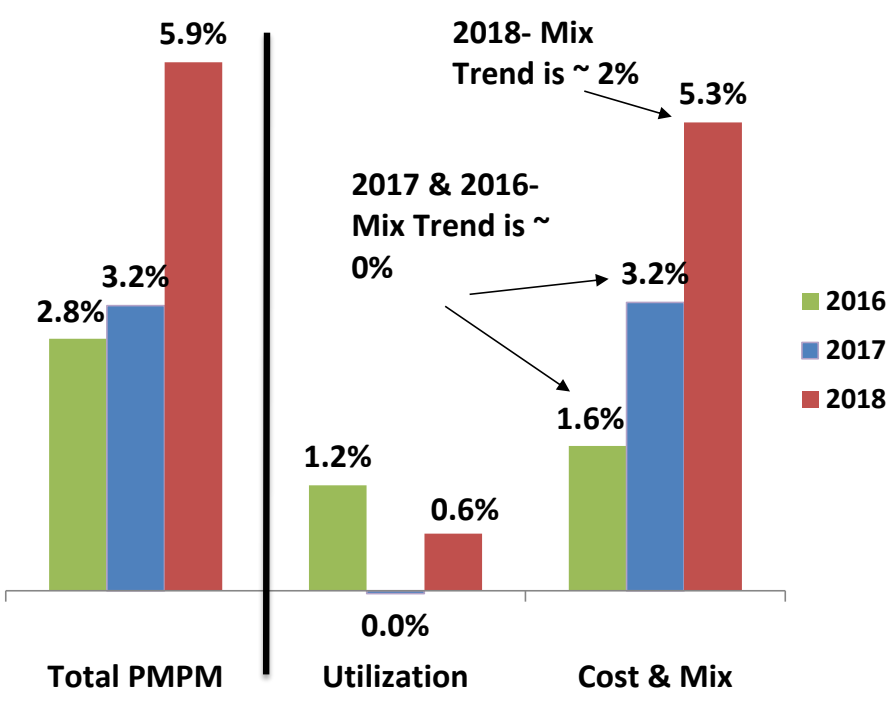
Source: NHID Annual Hearing data 2018 and 2019, including NH PAP. The 2017 values for Minuteman were based on limited data with adjustments from additional external sources. Self-Insured data is from the NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only.

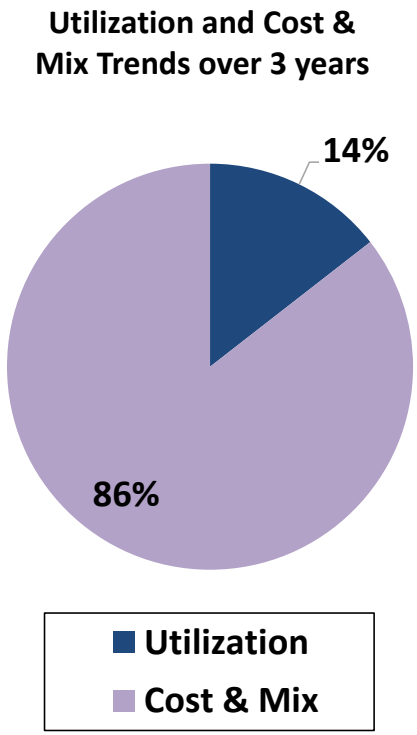
CLAIM TRENDS

This chart takes the combined 5.9% Small Group & Large Group allowed per member per month trend and breaks it into two components: Utilization and Unit Cost & Mix. Utilization is the number of services provided. Unit Cost & Mix trends are a combination of the change in unit price of specific services and changes in the mix of services or changes in the mix of providers being used by patients. When examining trends from the past three years, utilization trends accounted for 14% of the total trend and cost & mix accounted for 86%. Overall trends increased from 3.2% in 2017 to 5.9% in 2018. The majority of the increase is driven by mix trend.

The 2018 trends in the Group Markets were higher than 2017 trends primarily driven by increases in mix trend. One key driver of service mix cited by insurers was a shift to higher costing specialty drugs.

Fully-Insured Allowed Claims Trend - Small and Large Group Markets





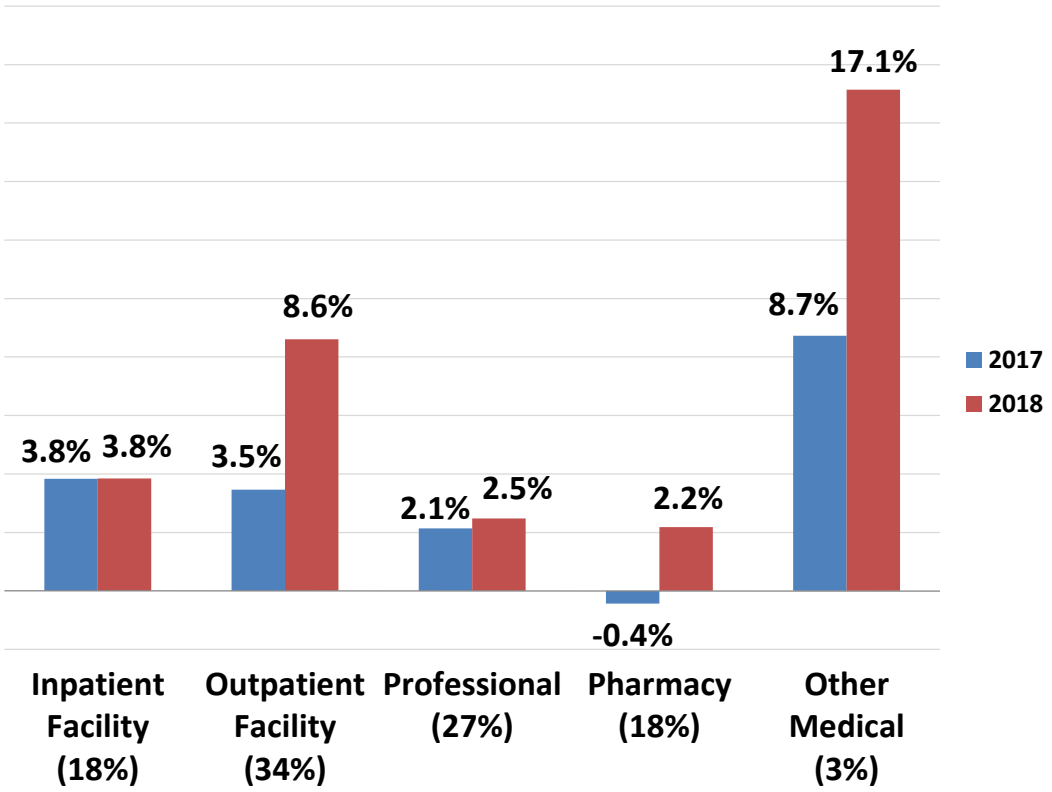
Source: NHID Annual Hearing data 2018 and 2019.

CLAIM TRENDS

Outpatient Facility trends have increased significantly from 3.5% in 2017 to 8.6% in 2018. The increase was driven by both higher utilization and higher cost & mix trends. Insurers specifically cited specialty drugs, high-tech radiology and surgery as key services driving trends within this category. Inpatient Facility and Professional trends remained fairly unchanged from 2017 to 2018. There are additional non fee-for-service (FFS) costs that are not included in this chart but are included in the total allowed PMPM's in the previous slides. These non-FFS include costs for capitated services (such as for behavioral health) and risk sharing payments with providers. Non-FFS costs increased from $8 PMPM in 2017 to $13 PMPM in 2018. The large changes are primarily driven by changes in provider risk sharing payments.

Outpatient Facility trends increased significantly from 2017 to 2018 in the Group Markets. In addition to specialty drugs, insurers cited high-tech radiology and surgery as key drivers. Although a small portion of total spend, Other Medical trends also increased.

Allowed Claims PMPM Trends by Service Category - Small & Large Group



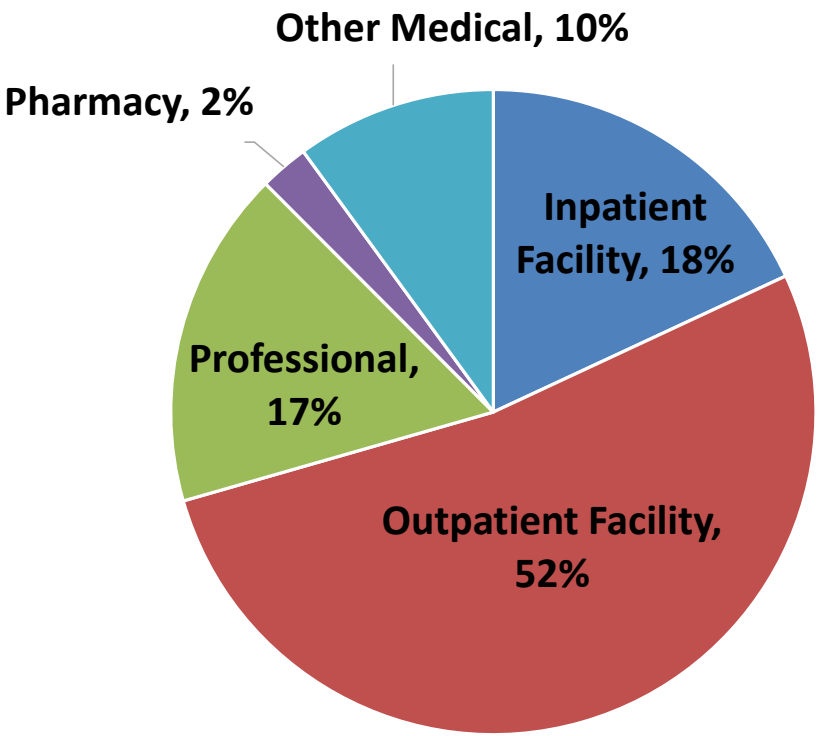
Note: The distribution % shown under each service category is based on 2018 claims.
Source: NHID Annual Hearing data 2019. Fee-for-service (FFS) only. One insurer in NH changed the methodology for allocated services by category in the 2019 data submission compared to the 2018 data submission. This insurer submitted revised data for 2016 and 2017, therefore results in this report may vary from prior years' reports.

CLAIM TRENDS

Outpatient Facility was the largest contributor to trends from 2017 and 2018, contributing 52% to the overall trend. In prior years, Outpatient Facility had less of an impact and Pharmacy had a much larger impact. Pharmacy contributed only 2% to total trend in 2017 & 2018 but 8% in 2016 & 2017. Other Medical represented only 3% of total allowed costs in 2018, but due to the high trends seen on the previous slide, it contributed 10% to the overall trend from 2017 and 2018. Insurers reported that the majority of pharmacy under the medical benefit was reported in the Outpatient Facility and Other Medical categories, along with Professional (depending on place of service.)

Outpatient Facility was the largest contributor to trends in 2017 and 2018, driving slightly more than half of the overall trend.

Contributors to Group Market Trends 2017 and 2018 Combined



Source: NHID Annual Hearing data 2019. FFS only.

CLAIM TRENDS

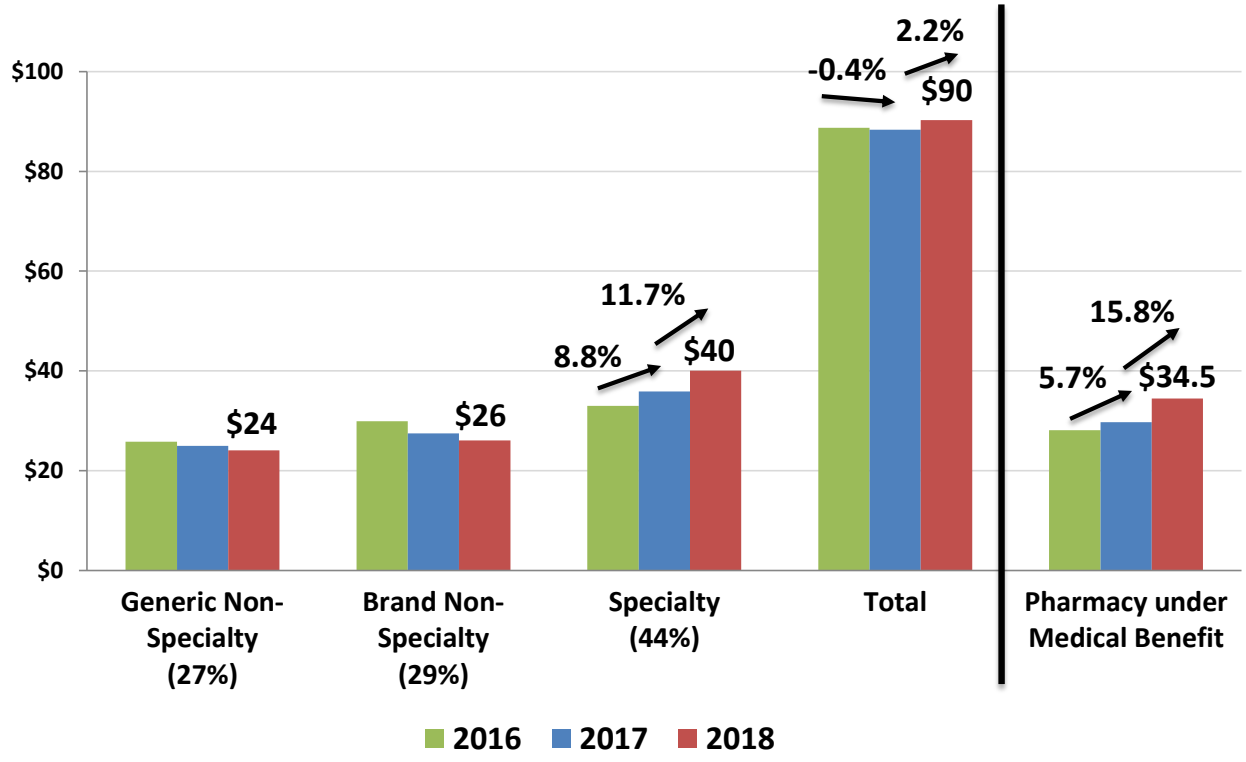
Specialty pharmacy trends significantly outpaced the other pharmacy categories with trends at 11.7% in 2018 and 8.8% in 2017, while other trends for generic and brand non-specialty are slightly negative.

In addition, specialty drugs continued to have a larger portion of pharmacy spending at 44% of total pharmacy spending.

The right side of the chart shows pharmacy drug costs covered under the medical benefit which include prescriptions drugs that are administered at a physician's office or in a hospital setting. In many cases these are high costing injectables. The trends for these drugs have also increased significantly from 5.7% in 2017 to 15.8% in 2018.

Pharmacy trends in 2018 were 2.2%, higher than the previous year, driven by higher specialty pharmacy trends in 2018 compared to 2017. Specialty pharmacy trends were 11.7% in 2018 compared to 8.8% in 2017. Specialty pharmacy trends continued to significantly outpace trends for non-specialty drugs.

