Senate Finance Committee

Deb Martone 271-4980

SB 605-FN, relative to special assessment requests from pooled risk management programs.

Hearing Date: February 3, 2026

Time Opened: 2:20 p.m. **Time Closed**: 3:15 p.m.

Members of the Committee Present: Senators Birdsell, Pearl, Lang, Rosenwald, Watters, Gray and Innis

Members of the Committee Absent: Senator Carson

Bill Analysis: This bill allows political subdivisions 36 months from the date of an invoice to comply with special assessment requests from pooled risk management programs.

Sponsors:
Sen. Perkins Kwoka Sen. Watters Sen. Rosenwald
Sen. Altschiller

Who supports the bill: Senators Perkins Kwoka and Rosenwald; Scott DeRoche; Jeanne Herrick; Kirk Beattie; Margaret Byrnes; Amy Scholes; Gary Winn; Linda Burnap; Meredith Piotrow; Ruth O'Neal; Jill Arabas; Debra Merrick: Amy Erickson; Debra Rodd; Daniel Rodd; Claudia Istel; Nicole MacKay; Kathy Spielman; Deborah Payne; Priscilla Dube; Barbara Bryce; Donna Tully; Barbara Langworthy; Jerry Frew; Marilyn Monsein; Stephen Monsein; Megan Barr; James Moore; Debra Ford; Leigh Hutchinson; Jason Kalgren; Debrah Howes; Susan Moore;

Who opposes the bill: Lisa Duquette; Katherine Phelps; Meg Morse-Barry; Judy Welch; Kim Gaudreau; Steve Morse; Amanda Norcross; Philip Langsdorf; Paul Hazelton;

Who is neutral on the bill: Brian Ryll

Summary of testimony presented in support:

Senator Perkins Kwoka:

- SB 605 is relative to special assessment requests from pooled risk management programs.
- There was a bill last year dealing with risk pools and the ripple effects that had throughout the state.

- Portsmouth is one of the largest members of HealthTrust. There was talk about how last year's bill would have affected premiums and special assessments that needed to be collected.
- Having built municipal budget for four years, these sorts of costs are really impactful. Coming up with a $4 million special assessment in a one-year cycle would have been pretty difficult.
- This bill is fairly simple. If there is an assessment that is levied political subdivisions shall have time to pay in installments over the course of 36 months from the date of invoice. This would give our municipalities time to budget and adapt to this market. This period of time may not be something that everybody supports, but Senator Perkins Kwoka thinks it is important to have a period over which these assessments can be charged. Better yet would be to avoid assessments altogether and create a more predictable system.
- In the meantime, we need to act to protect our property taxpayers. We should ensure there are some safeguards to give municipalities a little bit of a buffer from unexpected costs that could come up in a budget cycle where the budget is already set.
- Senator Watters agreed we spent a lot of time on this last year in this committee and didn't come up with a solution. He expressed some concerns about the impact of stretching these payments out. Related to that is the issue about how much the health trusts can hold in reserve. rather than sending it back. If they had more in reserve, maybe they wouldn't have these kind of wild swings. Would it make sense to think about changing the bill to include an increase in the amount of reserves and then moving the effective date out a year so the reserves could build up a little bit? Senator Perkins Kwoka stated she was open to modifying the bill. She thinks taking on the reserve level is an important piece of how this unfolds for our municipalities. That said, we heard much testimony in this committee last year about what the appropriate reserve levels should be in commercial underwriting and for a product of this type.
- Senator Perkins Kwoka mentioned there are two pieces of legislation, one in each body, that purport to deal with how the reserves are regulated. She thinks the scope of this bill might be best served to stay narrow.
- Senator Watters asked if it would make more sense for all of these to be managed by the Insurance Department, where they have expertise, rather than the Secretary of State. Senator Perkins Kwoka is of the belief it would be better to regulate these risk pools inside the Insurance Department because they serve the same function as insurance for our municipalities. If they were to face financial insolvency, it would be a major event for our municipalities and for their taxpayers. This bill is limited because that is an active policy debate we're having. These risk pools need to be underwritten according to widely accepted standards. If they were we really wouldn't see any of these assessments, and SB 605-FN would be unnecessary. In the meantime, it's important to have these safeguards in place for municipalities.
- Senator Lang wondered what happens if it is three consecutive years where they are under capitalized, and that number just keeps growing and growing and growing. Is that not a concern? Senator Perkins Kwoka reiterated we really

