



April 27, 2005

Chairperson's Report for 2004

I am pleased to be able to report to you on the continuing strong operating results for the New Hampshire Health Plan (NHHP) in 2004. As a reminder, NHHP operates two programs: (i) its original subsidy mechanism for former books of business (not medically underwritten) and (ii) the high risk pool, which began in 2002. NHHP continued its track record of paying all approved subsidies prior to the close of the calendar year.

NHHP was created initially pursuant to a 1997 emergency order of the NH Insurance Commissioner. At that point in time, the NH individual health insurance market was on the verge of a collapse emanating from an underwriting death spiral. Since the formation of NHHP, however, the NH individual market has improved markedly. The only carrier loss since NHHP's formation was Mutual of Omaha (which withdrew nationally for reasons unrelated to NH market conditions). The 1997 emergency intervention was made permanent by adoption of RSA 404-G, NHHP's governing statute, in 1998. The high risk pool was authorized in 2001 and commenced operations in 2002. Since that time, three additional carriers entered the NH market, most recently, Celtic Insurance Company.

One positive result from the addition of carriers to the market has been the expansion of product offerings made available to New Hampshire residents. NHHP sought and obtained legislative approval last year to offer more product choices beyond the four which had been mandated by the initial high risk pool legislation. With that expanded authorization, NHHP developed and implemented a product meeting the design criteria for classification as a high deductible health plan under federal tax initiatives. Also, to provide enhanced policyholder flexibility, NHHP offered its first open enrollment period at the end of last year.

Since NH's high risk pool was made fully operational in 2003, 2004 provided an opportunity for evaluative reflection on progress to date. To assist in that review, the Board held its first triennial retreat and planning session in October of last year. This review confirmed that NHHP has met all NH's statutory requirements and preserved NHHP's qualification as the state alternative mechanism. Additionally, NHHP has qualified to permit NH residents certified as eligible for either Federal Trade Act Assistance or Benefit Guaranty now to access tax-credit subsidized coverages in New Hampshire. These administrative milestones reflect well on the combined work of CML Administrators, LLC (CML), NHHP's executive director, and EBPA, our high risk pool benefits & claims administrator.

The Board planning retreat afforded an opportunity, as well, to reflect on and further define NHHP's mission. I have copied NHHP's mission statement at the bottom of this report. Immediate tangible application of that mission statement was the reevaluation of

actuarial methodologies deployed in annual product review and pricing work for the high risk pool. Redoing those from the perspective of our policyholders resulted in methodologies which we anticipate will produce more stable and favorable pricing of NHHP's products.

Pool enrollments have now passed the 417 mark. We are still uncertain whether or not this relatively low number is all good news, or mixed. Certainly the improvement in NH private market conditions means that more individuals are having their insurance needs satisfied by private carriers. That, of course, is an entirely positive effect related to NHHP operations. We have undertaken a number of outreach initiatives, including increasing fees paid to brokers, enhancement of marketing materials, and a complete website rebuild (see www.nhhealthplan.org). Early tracking suggests steadily improving consumer satisfaction with NHHP and its product offerings.

The new website also improves organization of materials of interest to our carrier members. I encourage you to take a look at your convenience. One of the cost saving steps implemented a number of years ago is distribution of annual financial reports through the website. NHHP's site is one of the most robust high risk pool websites available in the nation. To facilitate your use of its extensive materials, we have added a site search facility. NHHP's members also have responded very favorably to the automated web-based assessment filing option rolled out in 2004. The transition was seamless. I understand, although the paper filing option remains available, 100% of carriers now are using the web-based system.

One of the charges to the high risk pool given under RSA 404-G:1, III is to "utilize cost containment measures, . . ." I am pleased to report that the following were some of the specific steps in this area for which actual implementation was completed in 2004:

1. Negotiation of extension of network discounts to NHHP's indemnity products.
2. Change of subcontracted care management services.
3. Redesign of pharmacy benefits to a three-tier structure.

Work already is underway for additional initiatives to be implemented in 2005 and later years.

2004 was another strong operational year financially. The carry forward fund balance for the 2004 subsidy mechanism was \$3.2MM. The high risk pool also built a carry forward balance of just under \$8.2MM, for total NHHP net assets at December 31, 2004 of \$11.4MM. NHHP's complete financial report for the year ending December 31, 2004, including the independent auditors' report, is available on the "Insurance Carrier" page of NHHP's website.

As you may recall, given the carry forward balances from 2003, 2004 carrier assessments had been reduced to \$.35 per member per month. This would have resulted in a reduction in assets last year but for the recognition of federal grant income. CML had successfully pursued grant applications for both start up and 2002 operating experience in 2002. In 2004 NHHP received an additional grant award of \$469,600 with respect to 2003 operations. CML immediately put in place grant processing procedures under the federal guidelines to collect all the grant awards in 2004. This resulted in a collection of just under \$1.7MM last fiscal year. Those funds, as required under federal guidelines, went entirely against NHHP expenses for claims and high risk pool administration. Consideration of these

awards has enabled NHHP to reduce premiums for policyholders from 150% to 140% of the standard rate risk and to undertake the other outreach initiatives described above.

I want to thank each of our Board members for their diligent work in 2004 at both Board and Committee levels. Additionally, we continue to be well served by our Executive Director, CML Administrators, LLC, outside General Counsel, Mark McCue, and Plan Actuary, Peggy Onstott. We appreciate NH Insurance Commissioner Sevigny's personal encouragement to the Board in the course of the year and his willingness to continue to make senior officials at New Hampshire Insurance Department accessible, as needed, (i) to assure full discharge of all statutory duties under RSA 404-G and (ii) to assist in efforts above and beyond the statutory minimums to serve residents of New Hampshire well. Their continued efforts in support of this work have been most beneficial.

Finally, you, as members, have contributed to these favorable results by maintaining strong voluntary cooperation in meeting assessment and data reporting obligations and by offering assistance on numerous fronts with plan operations throughout the year. I want to thank each one associated with NHHP operations who has enabled us, again, to be able to produce results which have generated another favorable report.



Beth-Ann Roberts
NHHP Chairperson



Our Mission

New Hampshire Health Plan (NHHP) makes individual health insurance available to New Hampshire residents who are medically uninsurable. NHHP also supports and enhances the private market through related initiatives.

As a non-profit, NHHP strives to make its services accessible and affordable within the spirit and parameters of enabling legislation. NHHP is committed to high standards in products, service, ethics, governance, fiscal responsibility, efficiency, and effectiveness.