Pharmacy Allowed Claims PMPM - Small Group and Large Group



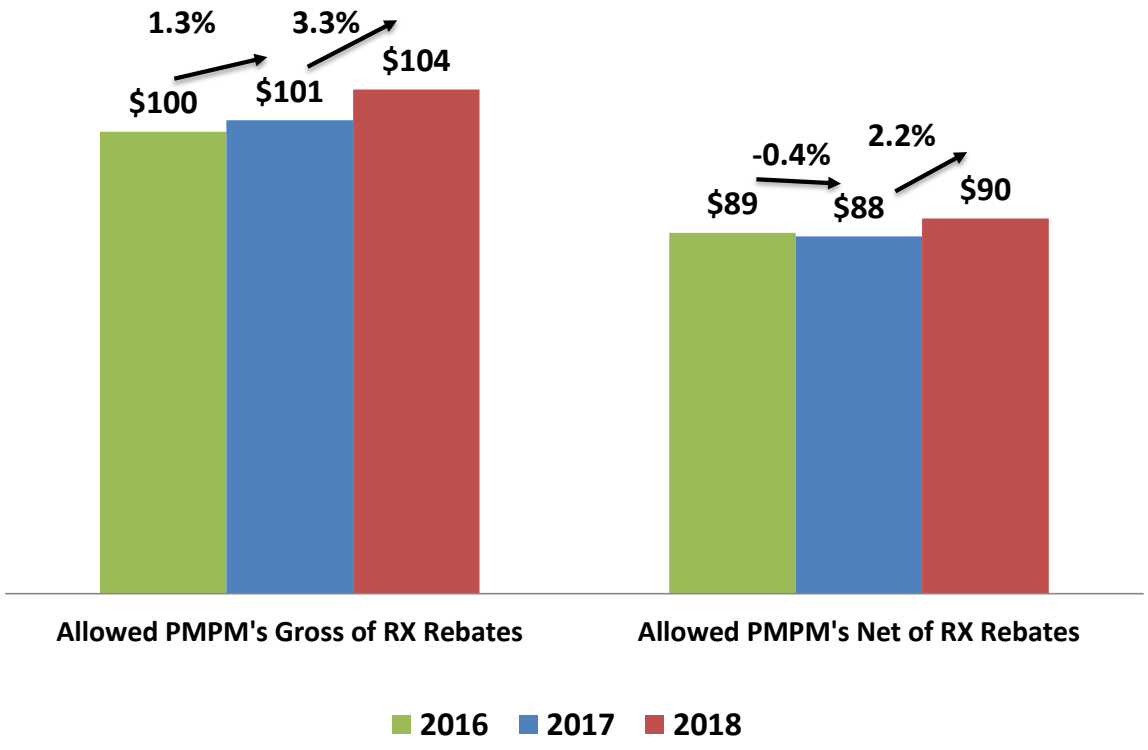
Note: The distribution % shown under each category is based on 2018 claims.
Source: NHID Annual Hearing data 2018 and 2019.

CLAIM TRENDS

Throughout this report, the pharmacy information is presented net of prescription drug rebates. These rebates, which are paid to insurers from drug manufacturers, reduce total pharmacy costs. Prescription drug rebates have grown at a faster rate than pharmacy costs, helping to keep pharmacy trends lower than they otherwise would have been. In 2017, pharmacy trend gross of rebates was 1.3% compared to -0.4% net of rebates. In 2018, pharmacy trend gross of rebates was 3.3% compared to 2.2% net of rebates. Pharmacy trends net of rebates have consistently been approximately 1% lower than trends gross of rebates for the past three years.

Prescription drug rebates increased at a faster rate than pharmacy costs, lowering overall pharmacy spend. Pharmacy trends net of rebates were lower than pharmacy trends gross of rebates by approximately one percentage point in 2018.

Pharmacy Allowed Claims PMPM Gross and Net of Rebates - Small Group and Large Group



Source: NHID Annual Hearing data 2018 and 2019.

CLAIM TRENDS

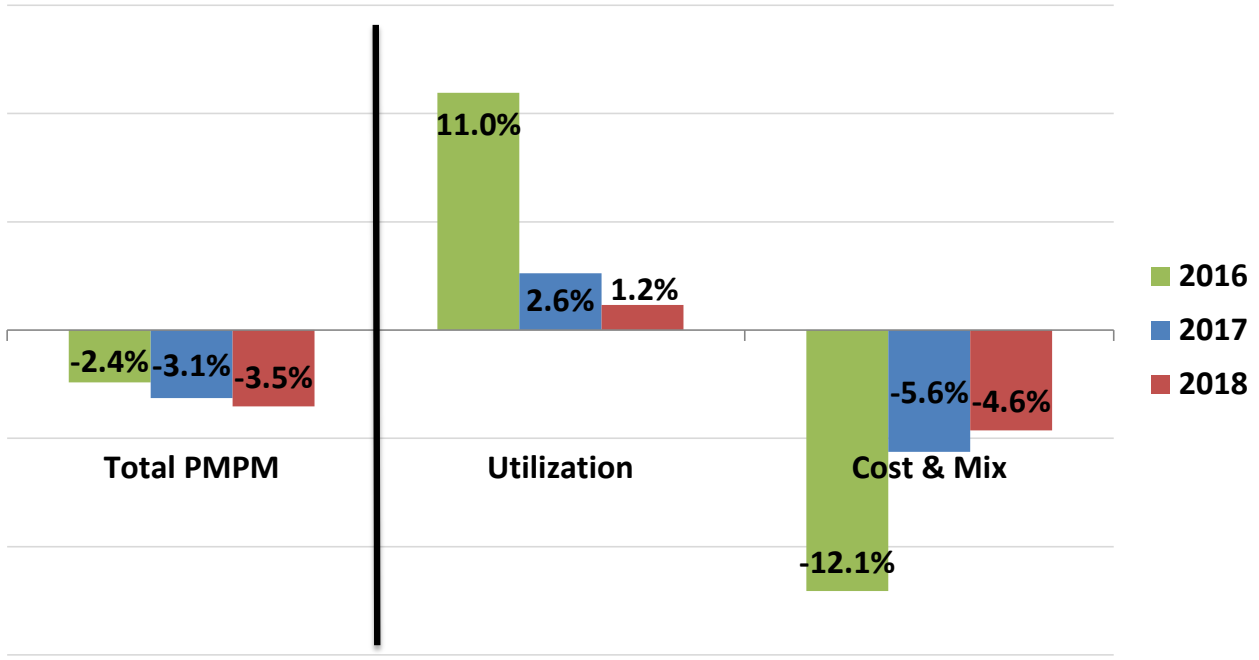
Generic non-specialty PMPM trends remained negative in 2018 driven by decreasing cost trends and slightly offset by positive utilization trends.

Generic utilization continued to increase slightly during this timeframe. In 2018, generics comprised 88.4% of prescriptions in the group market which is a slight increase from 2017 of 87.9%. In 2016, generic prescriptions comprised 84.5% of the market.

The average prescriptions per 1,000 members per year was 11,724 in 2018. The average allowed amount per script was $25.

Generic non-specialty PMPM trends continue to remain negative in 2018 driven by low utilization trends and negative cost and mix trends.

Generic Non-Specialty Allowed Claims Trends - Small Group & Large Group



Source: NHID Annual Hearing data 2018 and 2019.

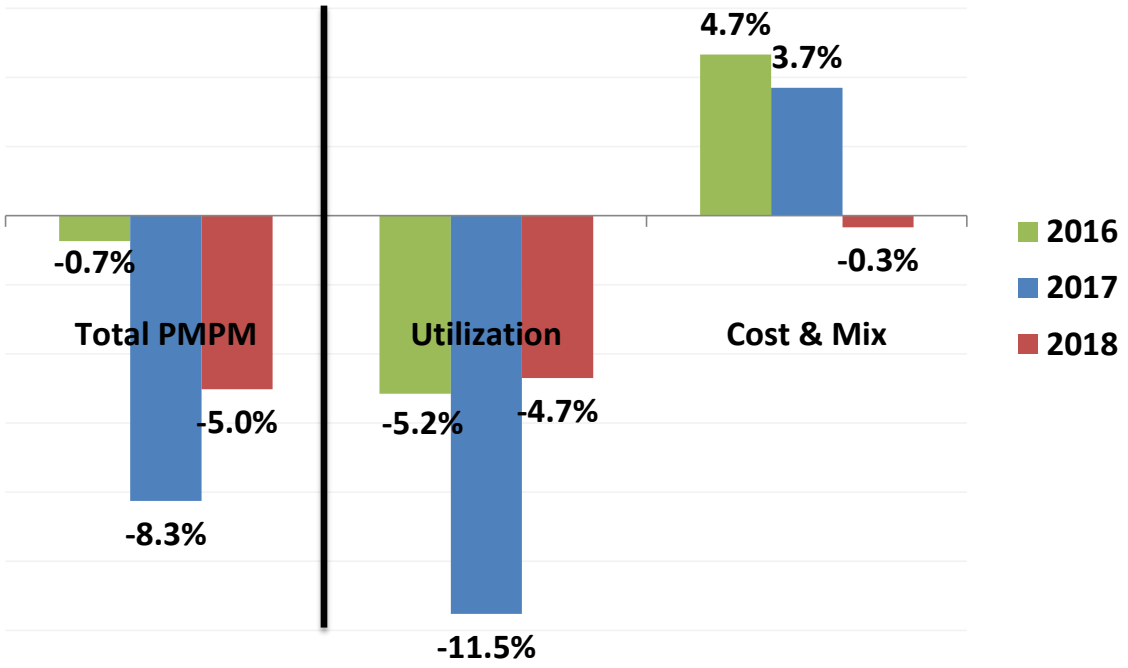
CLAIM TRENDS

Brand non-specialty PMPM trends experienced a decrease in 2018 driven by negative utilization trends and slightly negative cost & mix trends.

The average prescriptions per 1,000 members per year was 1,407 in 2018. The average allowed amount per script was $223. Brand non-specialty prescriptions represented 10.6% of total prescriptions in 2018.

Brand non-specialty PMPM trends decreased in 2018 driven by negative utilization trends and negative cost & mix trends.

Brand Non-Specialty Allowed Claims Trends - Small Group & Large Group

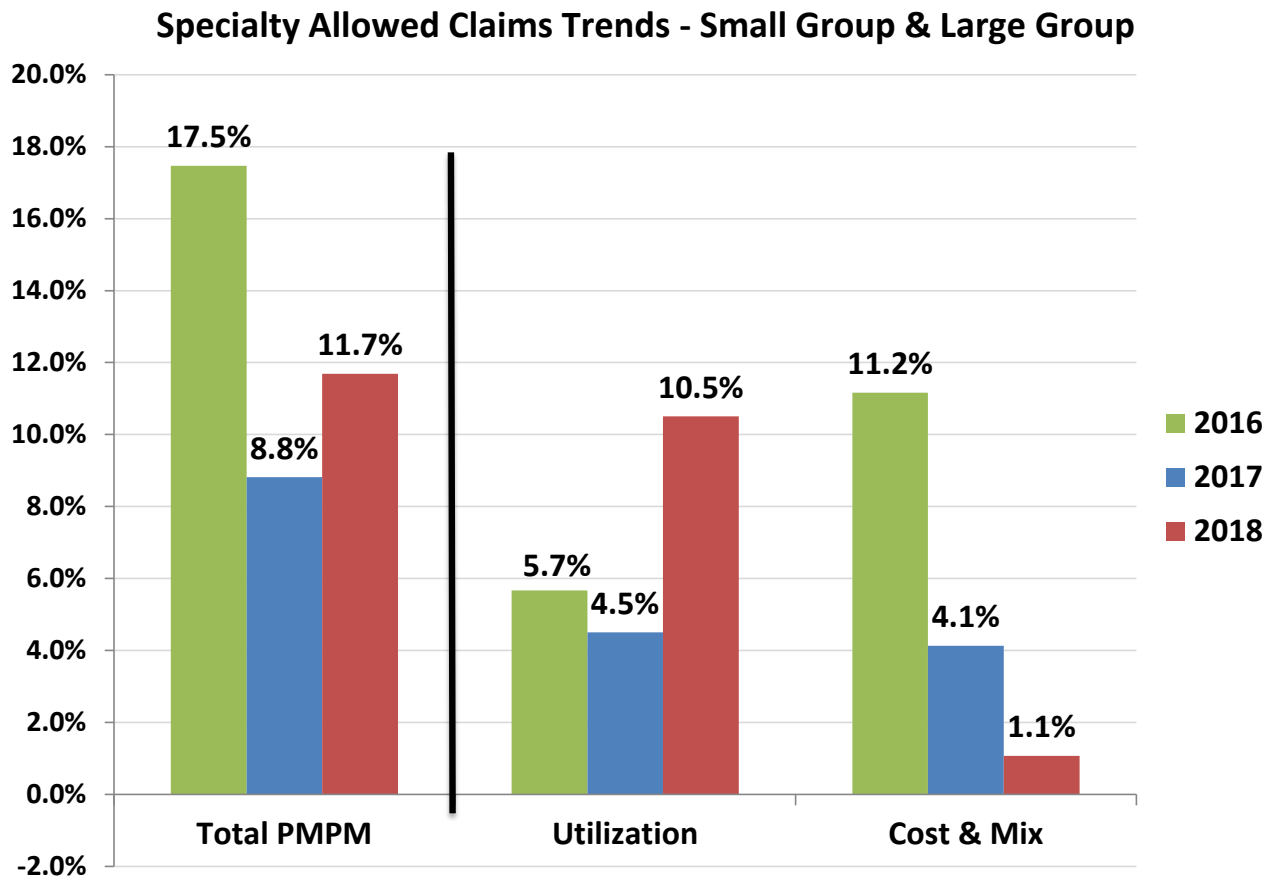


Source: NHID Annual Hearing data 2018 and 2019.

CLAIM TRENDS

Specialty PMPM trends remained positive, increasing from 2018, but remained below the high level of 2016. This was mainly driven by a large increase in utilization trends. Cost & mix trends were positive, but lower than in 2017. Insurers pointed to a significant increase in the utilization of drugs used to treat rheumatoid arthritis, hereditary angioedema, multiple sclerosis, and HIV infections. Rebates did not have as positive of an impact in 2018 as in prior years. The average prescriptions per 1,000 members per year was 129 in 2018. The average allowed amount per script was $3,732. Specialty prescriptions represented 1% of total prescriptions in 2018 but 44% of total allowed costs.

Specialty PMPM trends increased in 2018 compared to 2017 driven by high utilization trends.

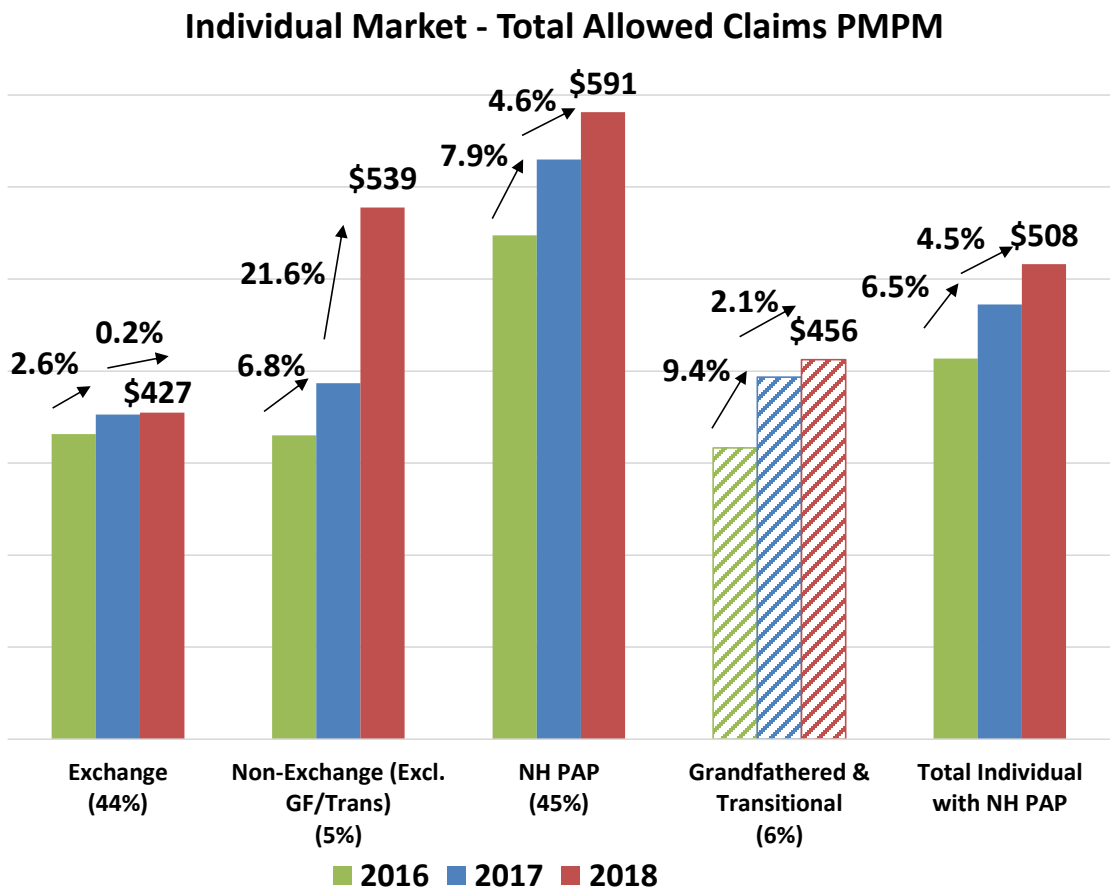


Source: NHID Annual Hearing data 2018 and 2019.