should not be seeing these assessments. The collection of premiums and rebates should be well thought out and underwritten. Obviously, we want to make sure these risk pools remain solvent. The 36 months represents a balance. Municipalities have budgets and can only allocate funds once a year. Asking them to pay assessments in one budget cycle where they may have already written their budget, or allocated all of the funds they've collected is difficult. Senator Perkins Kwoka inquired of Senator Lang if there is a different time period he may be interested in. In the meantime, however, stabilizing the exposure to the taxpayer is also important.

- Senator Lang referenced Line 4 of the bill, (h), which states, "Nothing in this paragraph shall be construed to mean that special assessments be required by statute." Senator Lang continued Line 4 (h) says we can't require a special assessment. Even if it's undercapitalized, below funding levels, and can't meet their claims, we're saying we can't require them to recoup their costs to stay solvent. That is not how Senator Lang reads the language. He understands it to say nothing in this paragraph shall be construed to mean that a special assessment be required. In other words, this language is intended to be highly conditional. Senator Perkins Kwoka replied if there is an assessment that is given, this would dictate the time period over which it is collected.
- Senator Gray inquired who should be the regulatory body. When groups of towns or entities get together they form more or less a corporation-type of organization with rules and regulations adhering to statutes. The Secretary of State is the one that governs that type of thing, including corporations. Why would it be that the Insurance Department is the right place to put this? Senator Perkins Kwoka stated she knows this is an active debate. But again, our municipalities, public employees and taxpayers depend on these products being there. We wouldn't even be having this conversation if we hadn't learned there was some financial instability inside of these risk pools. Where they are serving the function of insurance they need to act like insurance. They need to be dependable like insurance. They need to be underwritten like insurance. They need the consumer protections of an insurance product. They would be best regulated by the Insurance Department, who is already familiar with all requirements and operations.
- Senator Gray stated he is interested in any testimony Senator Perkins Kwoka may have that indicates the risk pools actually followed what their actuaries had told them to do, were actually complying with the requirements of the Secretary of State, and then got into financial difficulties.

<u>Scott DeRoche, Executive Director, and Jeanne Herrick, General Counsel, HealthTrust:</u>

- The important piece of HealthTrust's written testimony is the acknowledgment that there are two types of risk pools operating in the state of New Hampshire, assessable and non-assessable. If you're going to issue an assessment, if you have a shortfall in funds, or if you're maintaining sufficient funds so that you do not issue an assessment, it's the level of protection that the public sector entity enjoys from the risk pool.
- There are risk pools of those two types that are successful all across the country.

- Diversity is good. It's good to have different choices within New Hampshire. Both models can operate successfully. And both models need the appropriate level of reserves to function.
- What was proposed last year in SB 297-FN was that a risk pool should hold 12-16 percent in reserves and be an assessable risk pool if that were to prove insufficient. That's too little in reserves to hold. The national average through the Association of Governmental Risk Pools, which is the leading industry group, states that on average 34-38 percent of contributions are held in reserves by risk pools across the country. So 12-16 percent is less than half.
- We've all gotten hit by claims, including commercial carriers in the marketplace, over the last few years as the industry gets extraordinarily challenging. It's important that we have the reserves to ride through those. Health Trust, as an example, had 20 percent as its target for reserves. They had about a 15 percent spike in claims, was able to pay all claims, and not issue an assessment. Their lowest point was about 5 percent. They've built it up today to about 10.6 percent.
- HealthTrust is aware of two other risk pools that had lower reserve targets. In accordance with their operating agreements with the Secretary of State, they were targeting around the 12-16 percent when they had a similar spike. One depleted its reserves and closed. One issued a large assessment to the public sector.
- HealthTrust believes 36 months as an assessment period would require a risk pool to plan for a projection period for solvency of likely 4 years. HealthTrust as an organization through their external actuaries, Milliman, targets a 5-year solvency period. This would allow them to have enough in reserves to make sure they have a 95 percent chance of solvency over a 5-year period.
- In order to allow groups to pay over a 36-month period, you would need to plan to have enough to at least have 4 years to allow those payments to come in, to avoid a scenario whereby you're insolvent without an immediate payment. That payment can cause real challenges for the municipal entities to pay.
- While HealthTrust is not an assessable risk pool, that solvency period is closer to the level that would be appropriate, and add protection for the political subdivisions of New Hampshire.
- SB 605-FN as written acknowledges there are non-assessable risk pools in the state. That has been the case for the 40 years of New Hampshire's risk pool history. RSA 5-B was adopted in 1987. The Legislature affirmed the models that were in place at the time, HealthTrust was among them.
- This bill acknowledges both models are allowed to operate in the state. Both can provide value to the covered individuals, political subdivisions, and protect the taxpayers.
- Risk pools work. HealthTrust has seen the commercial market be in a challenging position because of rate increases that all 3 risk pools have issued. Many member groups, cities, towns, and school districts have gone out to bid over the last couple of years. The vast majority of them have stayed with a risk pool because they've found the coverage and the cost is better than what's available in the commercial market.