CLAIM TRENDS

Overall allowed claims trends came down in the Individual Market in 2018 compared to 2017. Trends in the Non-Exchange segment had the highest trends in 2018 at 21.6%. These higher trends were due to large changes in the population in the Non-Exchange segment which lost nearly 5,000 members from 2017 to 2018, more than half of that population. The Exchange population also experienced large changes in its population. The NH PAP population was the more stable population in 2018. In 2018, the NH PAP population had claims that were 35% higher than the combined Exchange and Non-Exchange segments.

Overall claims trends in the Individual Market were lower in 2018 compared to 2017 driven by nearly flat trends in the Individual Exchange Market. The Non-Exchange segment, while small, had significantly higher trends than the previous year and higher than other segments.



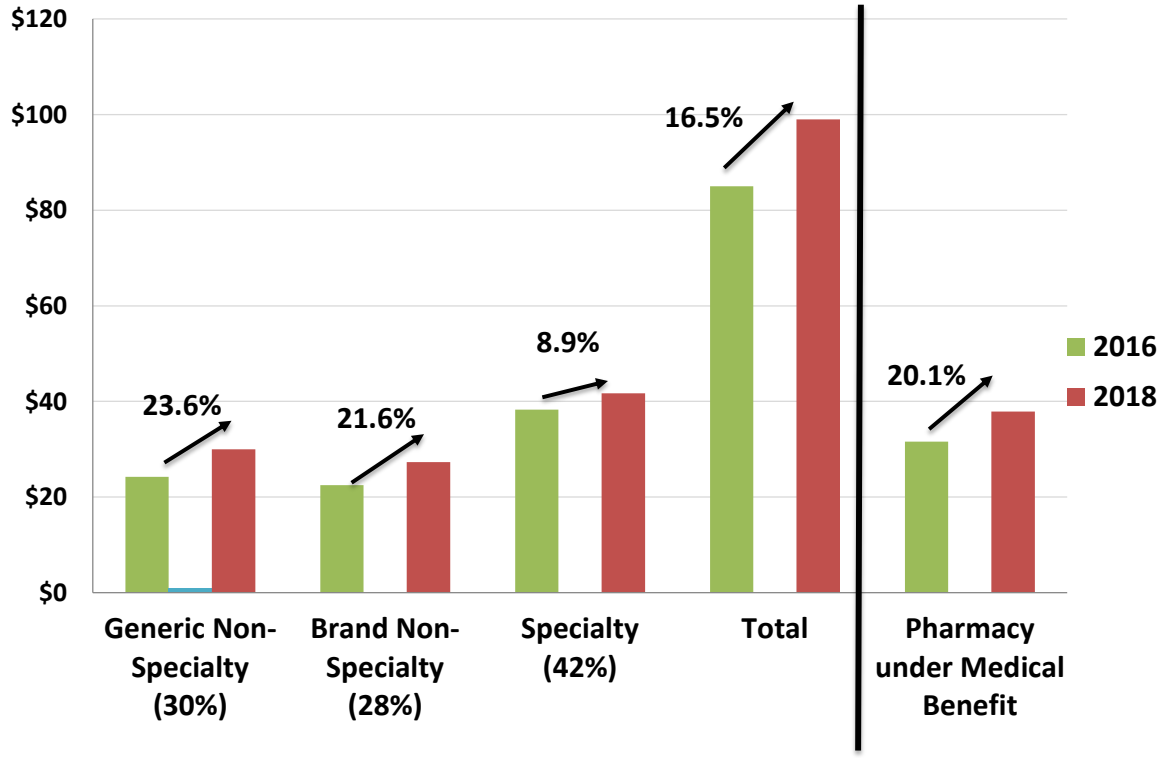
Note: The distribution % shown under each market is based on 2018 member months. The 2017 values for Minuteman were based on limited data with adjustments from additional external sources. Source: NHID Annual Hearing data 2018 and 2019.

CLAIM TRENDS

As was the case in the Group Markets, specialty drugs continued to represent a larger portion of pharmacy spending in the Individual Market, representing 42% of total pharmacy spending in 2018, although specialty drug trends over the two-year period were lower than the Group Markets at 8.9% The Individual Market's PMPMs have increased 16.5% in 2018 compared to 2016. This compares to a 1.8% two-year trend in the Group Markets. The absolute PMPM's in the Individual Market also remained higher than the Group Market PMPMs, at $99 compared to $90. The NH PAP had higher total pharmacy costs compared to the Individual Market excluding NH PAP driven by higher Generic Non-Specialty and Brand Non-Specialty but partially offset by lower PMPMs for Specialty.

Within the Individual Market excluding NH PAP, the pharmacy allowed claims PMPM two-year trend was 16.5%, while the Group Market pharmacy two-year trend was 1.8% in 2018 compared to 2016.

Pharmacy Allowed Claims PMPM - Individual Market excluding NH PAP

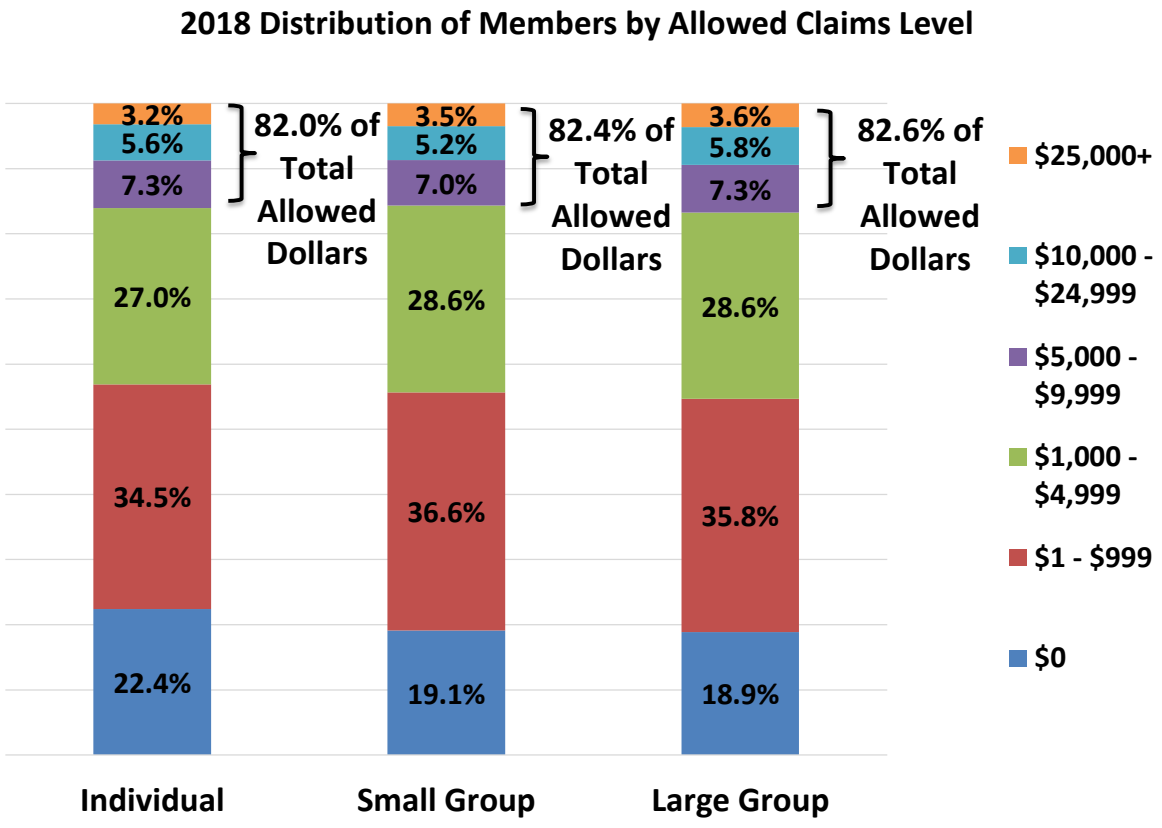


Note: The distribution % shown under each category is based on 2018 claims. The data for 2017 is excluded given lack of Minuteman data for that year. Pharmacy under Medical Benefit excludes Minuteman given data concerns.
Source: NHID Annual Hearing data 2018 and 2019.

CLAIM TRENDS

This graph compares the distribution of members for the Individual, Small Group and Large Group Fully-Insured Markets by their annual allowed claims costs. For example, in the Individual Market 22.4% of members had no claims in 2018 compared to 19.1% in Small Group and 18.9% in Large Group. On the other hand, the Individual Market had 3.2% of claimants with $25,000 or greater in annual claims while the Small Group and Large Group Market segments had 3.5% and 3.6% respectively. Note that while members with over $5,000 comprise only 16% to 17% of total members, they represent between 82% to 83% total allowed claims for the market segment. It can be helpful to monitor shifts in spending by claim levels over time to understand the impact high cost claimants may have on overall spending.

When examining the distribution of members in 2018 by annual allowed claim levels, the percentages are fairly consistent across the Fully-Insured Market segments. The Individual Market does have slightly more zero dollar claimants.



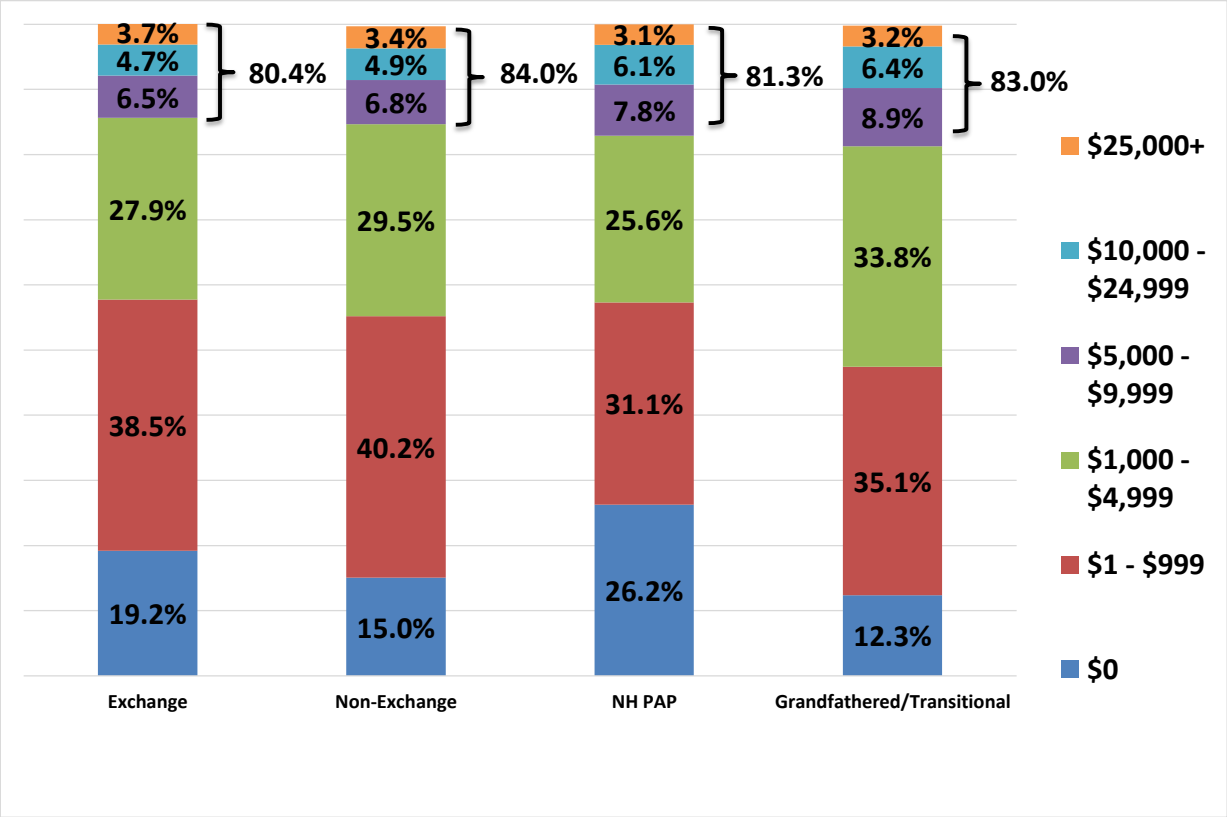
Source: NHID Annual Hearing data 2019. Individual Market includes NH PAP.

CLAIM TRENDS

This graph compares the distribution of members within the four segments of the Individual Market by their annual allowed claims costs. For example, the NH PAP population had 26.2% of members with no claims in 2018 compared to 19.2% in the Exchange, 15.0% in the Non-Exchange and 12.3% in the Grandfathered/ Transitional population. Across each of these segments, between 3.1% and 3.7% of members had annual allowed claims costs of $25,000 or greater. Note that while members with over $5,000 comprise only 14% to 19% of total members, they represent between 80% to 84% total allowed claims for the market segment.

Within the Individual Market segments, there is more variation in the distribution of members by annual allowed claims level. The NH PAP population has the highest percentage of members with no annual claims at 26.2% followed by the Exchange, Non-Exchange and Grandfathered/Transitional populations.

2018 Distribution of Members by Allowed Claims Level - Individual Market



Source: NHID Annual Hearing data 2018 and 2019.

UTILIZATION LEVELS AND TRENDS

UTILIZATION LEVELS AND TRENDS

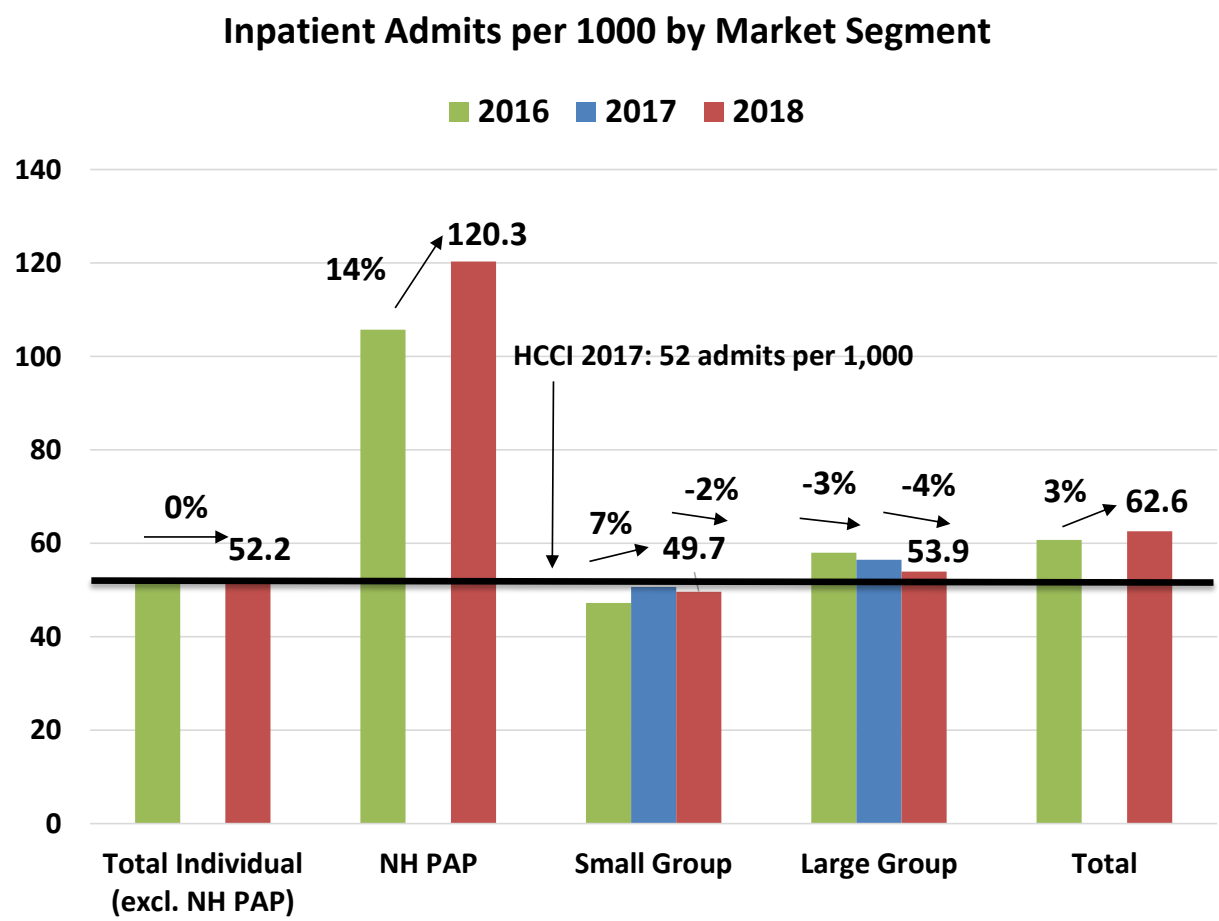
The NH PAP population's utilization is more than double the rest of the Individual Market's utilization in 2018.