- Risk pools were created to serve the public sector. They meet the needs of the public sector. That is the sole focus within the state of New Hampshire as a nonprofit.
- Risk pools work if they have the appropriate reserve level and the appropriate understanding with their groups as to whether they're assessable or non-assessable. They can continue to be extraordinarily successful for the state of New Hampshire.
- Senator Rosenwald stated in the 40 years we've had risk pools, there have been many advances in medicine. Back then there wasn't much you could do to intervene in a lot of diseases. But over those 40 years much has changed. There are a lot of new drugs and new interventional technologies. Maybe it's time to look at a world where extraordinary things can happen.
- Senator Rosenwald thinks a higher reserve level might be a good idea. She asked Director DeRoche if HealthTrust was planning a 20 percent reserve, but actually think it should be at least 32 percent. Director DeRoche explained the average in the country through AGRP is 34-38 percent. In New Hampshire, there has been pressure from the Secretary of State over the years to have lower reserves prioritizing a return of surplus back to the political subdivisions. For example, during the pandemic years, HealthTrust gave back approximately $57 million to the political subdivisions. Two years later they needed to raise $60 million. If they had retained those funds, there would have been less volatility.
- The cost trend, the medical and prescription trend in America is growing faster than anybody would have thought, mainly due to new technologies and increased utilization.
- There are CARTT cell therapies, which is a specific type of cancer treatment. It is approximately $700,000 just for the therapy itself, never mind the associated costs. The total is over $1 million when one of those comes into your population. There are gene therapies that are listed and approved through the FDA that are $6 million per treatment at this point in time.
- To put it into context, HealthTrust is covering its costs plus a reasonable rebuild. Over the last few years, they've rebuilt approximately $10 million each year. They cover their costs plus an additional amount to replenish those reserves that they had utilized to pay earlier costs.
- One or two claims could derail that rebuild. That is why it is so important to not be at a level where you're planning year-to-year solvency over a 12-month period, but that you're looking over a 5-year period.
- HealthTrust does not build additional margin into their rates. Some commercial carriers do that. HealthTrust tries to rate as accurately as possible for the public sector, not overcharge, and have a return of surplus.
- There is significant volatility. You used to be able to plan that medical trend was about 5-6 percent per year. Now they are seeing a medical trend that is 14 percent at times. Across the country the average trends around 9-10 percent based on various sources.
- Specialty medication is absolutely driving a lot of it. Right now less than one percent of the population is driving more than half of the entire prescription drug spend.