The total Individual Market excluding NH PAP has utilization similar to the Group Markets.

The Small Group utilization is below national benchmarks while the Large Group utilization is slightly higher.

Inpatient admissions trends in 2018 were negative in the Group Market segments, after seeing significant positive trends in 2017 in the Small Group Market.

Inpatient admissions utilization decreased in the Group Markets in 2018. NH PAP utilization continued to be much higher than the Individual Market excluding NH PAP.



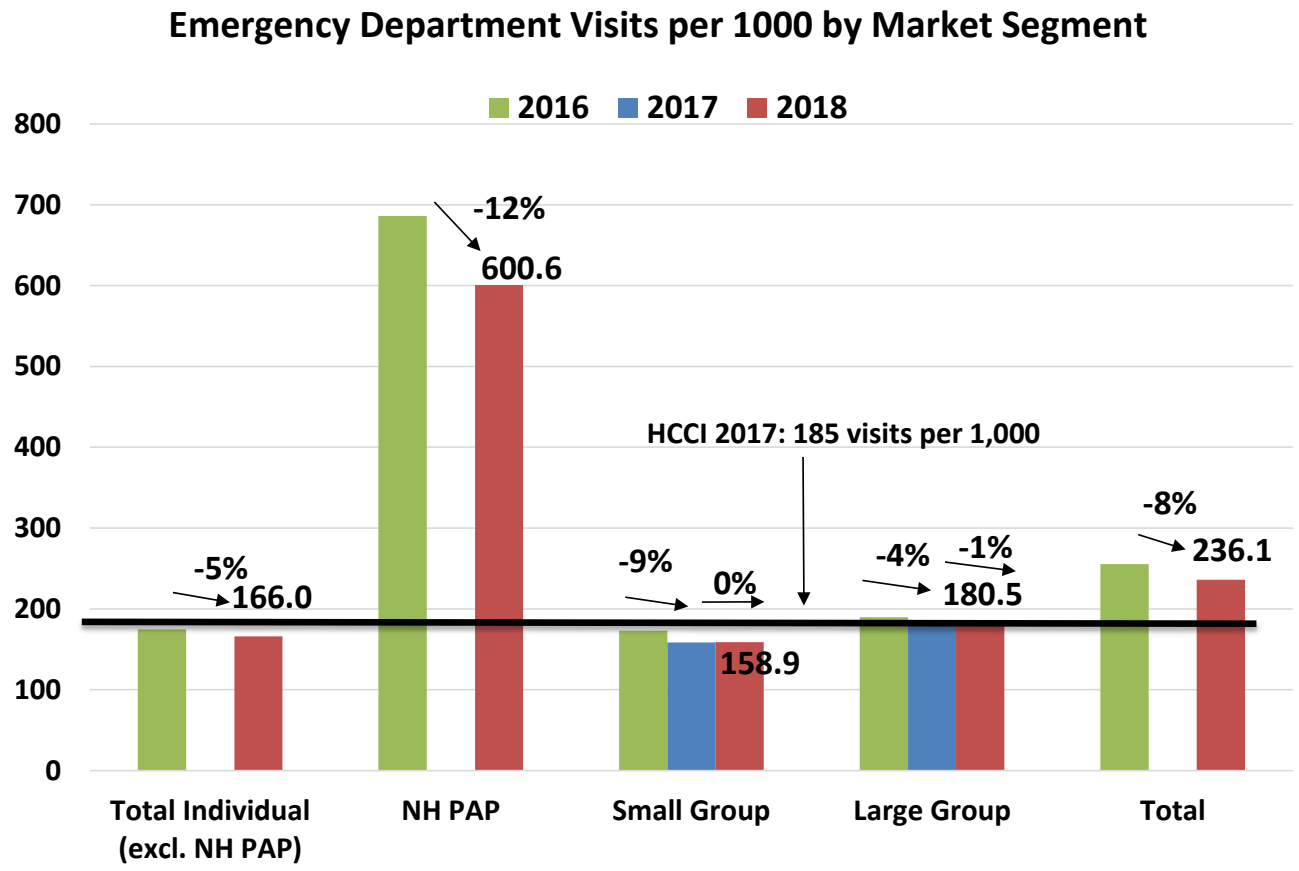
Source: NHID Annual Hearing data 2017 and 2019. Data was not available for Minuteman for 2017.
Comparisons were made to the Health Care Cost Institute 2017 data. Note that this data only reflects employer sponsored insurance.

UTILIZATION LEVELS AND TRENDS

The total Individual Market excluding the NH PAP population had utilization similar to the Group Markets.
The Group Markets utilization was below national benchmarks.

Emergency department use decreased in all market segments except Small Group (which remained flat) from 2017 to 2018. The overall fully-insured trend for emergency department usage over the two year period from 2016 to 2018 was -8%.

Emergency Department utilization continued to see overall decreases in 2018. The NH PAP Market's emergency department utilization remained more than three times greater than the Individual Market excluding NH PAP and the Group Markets.



Source: NHID Annual Hearing data 2017 and 2019. Data was not available for Minuteman for 2017.
Comparisons were made to the Health Care Cost Institute 2017 data. Note that this data only reflects employer sponsored insurance.

MEDICAL LOSS RATIOS, EXPENSES AND PROFITS

MEDICAL LOSS RATIOS, EXPENSES AND PROFITS

The risk adjustment program generally redistributes funds from insurers with lower risk/healthier enrollees to insurers with higher risk/sicker enrollees. Health plans who have healthier members will pay money (shown in red) and health plans who have sicker members will receive money (shown in black). This program is a permanent program started in 2014 and is revenue neutral within the NH Individual Market and separately within the NH Small Group Market. As a result of Minuteman's closure in 2017, the $39.1 payment was not received by other carriers and there was no money redistributed. In 2018, Matthew Thornton Health Plan is the payer, meaning they generally enrolled healthier enrollees.

In the Individual Market, Matthew Thornton Health Plan (Anthem) was assessed a $37.8M payment for 2018 Risk Adjustment. There were no risk adjustment dollars exchanged in in the Individual Market in 2017 due to the closure of Minuteman.

Individual Market - Federal Risk Adjustment Program				
	2016 Risk Adjustment ($ millions)	2017 Risk Adjustment ($ millions) ORIGINAL	2017 Risk Adjustment ($ millions) REVISED	2018 Risk Adjustment ($ millions)
Celtic Insurance Company	$17.3	$14.4	$0.0	$16.0
Harvard Pilgrim Health Care of NE	$0.4	$15.8	$0.0	$21.8
Maine Community Health Options	$8.2	$0.0	$0.0	$0.0
Matthew Thornton Hlth Plan	($0.5)	$8.9	$0.0	($37.8)
Minuteman Health, Inc.	($25.4)	($39.1)	n/a	n/a
Time Insurance Company	n/a	n/a	$0.0	n/a
Total	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Total Amount Distributed	***$25.9***	***$39.1***	***$0.0***	***$37.8***

***Negative = Company was a PAYER; Positive = Company was a RECEIVER**

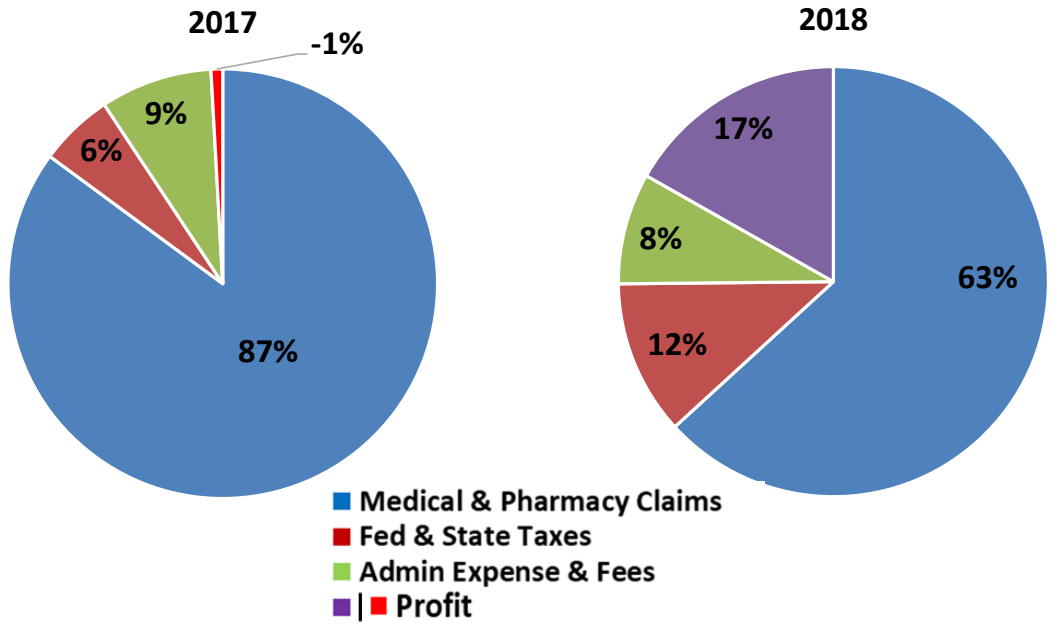
Note: Celtic Insurance Company is referred to as Ambetter throughout this report.
Source: CMS SUMMARY REPORT ON PERMANENT RISK ADJUSTMENT TRANSFERS FOR THE 2018 BENEFIT YEAR Released: June 28, 2019, https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/Summary-Report-Risk-Adjustment-2018.pdf.

MEDICAL LOSS RATIOS, EXPENSES AND PROFITS

The 2017 information in this chart excludes Minuteman. Minuteman closed as of 12/31/2017. As shown on the previous slide, Minuteman was expected to pay $39.1 million in risk adjustment payments in 2017, but this did not happen due to their closure. As a result, the remaining insurer's profits in 2017 were negative 1%. Insurers calculated premiums for 2018 anticipating a possible loss of healthier members due to the closure of Minuteman. Based on these loss ratio results, insurers overestimated the impact of the loss of healthier members and the subsequent increase in morbidity in 2018 and as a result their profit percentage increased significantly to 17%. These results reflect the anticipated rebate payments in 2018, but due to the MLR rebate formula's use of three years of data, insurers will still experience a significant increase in profits even after the payment of MLR rebates. Federal and Taxes also increased significantly. About 1 to 2 percentage points is due to the return of the ACA insurer tax in 2018 after the moratorium in 2017. The other large factor is the increase in federal and state income taxes for the for-profit insurers after profits increased significantly.

In 2017, 87% of premium in the Individual Market was spent on medical and pharmacy claims. This decreased significantly to 63% in 2018.

2017 and 2018 Individual Market Distribution of Premium



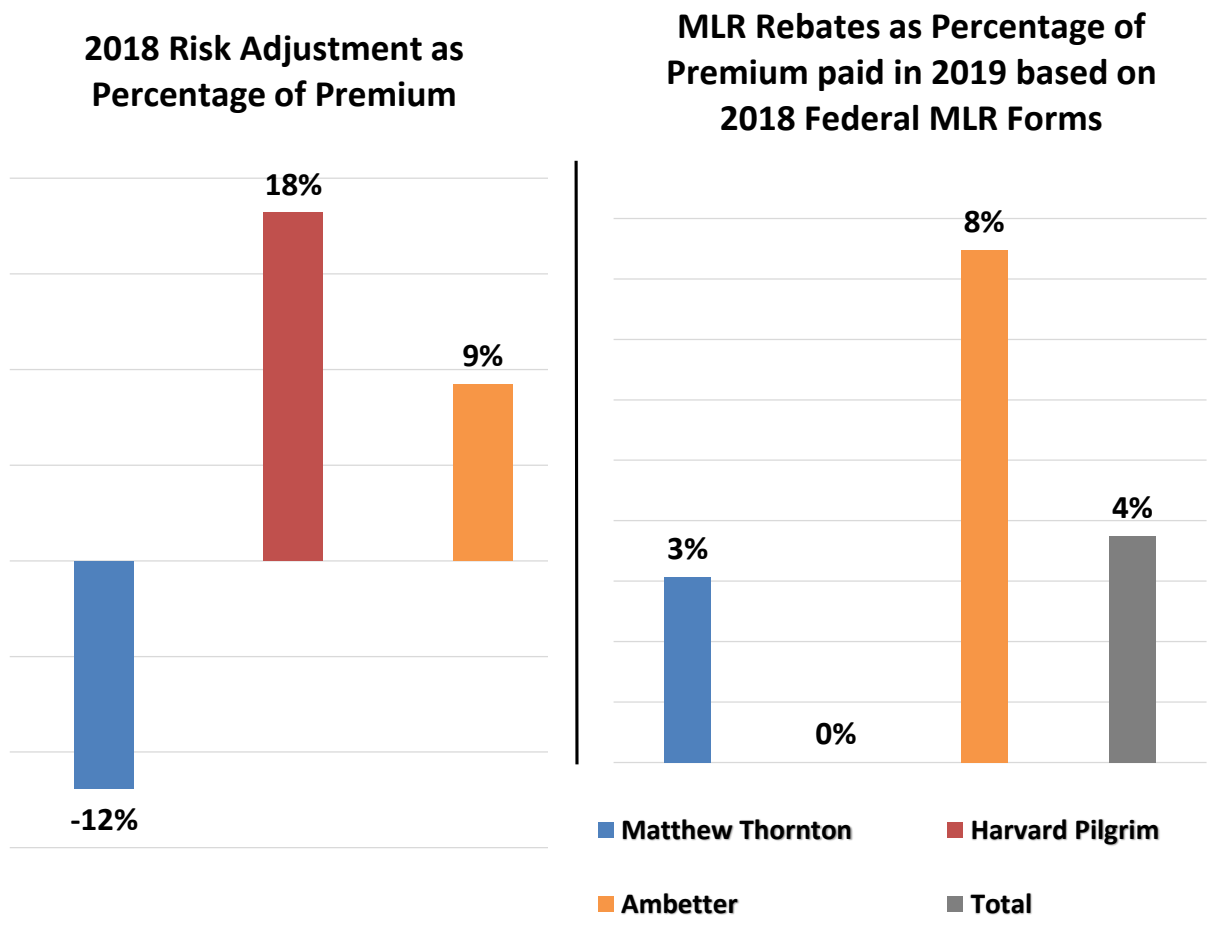
Source: 2017 and 2018 federal MLR reports provided by carriers. Ambetter provided a revised 2017 MLR report to reflect actual rebates paid. Minuteman excluded.

Notes: This information is based on each insurer's federal MLR report but these loss ratios are not the same as the MLR's used in the rebate calculation as there are several additional adjustments used in that calculation. In addition, MLR rebates are based on three year's worth of data. Risk adjustment payments/receivables are included in the Earned Premium as reported in Part I of the federal MLR reports. MLR rebates as reported in Part 3 of the federal MLR reports are subtracted from the Earned Premium. CSR payments are subtracted from the Incurred Claims report in Part I of the federal MLR reports.

MEDICAL LOSS RATIOS, EXPENSES AND PROFITS

The risk adjustment payments in 2018 for the Individual Market represent 18% of premium for HPHC NE and 9% for Ambetter. This will be paid by Matthew Thornton. Matthew Thornton and Ambetter will paid rebates in 2019 based on 2018 Federal MLR forms which represents 3% of Matthew Thornton's premium and 8% of Ambetter's premium. Ambetter also paid rebates in the prior year of $6.5 million. MLR rebates for NH PAP members are paid to the New Hampshire Department of Health and Human Services (DHHS). Across the country, the rebates paid in 2019 are the highest ever since the beginning of the MLR rebate program in 2012. The 2019 paid rebates nationwide are $1.3 billion compared to $0.7 billion in 2018 and $0.4 billion in 2017. The increase was driven by the Individual Market.

In 2018, Matthew Thornton will pay 12% of their premium in risk adjustment. This will be received by Harvard Pilgrim and Ambetter. Two out of the three insurers paid rebates in 2019 for a total of 4% of premium.