- HealthTrust did not deplete reserves nor did they issue assessments. At no point did they deplete reserves. Their lowest point was about 5 percent. They rebuilt and are now at about 10.6 percent.
- HealthTrust did not issue assessments to their political subdivisions that are member groups. They are a non-assessable risk pool. They use reserves to cover any expenses within a period of coverage that are unanticipated. They then replenish over a multi-year period by adding a bit to future prospective rates to replenish.
- Having that higher reserve of 20 percent is what allowed them to handle the pandemic period and the surge without doing assessments. They went from 20 to 15. If they had started at 15, it would have been 15 to 0 and then they'd be in a spot where they needed to raise additional funds.
- Certainly, being at a higher level of 34-38 percent, the level of protection is extremely significant.
- Senator Gray reminded Director DeRoche the last time he was here HealthTrust wouldn't commit; now they are willing to commit to a number. Director DeRoche explained what they were saying at the time is that they very much want a system that contemplates the changing market and ties to the changes that may occur one year from now, two years from now, three years from now. The 12-16 percent is a deterministic fixed amount. They believe that fixed amount is far too low. Even more preferable to that would be a true system that takes into account things like underwriting risk, investment risk, and other changes in the market. That's the RBC system that is used all throughout the country. When Director DeRoche states 34-38 percent. that is from AGRP themselves. It is the average for every health risk pool across the country. It's the average according to the latest data. The 34 percent is simply contributions versus reserves. The 38 percent is what's called contribution leverage, which is a common mechanism in the industry. Somewhere in that range 30 percent would be an extremely comfortable spot to be in. Again, HealthTrust uses a different methodology.
- When they did the study over the summer for year ending June 30, 2025, their recommendation had an upper end of 28 percent. What does that equate to in dollars? That 28 percent of reserves would be $145 million for their risk pool. HealthTrust does approximately $500 million per year for contributions.
- Senator Gray stated he had seen HealthTrust's actuary reports before. They produce an upper end for the target, and also give them a percent of contributions HealthTrust should be asking for. Is that the case here as well? It's the same analysis. The range they produce is $90 to $145 million. Director DeRoche indicated that translates to 17-28 percent, and there are assumptions for the bottom end of the range and assumptions for the top end of the range. A full copy of the report is publicly posted on the HealthTrust website. Director DeRoche believes the pricing Senator Gray referred to is at that upper end of the range. It presumes that it is the rate increase that's due, plus no more than 5 percent additional for a rebuild. That is the level you would need to effectively have your long-term cost plus 5 percent.

- Senator Gray stated he had not gone into the actuary's report since last year. He used the data in HealthTrust's Annual Report and the minutes from their meeting. The actuary gave HealthTrust 3 different upper ranges and 3 different percentages depending on whether they were going to rebuild the fund in one, two or multiple years. From the minutes of those meetings, Senator Gray was disappointed to see that HealthTrust took one out of column A and one out of column C, which did not compute to doing what the actuary said. They gave HealthTrust an upper limit, and the $90 million and the $145 million were pretty much consistent with the numbers from the report Senator Gray saw a year ago. But the percentages of money they were getting was higher in the lower year and less in the later year because of that difference in the goal. Director DeRoche indicated the 5 percent he was referring to was the lower end of the range scenario. Milliman determines the rate to cover projected claims and expenses for the upcoming rating period. That is a solid rate. Then, as a non-assessable risk pool, there is a capital risk charge. How much is HealthTrust going to add on top of that rate to help replenish those reserves? That's the number with the exhibit that Senator Gray is referring to. If there was a rebuild from $23 million, which was HealthTrust's low point, up to a minimum of $90 million, to try to do that in one rating cycle, what charge would you add to it? If you were going to do it in two rating cycles versus three? As an example, if HealthTrust wanted to rebuild in two rating cycles, it would be a 6.2 percent capital risk charge. The HealthTrust Board voted to adopt a 5.3 percent capital risk charge, which rebuilt in just over the 2.5 year period or was expected to rebuild over the 2.5 year period. What happened is the claims trend continued to spike. It's about how quickly you choose to replenish. Interestingly, replenishing all in one year puts you in a worse financial position because if you were to try to add that much onto rates and collect all at once, you would have adverse selection occur within the market, where most of your well performing groups leave. Therefore, your total premiums go down. The groups that are remaining are, on average, higher risk because they couldn't get a favorable quote elsewhere in the commercial insurance market. So you are likely to be in a worse financial position as an organization. You can't wait forever. Where is that reasonable line to say if we add this amount we will accomplish our rebuild plus retain the groups we need, not from a competitive standpoint but from a good mixture of healthy groups to offset the unhealthy groups within the population as a risk pool. The HealthTrust organization has operated for many years as the limit being 5 percent they could add to replenish without having that adverse selection trigger. When the rebuild didn't rebuild as quickly as expected, the Board did increase to 5.3 percent. For the last two rating cycles, they were at 5.3 percent.
- HealthTrust has been successful. They have had several groups leave and several groups join. On the whole, they've retained a mix of well performing groups and groups that are having some struggles within their population.
- HealthTrust has rebuilt a $10 million gain in FY 2024. They had a $9.5 million gain in FY 2025. Already this year in FY 2026 they have a $10 million gain. That is covering all costs, all claims, all administration, even with these spikes