Source: 2018 federal MLR reports provided by carriers. National MLR rebate info from a report from Kaiser Family Foundation, September 26, 2019. https://www.kff.org/private-insurance/issue-brief/data-note-2019-medical-loss-ratio-rebates/

MEDICAL LOSS RATIOS, EXPENSES AND PROFITS

In the Small Group Markets, the total amount distributed increased in 2018 compared to 2017. In 2018, Tufts was the largest payer while Matthew Thornton and HPHC Insurance Company received most of the risk adjustment payments. This suggests that Tufts enrolled the healthiest risk in its market while HPHC and Matthew Thornton have enrolled the least healthiest risk.

In the Small Group Market, Tufts (the new market entrant) will pay about 73% of the risk adjustment payments in 2018. Matthew Thornton and HPHC Insurance Company are expected to receive the majority of risk adjustment payments.

Small Group Market - Federal Risk Adjustment Program				
	2016 Risk Adjustment ($ millions)	2017 Risk Adjustment ($ millions) ORIGINAL	2017 Risk Adjustment ($ millions) REVISED	2018 Risk Adjustment ($ millions)
Anthem Health Plans of NH	$1.9	$0.8	$0.7	$0.3
Harvard Pilgrim Health Care of NE	($2.6)	$0.1	$0.1	($1.2)
HPHC Insurance Company, Inc	$1.9	$5.1	$4.8	$4.3
Maine Community Health Options	($2.8)	($1.3)	($1.3)	n/a
Matthew Thornton Hlth Plan	$2.4	($1.4)	($1.4)	$3.3
Minuteman Health, Inc.	($0.0)	($0.3)	$0.0	n/a
Tufts Health Freedom Insurance Company	($0.5)	($3.3)	($3.3)	($5.7)
UnitedHealthcare Insurance Company	($0.2)	$0.4	$0.3	($0.9)
Total	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Total Amount Distributed	***$6.2***	***$6.3***	***$6.0***	***$7.8***

***Negative = Company was a PAYER; Positive = Company was a RECEIVER**

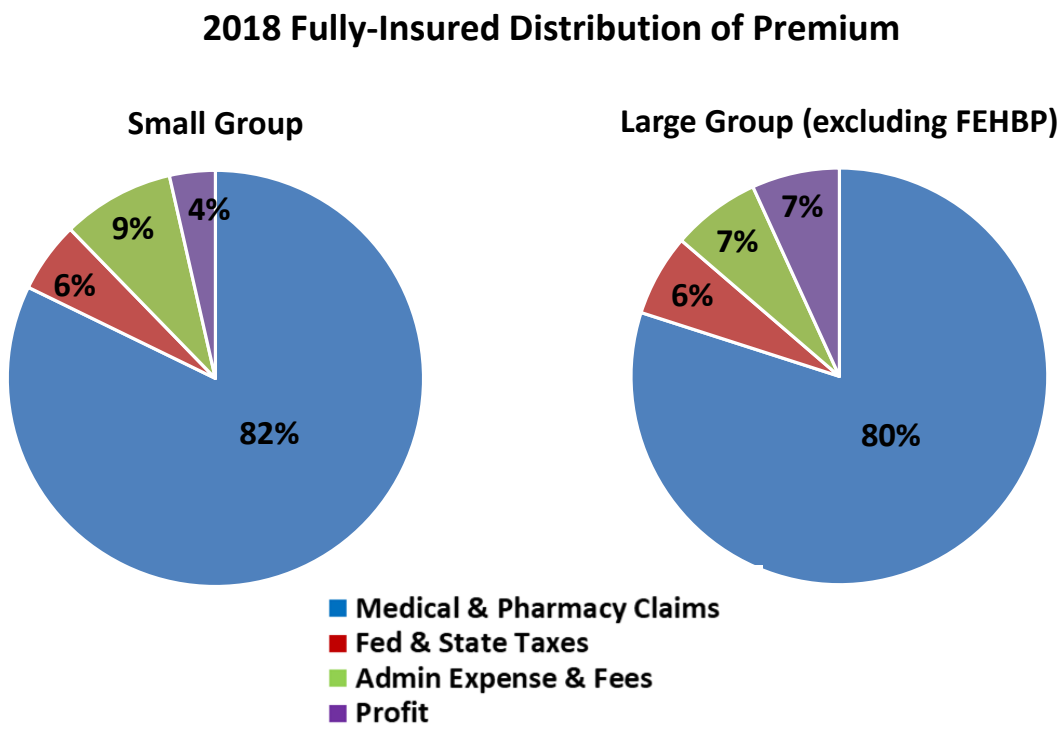
Source: CMS SUMMARY REPORT ON PERMANENT RISK ADJUSTMENT TRANSFERS FOR THE 2018 BENEFIT YEAR Released: June 28, 2019, https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/Summary-Report-Risk-Adjustment-2018.pdf.

MEDICAL LOSS RATIOS, EXPENSES AND PROFITS

The profit margin in the Small Group Market was 4% in 2018, slightly higher than 2017 which was 3%. The percentage that went toward medical and pharmacy claims decreased compared to the prior year, partially offset by a higher percentage of federal and state taxes and administrative expenses and fees in 2018 compared to 2017.

The profit margin in the Large Group Market remained consistent in 2017 to 2018 at 7%. The percentage that went toward medical and pharmacy claims also remained consistent at 80%.

In 2018, 82% of premium in the Small Group Market and 80% of premium in the Large Group Market were spent on medical and pharmacy claims.



Source: 2018 federal MLR reports provided by carriers. Anthem provided additional information for FEHBP to make necessary adjustments to exclude from Large Group. Minuteman excluded.

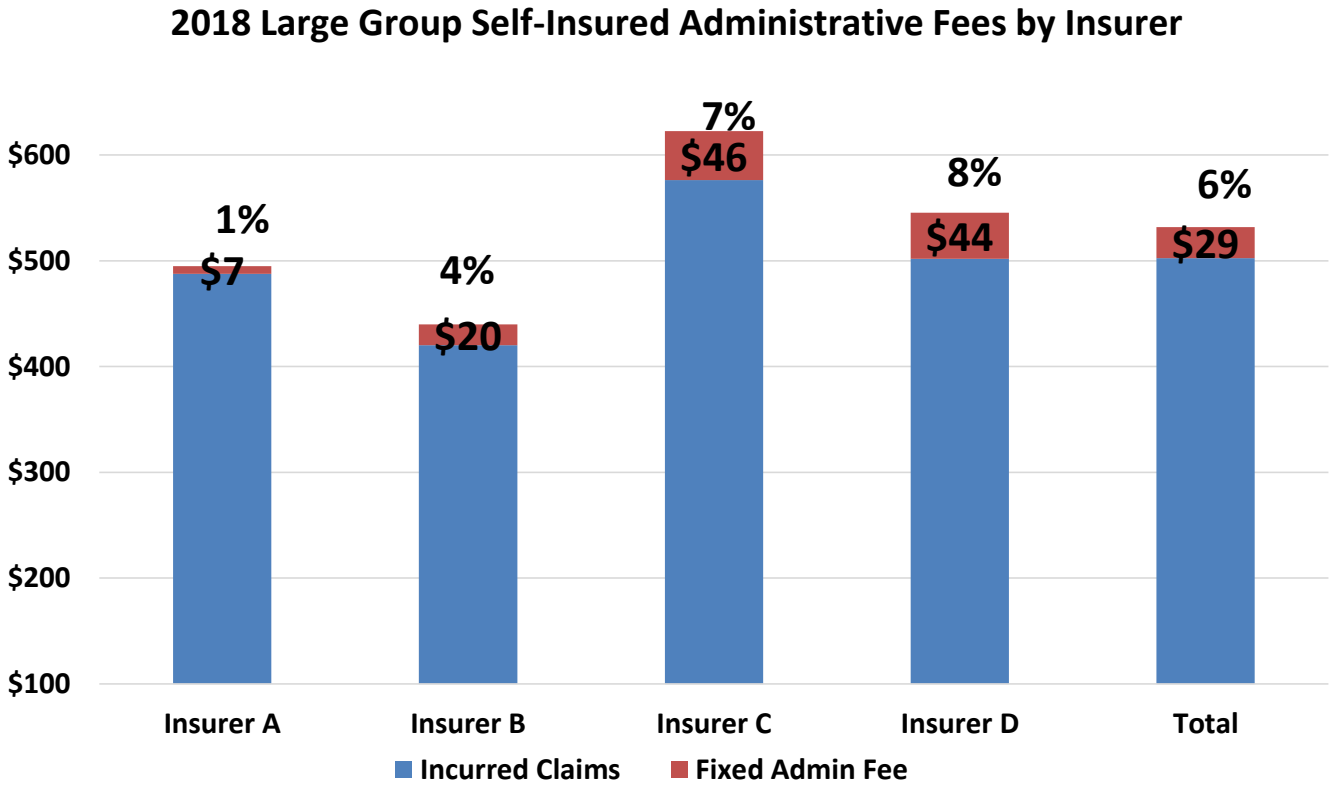
Notes: This information is based on each insurer's federal MLR report but these loss ratios are not the same as the MLR's used in the rebate calculation as there are several additional adjustments used in that calculation. In addition, MLR rebates are based on three year's worth of data. Risk adjustment payments/receivables are included in the Earned Premium as reported in Part I of the federal MLR reports. MLR rebates as reported in Part 3 of the federal MLR reports are subtracted from the Earned Premium. CSR payments are subtracted from the Incurred Claims report in Part I of the federal MLR reports.

MEDICAL LOSS RATIOS, EXPENSES AND PROFITS

The administrative fee charged by insurers to self-insured employers ranged from 1% to 8% of total health insurance costs. The range of fee percentages was lower in 2018 compared to 2017, where the range was 4% to 9%. The range of fees continues to suggests that insurers actual administrative expenses can be highly variable from one insurer to the next.

Sourc

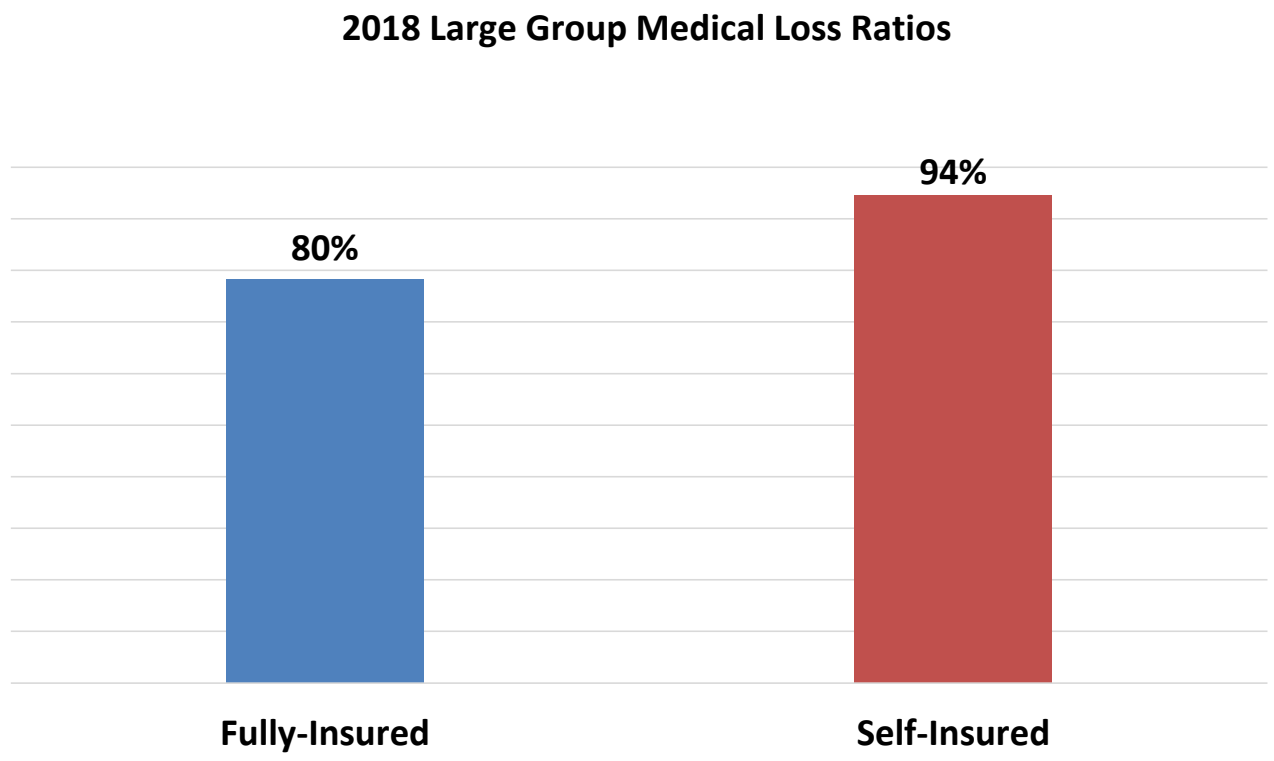
The administrative fee charged by insurers to self-insured employers varies considerably by insurer, ranging from $7 PMPM to $46 PMPM.



MEDICAL LOSS RATIOS, EXPENSES AND PROFITS

Generally, insurers need to retain more of the health insurance premium in the Fully-Insured Market because, in addition to administering the benefit, they are also assuming the risk by paying all medical claims expenses. In addition, self-insured accounts are generally larger than fully-insured accounts, and an economy of scale is recognized which allows insurers to charge a lower administrative fee to the Self-Insured Market.

In 2018, 80% of premium in the Large Group Fully-Insured Market was spent on health care claims, compared to 94% in the Self-Insured Market. This is similar to 2017.



Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population..

LIMITATIONS AND DATA RELIANCE

Gorman Actuarial prepared this report for use by the New Hampshire Insurance Department. While we understand that this report may be distributed to third parties, Gorman Actuarial assumes no duty or liability to any third parties who receive the information herein. This report should only be distributed in its entirety.

Users of this report must possess a reasonable level of expertise and understanding of health care, health insurance markets and financial modeling so as not to misinterpret the information presented. The report addresses certain provisions of the Affordable Care Act, but is not intended to act as an official or comprehensive interpretation of the legislation itself.

Analysis in this report was based on data provided by the New Hampshire Insurance Department, insurers in the New Hampshire health insurance markets, and other public sources. Gorman Actuarial has not audited this information for accuracy. We have performed a limited review of the data for reasonableness and consistency. If the underlying data are inaccurate or incomplete, the results of this analysis may likewise be inaccurate or incomplete.

The report contains statements that attempt to provide some prospective context to current or past trends. These statements are based on the understanding of the existing and proposed regulatory environment as of October 2019. If subsequent changes are made, these statements may not appropriately represent the expected future state.

QUALIFICATIONS

This study includes results based on actuarial analyses conducted by Jennifer Smagula and peer reviewed by Bela Gorman, both of whom are members of the American Academy of Actuaries and Fellows of the Society of Actuaries. They both meet the qualification standards for performing the actuarial analyses presented in this report.

APPENDIX

GLOSSARY

ACA: Affordable Care Act of 2010
Actuarial Value: For purposes of this report, "actuarial value" is defined as the share of medical costs covered by the health plan for a standard population, and is the federal Minimum Value measure as outlined in Section 1302 (d)(2)(C) of the Affordable Care Act.
APTC: An Advanced Premium Tax Credit is a federal tax credit for individuals that reduces the amount they pay for monthly health insurance premiums when they buy health insurance on the exchange.
Allowed Costs: These costs include both the amount paid by the insurer and the amount paid by the member through cost sharing such as deductibles, copayments and coinsurance.
Benefit-Adjusted Premium Trend: The premium trend recalculated to assume no changes in benefits from year to year.
Benefit Buy-Down: The process of selecting a plan with reduced benefits or higher member cost sharing as a way to mitigate premium increases.
Cost Trend: For purposes of this report, "cost trend" represents the combination of the change in the unit price of specific services, the change in the claim severity of the total basket of services provided, and the change in mix of providers being used.
CSR Subsidies: Cost sharing reduction subsidies are one of the subsidies prescribed by the ACA which lowers out-of-pocket costs based on income for Silver plans bought on the exchange.
EPO: Exclusive Provider Organization; a type of health plan with a defined network of providers. Unlike an HMO, the member may not be required to select a Primary Care Physician or receive referrals to Specialists within the network.
FEHBP: Federal Employees Health Benefits Program.
Fully-Insured Plan: A health plan in which an insurer receives a premium payment in return for covering all claims risk associated with the enrollees.
HMO: Health Maintenance Organization; a type of health plan that employs medical management techniques such as a defined provider network, Primary Care Physician selection and Specialist referral requirements.
NHID: New Hampshire Insurance Department
Per Member Per Month (PMPM): A common method of expressing healthcare financial data that normalizes for the size of the membership pool. Dollars are divided by member months to calculate the PMPM value.
POS: Point-of-Service plan; a type of health plan similar to an HMO, but with the option to self-refer to providers outside of the HMO network, typically with increased levels of member cost sharing.
PPO: Preferred Provider Organization; a type of health plan that employs a network of preferred providers, but does not limit a member from seeking care at any provider. Typically, the member cost sharing will be lower when care is provided within the preferred network.
Situs: "Situs" of a policy is defined as the jurisdiction in which the policy is issued or delivered as stated in the policy.
Self-Insured Plan: A health plan in which an employer does not actually pay insurance premiums to an insurer to accept the claims risk. The employer pays only a service fee to an insurer to administer the plan, but then the employer covers the cost of claims for their enrollees directly.
Stop-Loss Coverage: Self-insured groups with stop-loss insurance are liable for claims up to a specific or aggregate prescribed threshold. The stop loss insurer only becomes liable for claims after the prescribed threshold has been exceeded.
Unadjusted Premium Trend: The actual percentage increase in premium PMPMs as reported by insurers.
Utilization Trend: The change in the number of services provided. Examples of the types of metrics used to calculate utilization includes the number of admissions to a hospital, the number of visits to a specialist physician, or the number of pharmacy prescriptions filled.

DATA SOURCES

Data are collected from two data requests: The Supplemental Data Request (SDR) and Annual Hearing Carrier Questionnaire (AH). Each serves a different purpose and captures a slightly different population.

For the SDR, we collect data from all insurers in the market, except those that request an exemption due to meeting the *de minimis* requirements. For the New Hampshire situs population in CY 2018, we estimate that the data collected represent virtually all of the covered lives in the Individual Market. Data are also collected for the Federal Employees Health Benefits Program (FEHBP) and non-New Hampshire situs membership.

The focus of the SDR is detailed benefit information along with membership, cost sharing, claims and premium.

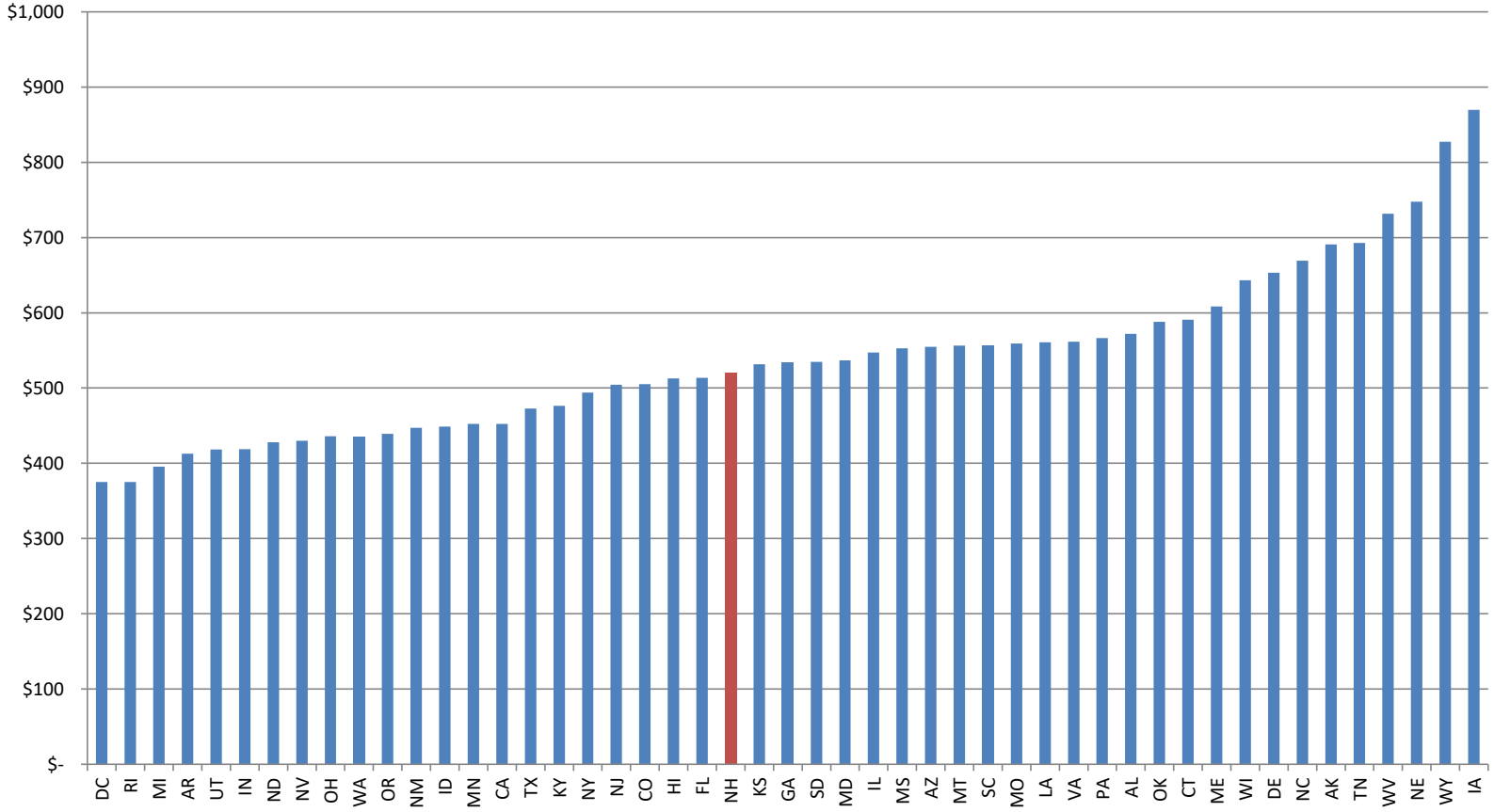
For the AH, we collect data from the five largest insurers: Anthem/Matthew Thornton Health Plan, Harvard Pilgrim Health Care, CIGNA, Ambetter (Centene) and Tufts Health Freedom Plan. The focus of the AH is more detailed claims trend, rating assumptions and demographic information.

The information from these two data requests are integrated into one set of findings in this report.

The NHID reviews premium rates and ensures compliance with all New Hampshire insurance laws for fully-insured products sitused in New Hampshire. Fully-insured members covered under policies outside of New Hampshire receive the benefit of New Hampshire insurance mandates and other coverage requirements when they work at a New Hampshire branch location, but the NHID does not review premium rates for non-New Hampshire sitused policies.

APPENDIX

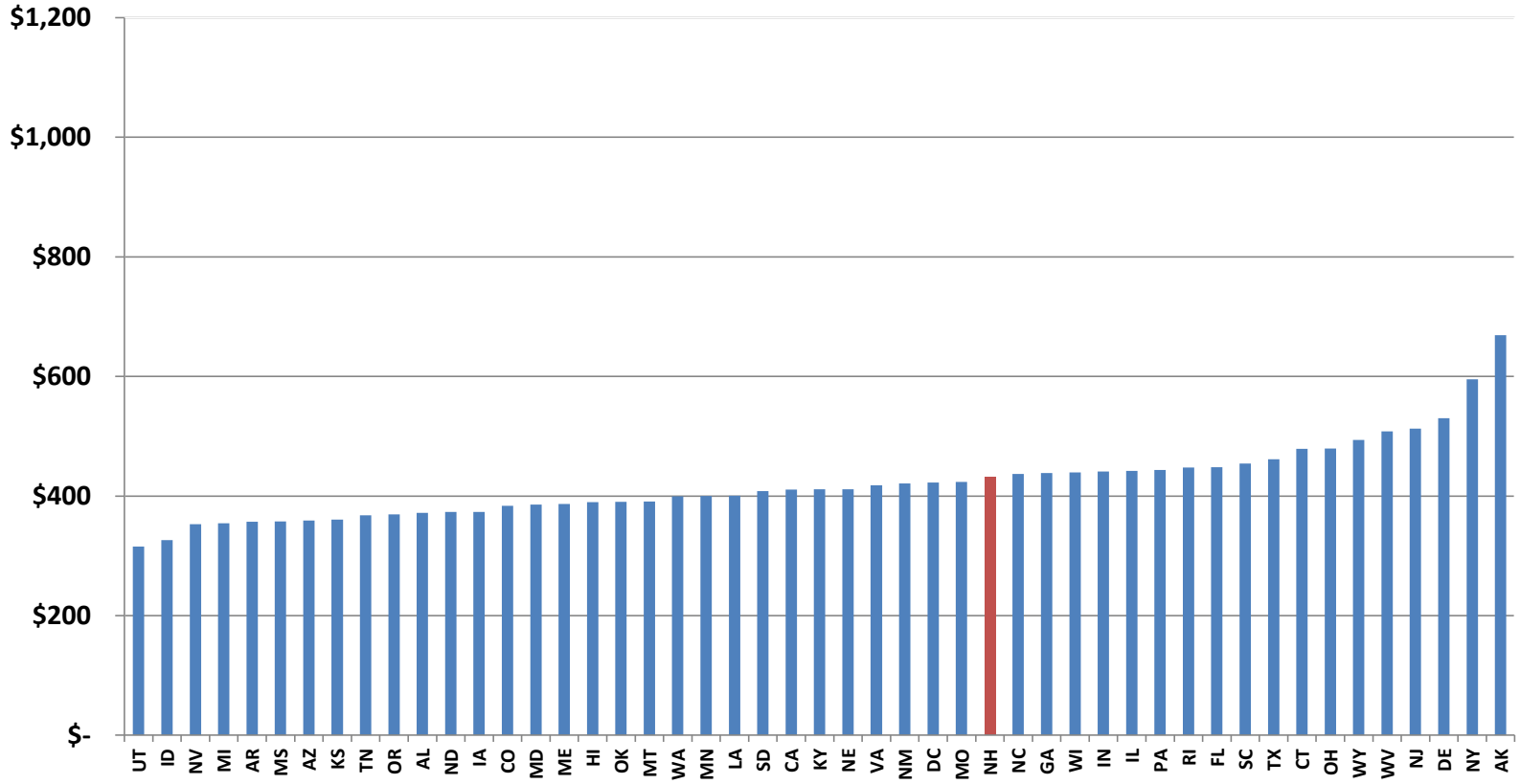
2018 Benefit Year State Average Premium (Individual Market)



Source: Centers for Medicare and Medicaid Services. Appendix A to the Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers for the 2018 Benefit Year. Available at: https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/Appendix-A-State-Averages.xlsx.

APPENDIX

2018 Benefit Year State Average Premium (Small Group Market)



Source: Centers for Medicare and Medicaid Services. Appendix A to the Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers for the 2018 Benefit Year. Available at: https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/Appendix-A-State-Averages.xlsx.

APPENDIX

New Hampshire Residents by Health Insurance Status (2014 - 2018)

	2014		2015		2016		2017		2018	
	NH Number	NH %	NH Number	NH %	NH Number	NH %	NH Number	NH %	NH Number	NH %
Employer Coverage Only	747,000	57%	751,000	57%	738,000	56%	741,000	56%	752,000	56%
Medicare Coverage	160,000	12%	168,000	13%	172,000	13%	181,000	14%	187,000	14%
Medicaid Coverage Only	107,000	8%	125,000	9%	132,000	10%	136,000	10%	137,000	10%
Individual Coverage Only	76,000	6%	80,000	6%	82,000	6%	78,000	6%	69,000	5%
Other Coverage Combinations	65,000	5%	70,000	5%	76,000	6%	78,000	6%	77,000	6%
Uninsured	120,000	9%	83,000	6%	78,000	6%	77,000	6%	77,000	6%
Dual Medicare and Medicaid Coverage	23,000	2%	26,000	2%	26,000	2%	21,000	2%	27,000	2%
Tricare & VA Coverage	15,000	1%	12,000	1%	12,000	1%	12,000	1%	12,000	1%
Total	**1,313,000**	**100%**	**1,315,000**	**100%**	**1,316,000**	**100%**	**1,324,000**	**100%**	**1,340,000**	**100%**

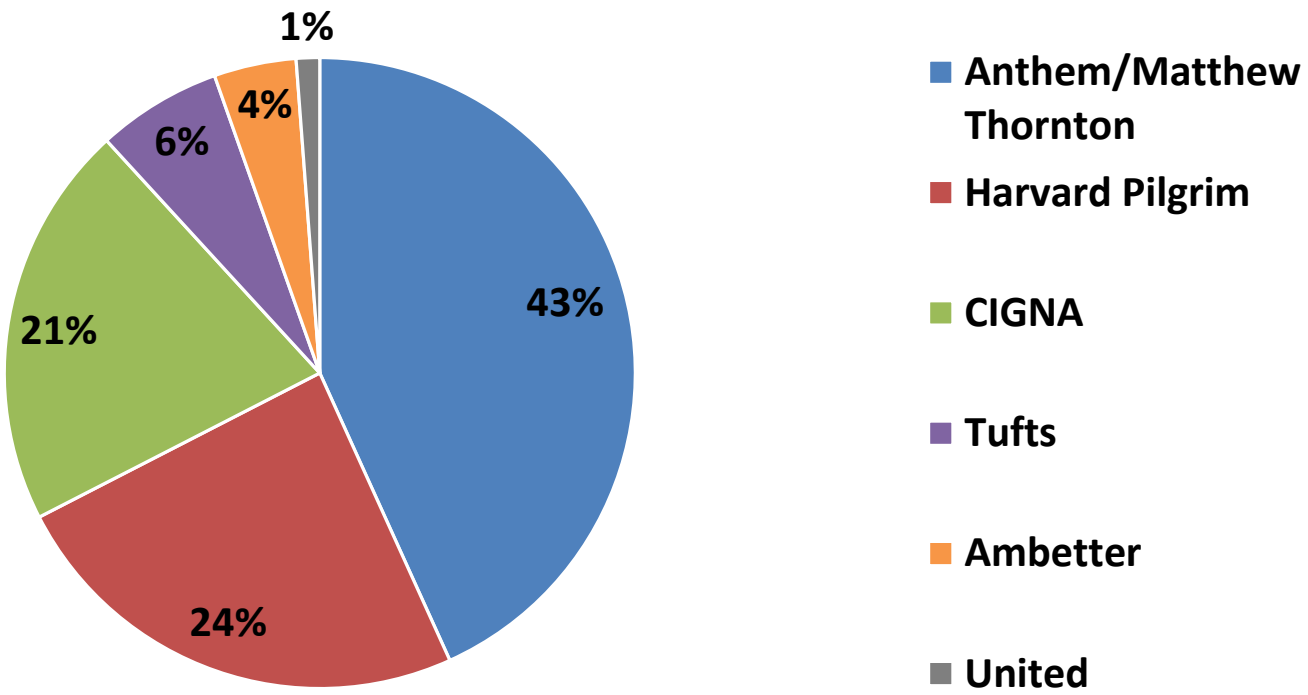
Source: U.S. Census Bureau, American Community Survey (ACS) 1-Year estimates for 2014, 2015, 2016, 2017 and 2018. Available at: http://factfinder.census.gov.

The "Other Coverage Combinations" category includes those persons with two or more types of health insurance coverage that are not in the following six multi-coverage categories: With employer-based and direct-purchase coverage; With employer-based and Medicare coverage; With direct-purchase and Medicare coverage; With Medicare and Medicaid/means-tested public coverage; Other private only combinations; Other public only combinations.

The ACS does not explicitly state that the NH PAP population is designated as Medicaid, but based on the size of the Medicaid and Individual membership, it is assumed that NH PAP is designated as Medicaid.

APPENDIX

Membership Distribution by Insurer of New Hampshire Situs Only, Fully-Insured and Self-Insured 2018



Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population.