that are happening within the market, plus having that reasonable amount going to steadily rebuild reserves.

- Senator Gray requested a copy of the Milliman actuary report to review. He inquired if HealthTrust was currently up to date in all of the reporting required by the Secretary of State. Director DeRoche stated they were. They make an annual filing, which is the only reporting that is required through statute or by the Secretary of State. That was done in early October. It includes copies of all of their actuarial reports, including their capital adequacy reserve report, IBMP report, PDR report, audited financials, rate letters, and their bylaws. Those are all submitted once a year. Most of that information is publicly available on their website. Additionally, for over two years now, they have been providing monthly financial statements voluntarily to the Secretary of State. There is no additional information that is required or requested.
- Senator Gray talked about a scenario where HealthTrust would not have to return certain overages to the communities and create a fund that would benefit those cities and towns or organizations. They would be allowed to retain some interest in that money. Could HealthTrust agree to such a scenario? Senator Gray agreed the reduced claims during the pandemic and having to return that money was not a good thing for risk pools. He is trying to put together something that would retain that money somewhere, but if someone pulled out they would be able to pull money out of that for their use, or use that for premiums in future years. He asked if HealthTrust could work with something like that. Director DeRoche agreed any scenario or system that has adequate funds within the system to ensure solvency is something HealthTrust would be very interested in working together on. There are different risk pool models throughout the country with this idea of member balance and member equity. Generally, risk pools do retain the funds and use them for something called rate stabilization. HealthTrust used to do this as an organization in the past. Instead of returning funds in a good year, they would hold those funds and use them to lower the rate they would get in a bad year, This would make things more stable for political subdivisions. It's important to note the funds that are being held can be invested as well. When HealthTrust ended up taking their money out of the investments, they had a $9 million realized gain. That is $9 million the public sector didn't have to contribute. And the money can grow. It can be used for rate stabilization. Director DeRoche is absolutely interested in finding a way to ensure there is the correct amount of money in the system, while ensuring oversight into those funds and their adequacy, and making sure there is proper use for them.
- Senator Rosenwald asked Director DeRoche if he knew where most states house their risk pools. Is it the Department of State? Is it the Insurance Department? Director DeRoche stated most risk pools are not regulated. Most risk pools are operating for the good of the political subdivision. They're not under the Secretary of State. They're not under the Insurance Department. They're effectively self-governing, ensuring they have adequate funds and that the rates work. Some have moved to the Insurance Department. Some have increased reporting and transparency.