APPENDIX

Insurers Participating in the Individual Market 2016 to 2020

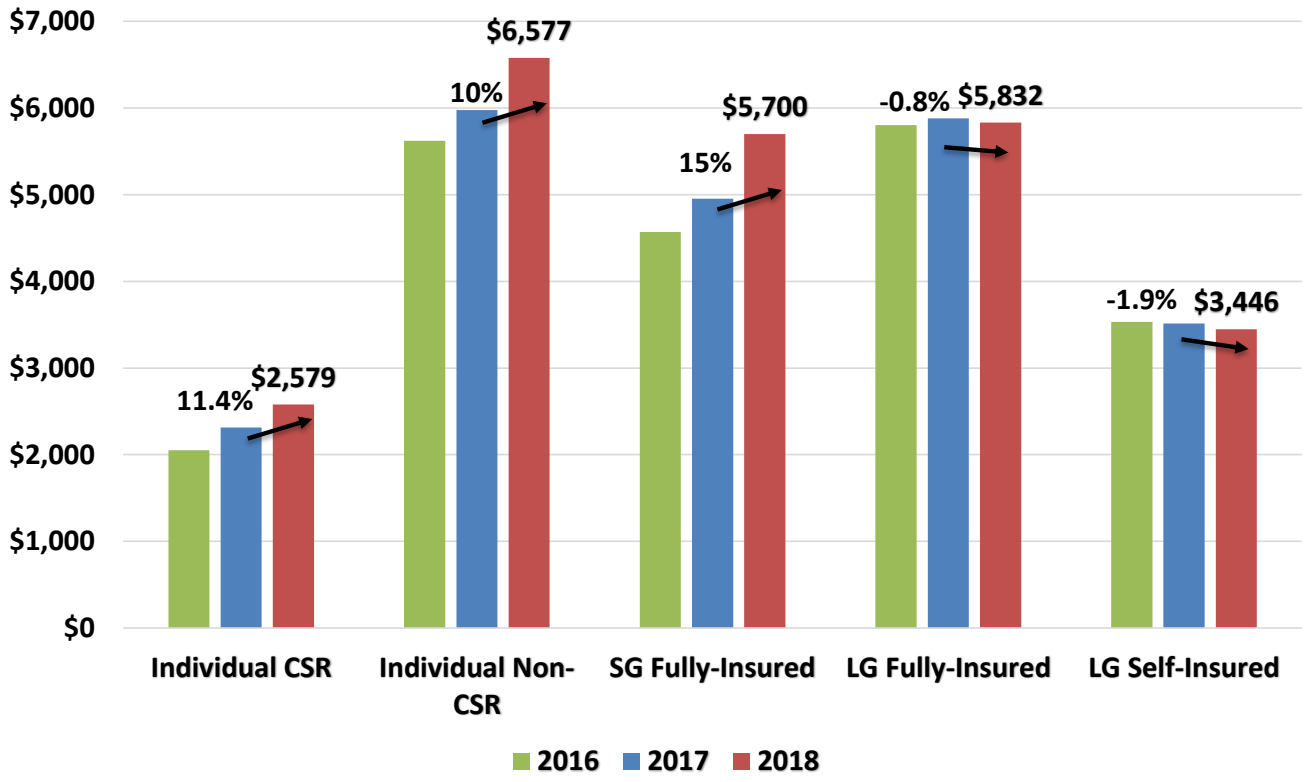
	New Hampshire Individual Market				
	2016	2017	2018	2019	2020
Anthem/Matthew Thornton	On and Off Exchange	On and Off Exchange	On and Off Exchange	On and Off Exchange	On and Off Exchange
Ambetter (Celtic)	On Exchange Only	On Exchange Only	On Exchange Only	On Exchange Only	On Exchange Only
Harvard Pilgrim	On and Off Exchange	On and Off Exchange	On and Off Exchange	On and Off Exchange	On and Off Exchange
Minuteman	On and Off Exchange	On and Off Exchange			
Community Health Options	On and Off Exchange				

On Exchange Only

On and Off Exchange

APPENDIX

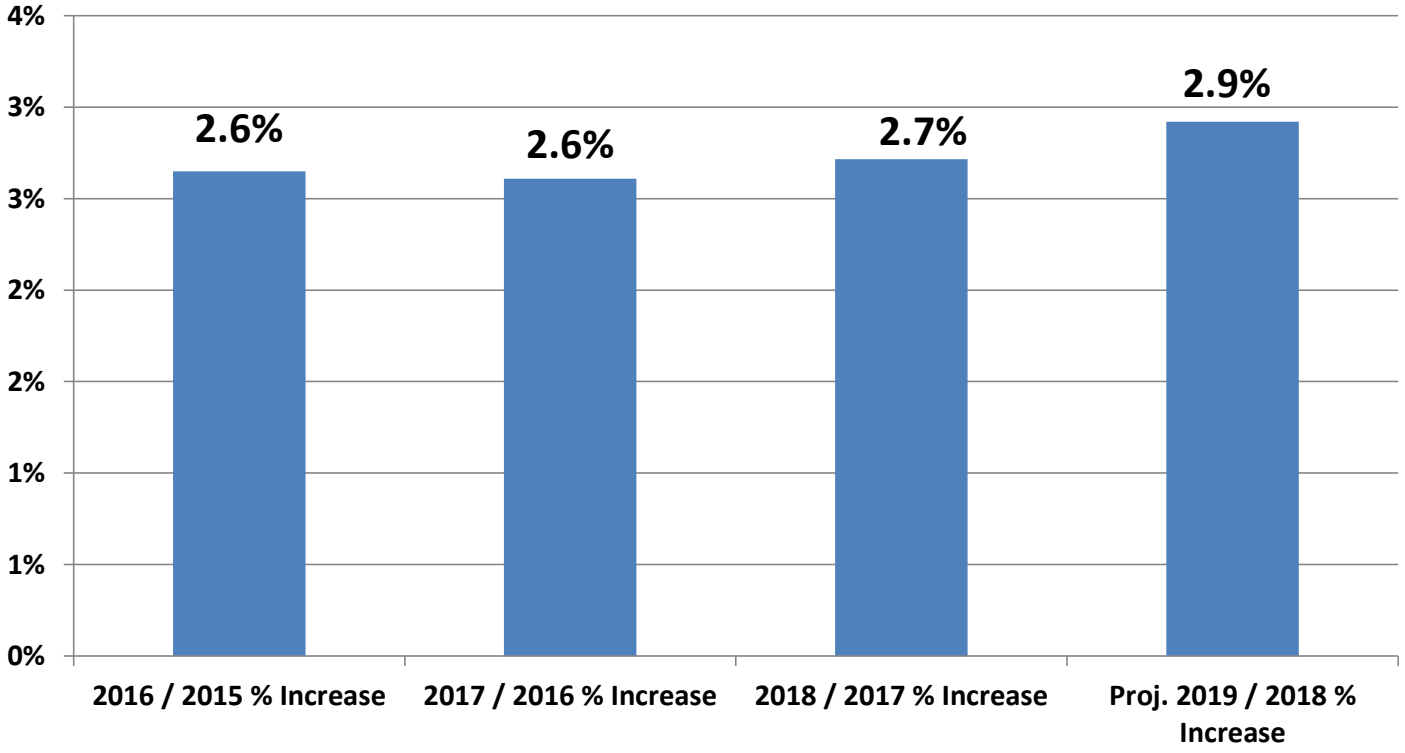
Comparison of Average Out-of-Pocket Maximum by Market Segment



Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes NH PAP and FEHBP population. Data shown is for single, in-network coverage and excludes members with either no OOPMAX or an unlimited OOPMAX. Minuteman data is excluded, however an analysis of 2015 and 2016 data shows that average Minuteman OOPMAX similar to the rest of the market.

APPENDIX

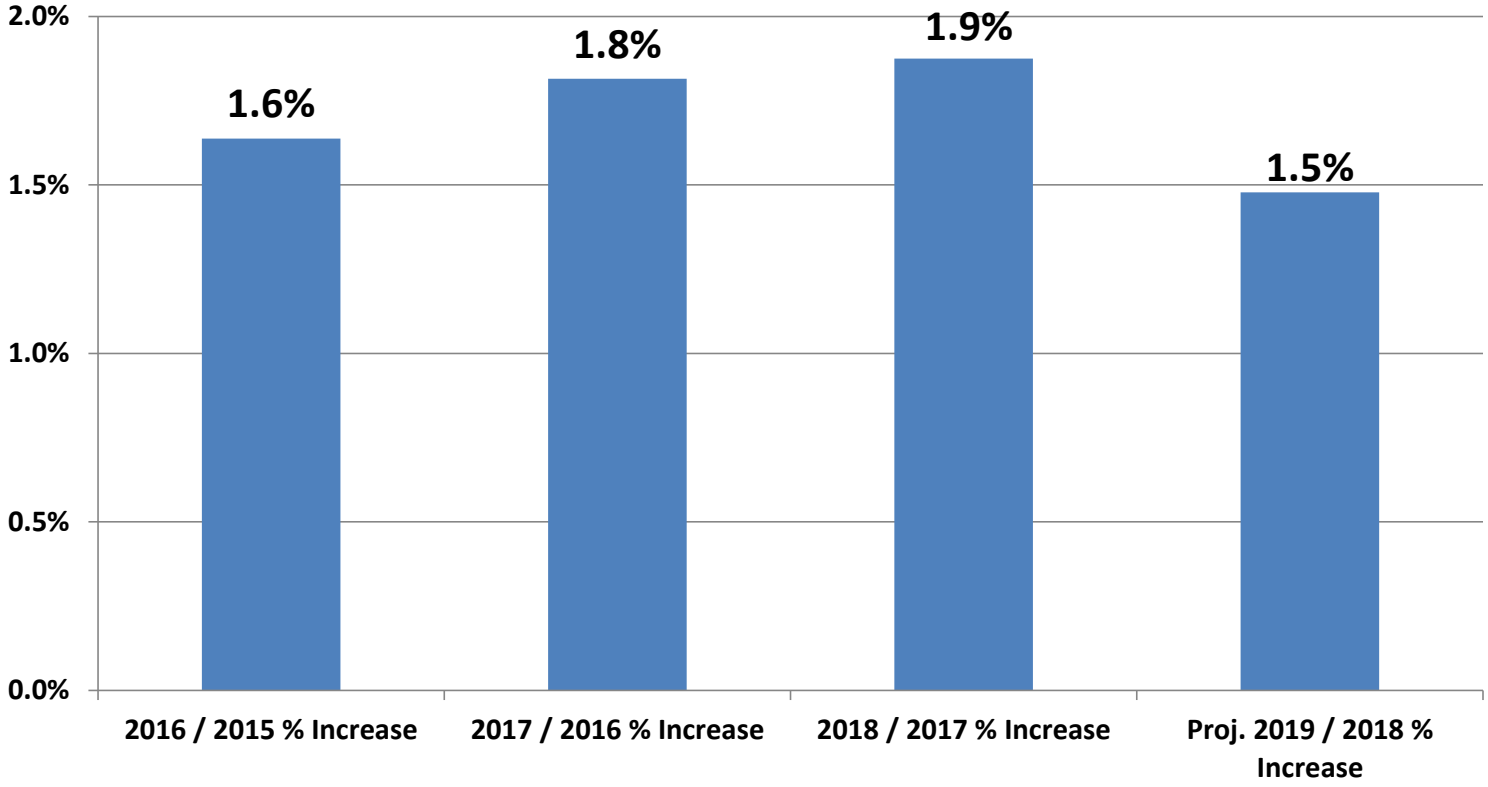
Blended IP Facility & OP Facility Provider Payment Rate Changes



Source: NHID Annual Hearing data 2017, 2018 and 2019. Standard Network rate changes only.

APPENDIX

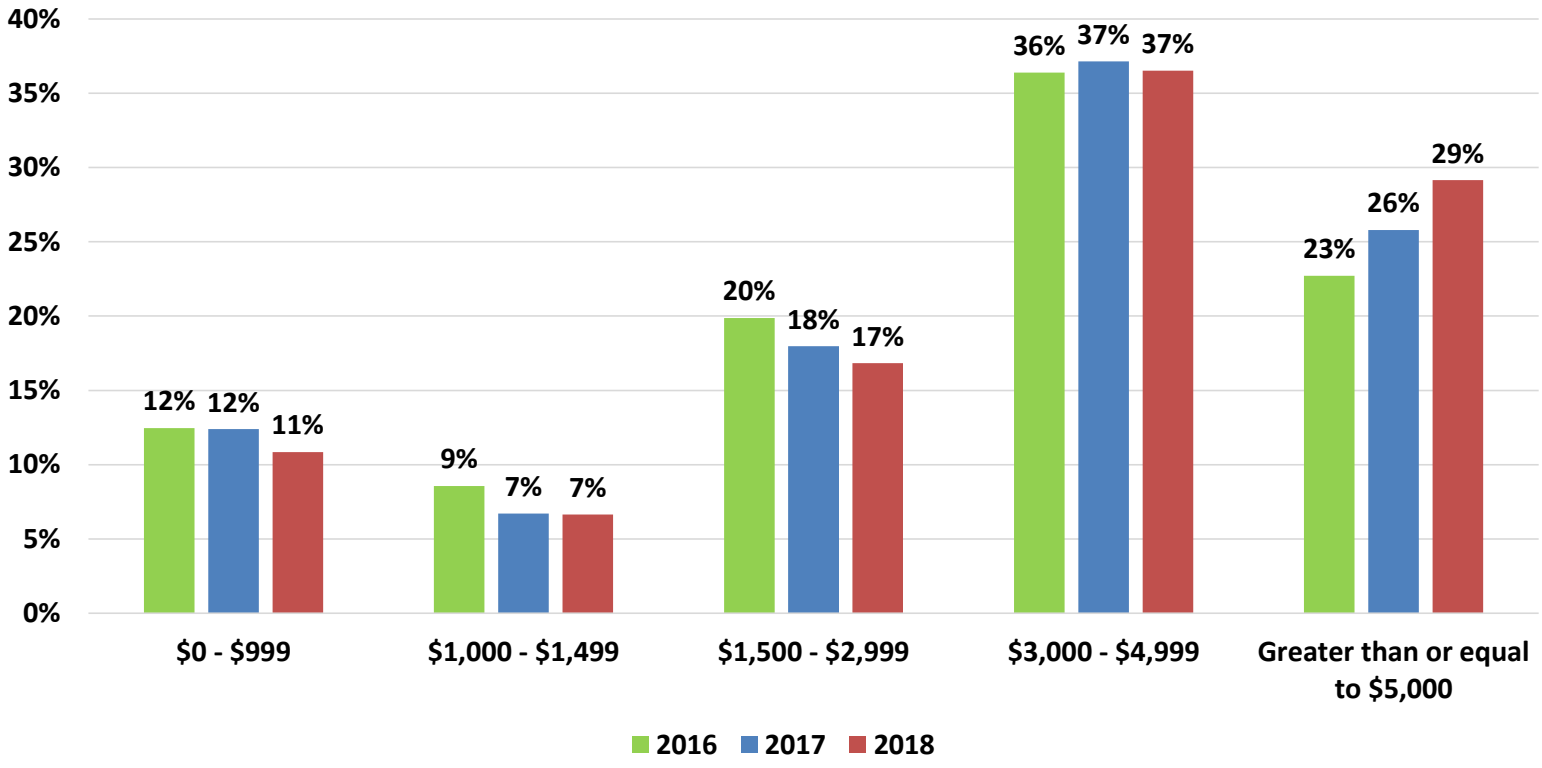
Professional Provider Payment Rate Changes



Source: NHID Annual Hearing data 2017, 2018 and 2019. Standard Network rate changes only.

APPENDIX

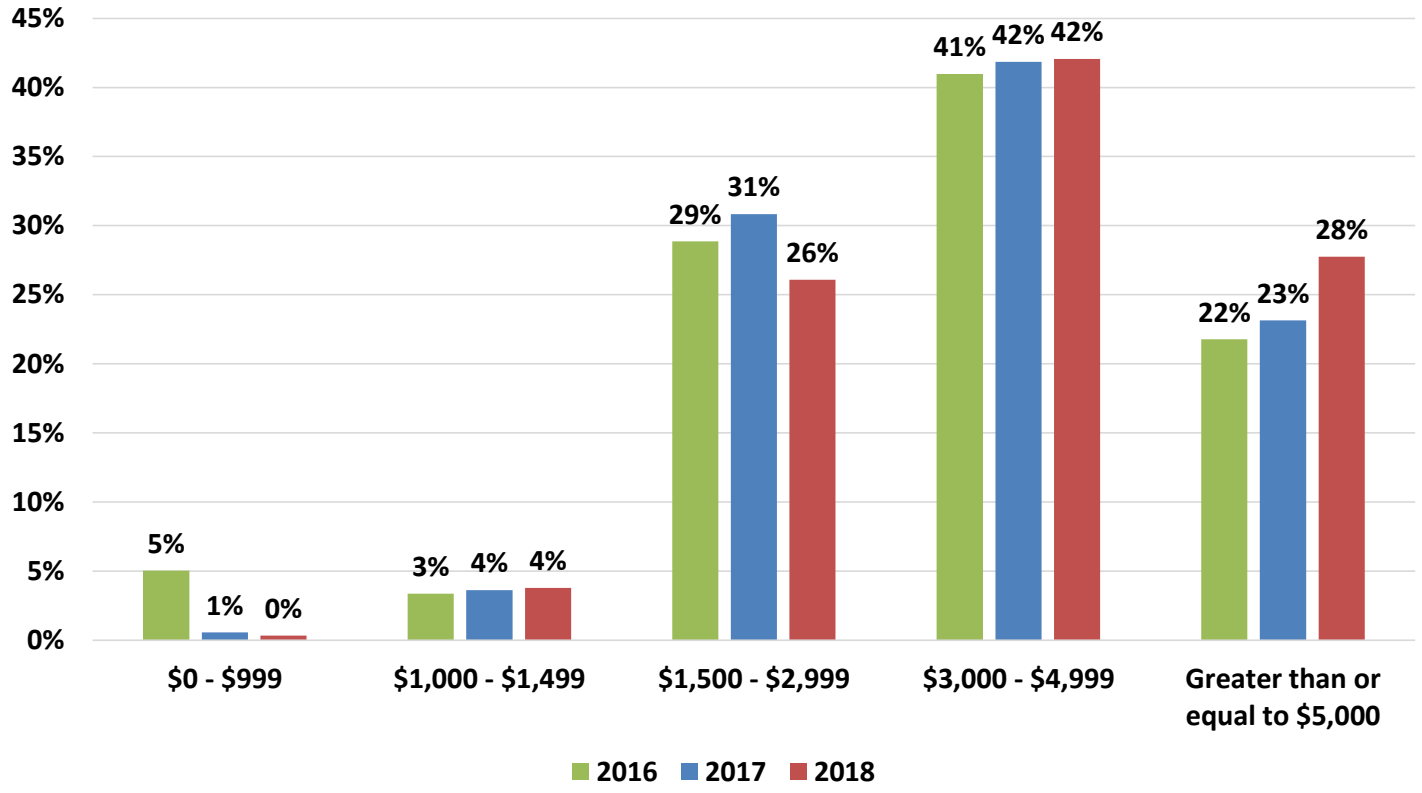
Distribution by Deductible Level - Large Group Market



Source: NHID Supplemental Report data 2017, 2018, 2019. Fully-Insured Only. Excludes FEHBP.

APPENDIX

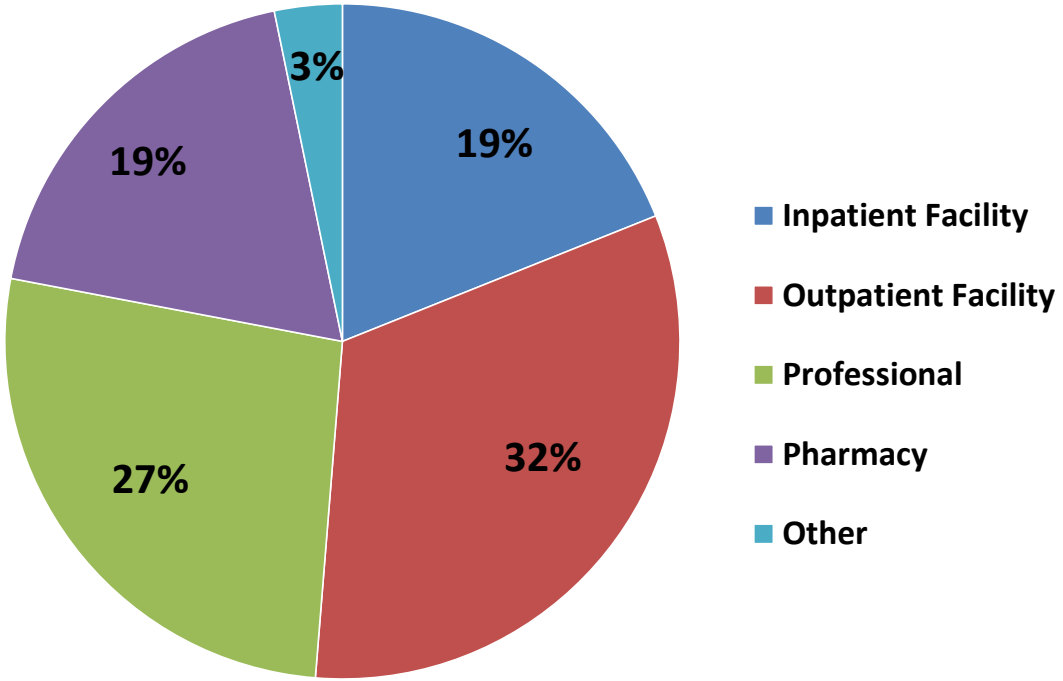
Distribution by Deductible Level - Small Group Market



Source: NHID Supplemental Report data 2013, 2015, 2016, 2017, 2018. Fully-Insured Only.

APPENDIX

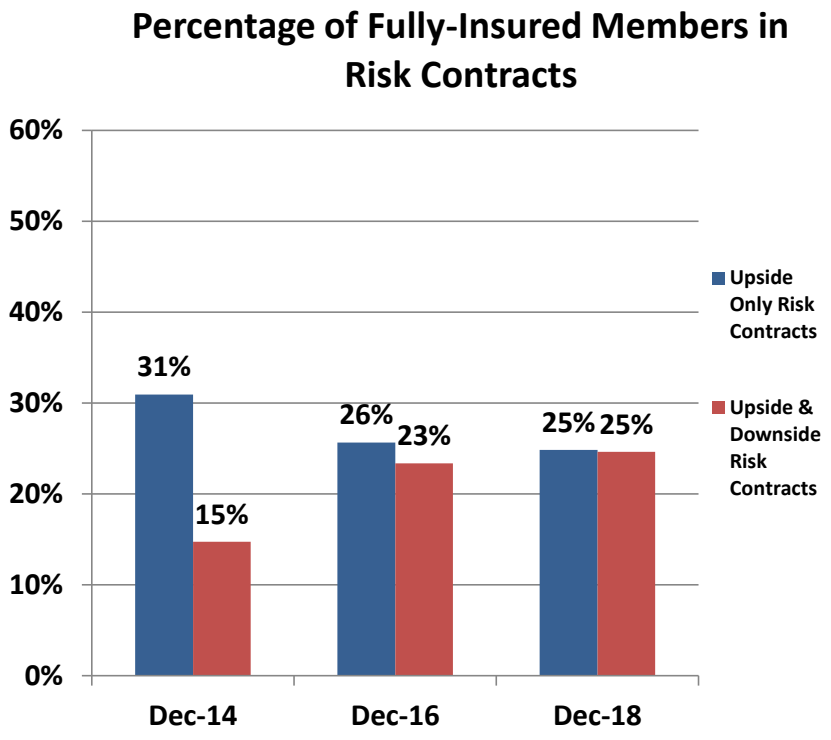
2018 Allowed Claims by Type of Service - Fully Insured Markets

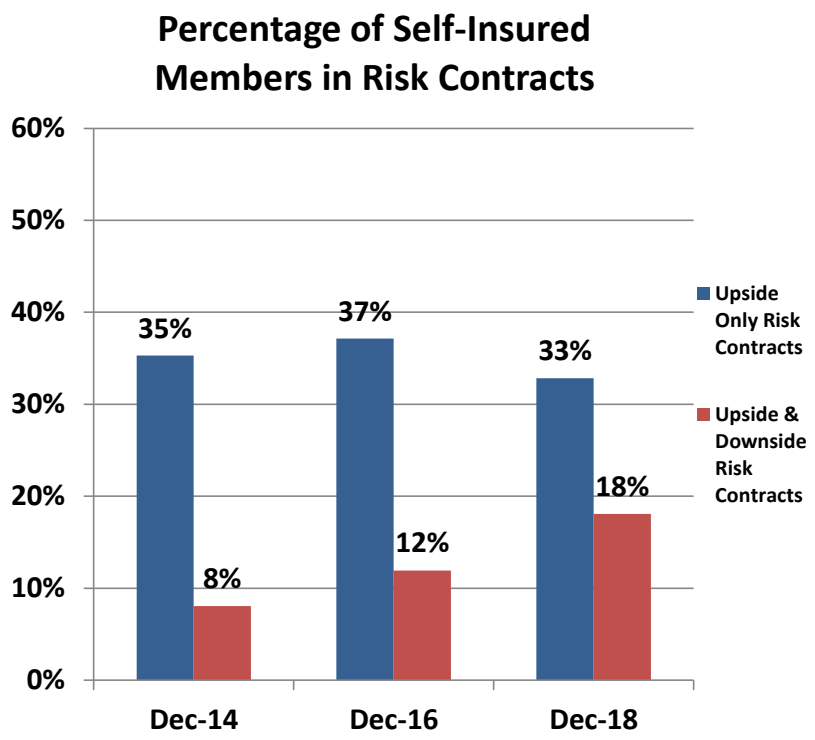


Source: NHID Annual Hearing data 2019. Includes Individual (including NH PAP) , Small Group and Large Group Markets. FFS claims only.

APPENDIX

Percentage of Fully-Insured and Self-Insured Members in Risk Contracts





Source: NHID Annual Hearing data 2015-2019. Includes all markets.

APPENDIX

Membership Distribution by Single Policy In-Network Deductible of New Hampshire Situs and Fully-Insured and Self-Insured 2018

CY 2018

Single Policy In-Network Deductible	Fully Insured - Individual Market	Fully Insured - Small Group Market	Fully Insured - Large Group Market	Fully Insured - Total	Self-Insured - Total	Fully Insured and Self-Insured Total
$0	0.1%	0.2%	1.9%	1.0%	31.9%	17.8%
$1 - $249	5.0%	0.0%	4.8%	3.4%	3.4%	3.4%
$250 - $499	3.4%	0.0%	0.4%	0.9%	3.9%	2.5%
$500 - $749	1.5%	0.1%	3.7%	2.1%	23.0%	13.5%
$750 - $999	9.9%	0.0%	0.0%	2.1%	1.2%	1.6%
$1,000 - $1,499	9.3%	3.8%	6.6%	6.3%	14.8%	11.0%
$1,500 - $2,999	14.4%	26.1%	16.8%	19.1%	15.1%	16.9%
$3,000 - $4,999	12.1%	42.1%	36.5%	32.9%	4.7%	17.6%
$5,000 - $7,499	43.9%	27.8%	29.0%	31.9%	1.9%	15.6%
$7,500 - $9,999	0.0%	0.0%	0.1%	0.1%	0.2%	0.1%
$10,000 +	0.3%	0.0%	0.0%	0.1%	0.0%	0.0%
Grand Total	100%	100%	100%	100%	100%	100%
Average Deductible	$ 3,598	$ 3,428	$ 3,167	$ 3,341	$ 880	$ 2,000

Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes NH PAP and FEH BP population.

APPENDIX

Membership Distribution by Single Policy In-Network Coinsurance of New Hampshire Situs and Fully-Insured and Self-Insured 2018

CY 2018

Member Coinsurance	Fully Insured - Individual Market	Fully Insured - Small Group Market	Fully Insured - Large Group Market	Fully Insured - Total	Self-Insured - Total	Fully Insured and Self-Insured Total
0%	27.9%	47.2%	80.4%	58.8%	66.7%	63.1%
5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
10%	13.3%	26.8%	1.7%	11.9%	12.0%	11.9%
15%	0.0%	3.8%	0.1%	1.2%	0.5%	0.8%
20%	7.6%	16.2%	16.1%	14.3%	16.9%	15.7%
25%	9.9%	0.9%	0.0%	2.4%	0.0%	1.1%
30%	29.2%	3.4%	1.5%	8.1%	2.4%	5.0%
35%	0.0%	1.7%	0.0%	0.5%	0.0%	0.2%
40%	11.3%	0.0%	0.1%	2.5%	1.4%	1.9%
50%	0.9%	0.0%	0.0%	0.2%	0.0%	0.1%
Grand Total	100%	100%	100%	100%	100%	100%
Average Coinsurance	19%	8%	4%	9%	6%	7%

Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes NH PAP and FEHBP population.

APPENDIX

Membership Distribution by Single Policy In-Network PCP Office Visit Copay of New Hampshire Situs and Fully-Insured and Self-Insured 2018

CY 2018

PCP Office Visit Copay	Fully Insured - Individual Market	Fully Insured - Small Group Market	Fully Insured - Large Group Market	Fully Insured - Total	Self-Insured - Total	Fully Insured and Self-Insured Total
$ -	0.0%	0.0%	0.9%	0.4%	1.6%	1.1%
$ 5	3.0%	0.0%	0.0%	0.7%	3.0%	1.9%
$ 10	15.4%	0.0%	0.1%	3.4%	7.5%	5.7%
$ 15	0.8%	1.3%	0.8%	1.0%	16.8%	9.6%
$ 20	13.3%	6.8%	8.5%	9.0%	25.6%	18.1%
$ 25	0.0%	34.3%	45.8%	32.3%	11.4%	20.9%
$ 30	7.3%	3.6%	21.3%	12.8%	4.6%	8.3%
$ 35	3.8%	0.7%	2.8%	2.4%	0.5%	1.4%
$ 40	26.3%	36.7%	0.9%	17.4%	0.9%	8.4%
$ 45	0.0%	1.6%	0.0%	0.5%	1.4%	1.0%
$ 50	0.0%	0.4%	0.1%	0.2%	0.1%	0.1%
$ 55	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
$ 60	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
D/C	29.9%	14.4%	18.8%	19.9%	26.5%	23.5%
Grand Total	100%	100%	100%	100%	100%	100%

Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes NH PAP and FEH BP population.

D/C means that the member cost sharing is subject to the deductible and/or coinsurance.

APPENDIX

Membership Distribution, Average Premium PMPM and Actuarial Value of New Hampshire Situs, Fully-Insured and Self-Insured 2018

CY 2018

Market Category	Plan Type	Fully Insured Membership Percentage	Fully Insured Average Premium PMPM	Fully Insured Actuarial Value	Self-Insured Membership Percentage	Self-Insured Average Premium PMPM	Self-Insured Actuarial Value
Large Group	HMO	30.4%	$ 556	0.77	29.1%	$ 499	0.92
	POS	1.0%	$ 545	0.83	5.7%	$ 629	0.94
	EPO	2.7%	$ 534	0.80	8.2%	$ 582	0.80
	PPO	13.3%	$ 565	0.79	56.2%	$ 535	0.84
	FFS	0.2%	$ 757	0.98	0.7%	$ 205	0.99
Small Group	HMO	22.6%	$ 488	0.72	N/A		
	POS	0.3%	$ 506	0.79			
	EPO	4.3%	$ 469	0.74			
	PPO	3.5%	$ 592	0.72			
	FFS	N/A					
Individual	HMO	17.2%	$ 632	0.73	N/A		
	POS	N/A					
	EPO	2.0%	$ 676	0.82			
	PPO	2.5%	$ 517	0.80			
	FFS	N/A					

Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes NH PAP and FEHBP population.

APPENDIX

Membership Distribution of New Hampshire Situs, Self-Insured 2017

CY 2018

Stop-Loss Specific Attachment Point	Self-Insured Membership Percentage with Stop-Loss Coverage
< $100,000	11%
$100,000 - $499,999	62%
$500,000 - $999,999	20%
$1,000,000	2%
$1,500,000 - $2,000,000	5%

CY 2018

Stop-Loss Aggregate Attachment Point	Self-Insured Membership Percentage with Stop-Loss Coverage
1.00	47%
1.10	8%
1.20	5%
1.25	39%

Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP populati on. The total doesn't add to 100% since there are a few members with "other" Attachment Points, such as 1.15 or 2.0.