- Most risk pools today are more concerned about having too much in funds, determining what's the appropriate level, and how to give back. The average is 32-34 percent. That means there are those that have well above that and are determining how to give those funds back to the political subdivisions they serve.
- Senator Rosenwald asked when HealthTrust is considering taking on a new member do they look at their claims history? Do they ever reject anybody? Director DeRoche stated HealthTrust does not decline to quote anybody. That has been one of their founding principles. It is something that has been discussed recently because the market is getting challenging. Its Board reaffirmed its commitment to serve the public sector of New Hampshire. That means all groups within the public sector of New Hampshire. As far as looking at their claims experience, the answer is generally yes. If it's a small group, 50 or less, they go into a pool with a pool rate. HealthTrust does not look at their claims experience nor is their claims experience available. You could easily identify those entities with such a small population. And their claims experience is not reliable. Generally, in the industry if it's 50 or less you're going into a pool rate, a shelf rate, or some sort of small group rate.
- Every entity that is 50 or above, HealthTrust does request two years of claims data. They can issue a quote off of 12 months, but request two years of claims data, which feeds into their underwriting process. Every group that's between 50 to 1,000 gets rated by their external actuaries through a credibility waiting process. Depending upon their size, some part of their rate is their own experience. Some part of their rate is the experience of the overall renewal. By having a bit of that shared experience, it ensures a more stable experience for everyone. If there is a political subdivision that has a CARTT cell therapy as an example, there is a mechanism whereby some portion of that is borne by their peers. That results in a much more stable rate for all political subdivisions.
- Senator Watters wondered if there are any models out there where the earnings from the investment is returned to municipalities? Director DeRoche stated absolutely. If, as an example, HealthTrust was allowed to retain 30 percent in reserves, and if they were at that 30 percent level each and every year, there would still be a return of surplus to the member groups. If investments had an earning or if claims were better than expected, once you're fully replenished, the return of surplus should happen for the benefit of the political subdivision. Risk pools should not retain reserves forever and have them grow without measure. But where is that appropriate line? If 30 percent was that line with risk pools across the nation, Director DeRoche thinks you could comfortably be there. With the pressure from the Secretary of State to lower reserves, HealthTrust was at 20 percent and had that return of surplus of $57 million. That was too low. But it did allow them to pay all claims, remain solvent, and not issue any type of assessment. That return of surplus line, that maximum reserve line should be somewhere that is higher. It should be 34-38 percent through AGRP. The insurance industry overall is 33 percent. The AGRP does say risk pools hold more than the average insurer because rate stability is so important to the

public sector. The upper our actuaries say is 28 percent. Everything is landing around that 30 percent mark, not the 12-16 percent.

Kirk Beattie, City Manager, City of Laconia:

- The city of Laconia was one of the communities that was hit with a couple of different assessments last year. Between the city and the schools they totaled $1 million plus.
- When the city received the assessment, it was due upon receipt. They were told the processing of their bills and payments would not continue if the assessment was not paid on time. That was coupled with a significant increase in their insurance through that same pool at that time. It was a double whammy. The city was fortunate to be able to pay the assessment, although they dipped into a new fiscal year.
- The school assessment was over $800,000. They were able to pay it but used one of their reserves, essentially depleting it.
- It is very difficult for municipalities to budget. They try to keep it as low as they possibly can. Laconia is a tax cap community, so they really have to be careful. To be able to have some wiggle room within a budget for unforeseen, significant assessments can be very difficult. Having the opportunity, if needed, to spread out a payment is certainly something Laconia would be in favor of.
- Senator Gray asked if Mr. Beattie was a member of any of the boards. Mr. Beattle replied Laconia actually utilizes three of the risk pools. Primex for risk management and HealthTrust for their dental. The city was with NHIT, where the assessment came from, for their health insurance. They separated from NHIT and went with SchoolCare on both the city and the school side. Senator Gray sought to confirm the city doesn't sit on any of their boards. Mr. Beattie clarified they do have representatives on both SchoolCare and HealthTrust. He didn't personally know whether they are board members or they merely sit as representatives. The city does have representatives that are part of those organizations. Senator Gray asked Mr. Beattie to clarify and send his response to the committee.

Margaret Byrnes, Executive Director, New Hampshire Municipal Association:

- SB 605-FN is a simple bill that does two major things. First, it recognizes that two distinct models of risk pools can operate in this state by making it clear that if the pool is assessable, that will be stated in the bylaws, the member agreement, or other contractual document. Allowing more than one model of risk pool to operate is consistent with national standards. It's consistent with AGRP, the Association of Governmental Risk Pools. And it also allows political subdivisions in New Hampshire to make a choice about the model of risk pool they would like to join.
- The other piece that is important about this bill is that it increases clarity. It requires if the pool has an assessable model, it will be made clear to members. If this had been the case a year or so ago, there likely would have been significantly less confusion from political subdivisions, cities, towns, and school districts about the assessments they may have received, whether those assessments needed to be paid, and why those assessments were happening to them.

- As for the repayment of 36 months mentioned in the bill, NHMA is neutral on a time period for repayment, and neutral on whether 36 months is a reasonable time period. Giving members of assessable risk pools an option to pay over some period of time is critical for those members that are not able to make a payment, depending on the size of the assessment, or if they were not expecting that assessment.
- Ms. Byrnes provided committee members with a letter signed by several Mayors in support of the bill.
- Senator Gray asked Ms. Byrnes to state any association NHMA has with any of the risk pools out there. Ms. Byrnes replied they are a member of HealthTrust. Senator Gray then asked if Ms. Byrnes or any member of NHMA has a seat on the Board or the governing body? Ms. Byrnes replied they did not.

Summary of testimony presented in opposition:

Lisa Duquette, Executive Director, SchoolCare:

- SchoolCare is not concerned with the overall intent of SB 605-FN. They are concerned the bill could weaken the protection the pools provide for its members.
- SchoolCare is one of the pools that has experienced the dynamic of rising health care costs, and found itself in a situation last year where its Board authorized the issuance of an assessment. They had very high escalating claims. Their actuaries and legal advisors reviewed the situation, which wasn't identified early enough due to rising costs.
- Health care claims are complex and rapidly changing. Even actuarial forecasts can't predict high cost claimants. SchoolCare experienced over a 30 percent increase in high cost claims. They saw rising costs in terms of specialty drugs. In June 2023, SchoolCare had nearly $30 million in reserves; on June 30, 2025, based on the actuarial studies, they were in a deficit position of approximately $4.7 million.
- They received the reports in August 2025 and quickly began to work with a number of advisers and determined that an assessment needed to be issued to the tune of $30 million. It was very hard.
- SchoolCare does understand the pressures that it placed, but it was clearly driven by the claims experience. There is only one place that contributions come from, and that's from member entities that agreed to join the pool and share in that risk.
- For 30 years SchoolCare had operated without an assessment.
- SchoolCare is also concerned about making payments over a period of time. Claims need to be paid right away. They don't have three years to pay. If SchoolCare had applied a three-year collection of the assessment, Ms. Duquette would be here today stating they would be closing their doors. One of the options available to public entities in New Hampshire would be gone.
- SchoolCare currently serves about 25,000 individuals in the state, and approximately 100 public entities.

- In a short six months working with its members those invoices did go out and were due upon receipt. They were issued on October 1 and due by January 1, to avoid interest. SchoolCare further talked with members and developed a solution whereby a number of the groups have until the next fiscal year to pay it without any interest, allowing them to put it into their budgets.
- Today, SchoolCare is financially solvent. As of December 31, 2025, they are in a very good position. Their reserves are at 12.9 percent. With a $30 million assessment, they went from -2 percent at June 30, 2025, back to 12.9 percent, and back on stable footing.
- Senator Rosenwald tried to remember back to SB 297-FN. Didn't it build in a period of ramp-up time so that the trusts wouldn't have to assess members more quickly, but had a 3-year period to build up their reserves? The issue SchoolCare is concerned about; that claims couldn't be paid and individual employees could get stuck with a non-negotiated rate for healthcare. Ms. Duquette thought SB 297-FN had a few different pieces in it which SchoolCare did support as amended. There were a number of guardrails and triggers. SchoolCare didn't have knowledge of their dire situation soon enough and therefore, were not communicating early enough. They now have protocols in place and will be regularly reporting.
- The part Senator Rosenwald is speaking to is the part about rebuilding. They were in a negative position. Literally, they went from 12-14 percent to -2 percent. That situation required some sort of immediate assessment. If, however, SB 297 was passed, Senator Rosenwald would absolutely be correct. If you went below 12 percent, there was a mechanism to rebuild through the rates. If you went below 4 percent, there needed to be an assessment invoice. SchoolCare would support a model like that.
- Senator Watters asked what happens if a member departs and is not available to pay the assessment. Are they still liable even if they left after the assessment was issued? Ms. Duquette indicated it would need to be in the agreement. Currently, it is not included in agreements.
- Senator Gray requested SchoolCare's actuary report be sent to the committee for review, as well as copies of the minutes of both its annual meeting and membership meeting.

dm
Date Hearing Report completed: February 8, 2026