

# Finance Committee

*Deb Martone 271-4980*

**SB 661-FN**, relative to pooled risk management programs.

**Hearing Date:** February 10, 2026

**Time Opened:** 2:44 p.m.

**Time Closed:** 4:09 p.m.

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

**Members of the Committee Absent:** Senator Carson

**Bill Analysis:** This bill:

I. Enables the secretary of state to require abatement of insufficient assets or to seek receivership, if necessary, of a pooled risk management program.

II. Requires assessment of each participating member of the pooled risk management program on a pro rata basis to satisfy the amount of the deficiency.

III. Requires the governing board of the pooled risk management program to use a standard of care, diligence, prudence, and skill in the management of the program.

IV. Provides for the assessment of a pooled risk management program's participating members, if required, after an actuarial calculation.

V. Provides for contingency reserve standards depending on the pooled risk management programs line of coverage and requiring a contingency reserve replenishment if a program's contingency reserves fall below the minimum level.

VI. Requires pooled risk management programs to make certain public disclosures to prospective and actual member political subdivisions.

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**Sponsors:**

Sen. Carson

Sen. Gray

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**Who supports the bill:** Senator Gray; David Scanlan; Lance Turgeon; Brian Ryll; Daniel Richardson; Steve Morse; Glenn Brackett;

**Who opposes the bill:** Please see Senate Finance Committee Legislative Aide, Deb Martone, for a complete list of individuals opposing SB 661-FN.

**Who is neutral on the bill:** Jennifer Burk;

**Summary of testimony presented in support:**

Senator Carson, Prime Sponsor:

- This bill was filed last year. Unfortunately, it failed because of changes the House made. Senator Carson decided to bring it forward because of what happened last fall concerning SchoolCare.
- Senator Carson cited testimony from last year's Hearing Report on SB 297-FN, given by SchoolCare. "The packet from Hua Li's testimony shows that SchoolCare is operating within the terms of the proposed legislation." That quote led legislators to believe that everything was fine. Come to find out, it wasn't fine because a few months later, the town of Londonderry, in Senator Carson's Senate District 14, received an assessment of \$2 million due to a shortfall within SchoolCare.
- This is what SB 661-FN is attempting to stop. And Senator Carson's district wasn't the only one. There were many districts around the state who received an unanticipated assessment from SchoolCare due to problems with their program.
- SB 297-FN from 2025 was introduced after Senator Carson was made aware of financial and operational issues potentially challenging the solvency of some of the risk pools operating in New Hampshire. This information greatly concerned Senator Carson. The Senate agreed with her concerns and passed SB 297-FN. Again, however, it didn't make it through the House.
- Pooled risk management programs were authorized legislatively in 1987 to allow for political subdivisions to come together to self-insure coverage for their employees and municipal property, such as health, property, casualty, and workers compensation. SB 661-FN will go a long way toward protecting the taxpayers, political subdivisions, and their active and retired employees through the addition of much needed language to provide solvency and financial impairment protections for the pools, ensuring predictability and stability.
- SB 661-FN sets minimums and maximums for contingency reserves ensuring the pool's success as an ongoing entity, while making sure surpluses that are not needed are returned to the member political subdivisions. This particular section of the bill will go into effect in July 2027.
- The bill further adds an emergency triggering mechanism that authorizes the Secretary of State to seek a receiver through the court to enforce an immediate assessment of contributions to ensure financial stability and protect New Hampshire's taxpayers and active and retired employees.
- Unfortunately, Senator Carson reported to committee members that it appears the political subdivision members of the New Hampshire Interlocal Trust (NHIT) will not see the benefit of this important legislation as their Board has voted to wind up the program, and the court has ordered a receiver to protect the taxpaying public along with active and retired workers.

- This proposed legislation also increases transparency through required disclaimer language for self-insured coverage lines, and states the pools are member owned.
- Lastly, the bill adds four new definitions of key terminology that will ensure efficiently run operations.
- SB 661-FN would take effect upon passage with the exception of the replenishment of contingency reserves, which will take effect in July 2027.
- Senator Watters inquired about the 12 percent minimum and 16 percent maximum member contributions indicated on Page 4, Lines 20-21 of the bill. There is kind of a jigsaw puzzle between the reserves and the extra assessments. Senator Watters stated committee members had heard some concerns about this. Is the 16 percent high enough? Senator Carson indicated this is the bill that came out of the Senate last session. It is worthy of a conversation, and we should discuss whether or not those member contributions are too low or too high.

David Scanlan, Secretary of State, and Lance Turgeon, Court-Appointed Receiver, New Hampshire Interlocal Trust:

- RSA 5-B gives the Secretary of State and the Bureau of Securities the oversight of pool risk organizations. In other words, the Secretary of State is the regulator of these entities. They are designed to allow communities and political subdivisions that don't have the critical mass to self-insure to be able to join with other political subdivisions to create that mass where they can self-insure their employees and retirees for medical insurance and property and casualty insurance.
- There are currently three active pooled risk organizations operating in New Hampshire. That would be Primex, which is property and casualty, SchoolCare, which deals with medical insurance. and HealthTrust also with medical insurance.
- There are two pooled risk organizations that are in runout. They had court-appointed receivers placed on them. One is from 12+ years ago when there was a reorganization of the Local Government Center. It was PLT, a workman's compensation risk pool organization that wasn't able to survive. More recently, NHIT, New Hampshire Interlocal Trust.
- When we were discussing this legislation a year ago, Secretary Scanlan raised concerns about a couple of the pooled risk organizations having some significant financial issues. Much has played out in the last year. The first thing that occurred was learning NHIT was underwater with their finances. They attempted to levy an assessment on their members. The rates they were charging were as high as 60 percent increases. Many of the members declared they were going to bail on the trust. So the Board of Directors of NHIT decided to pull the plug on the operation. At that point the Secretary of State made a very decisive decision to step in and ask the court for a receiver to run out the organization in the best interest of the political subdivisions and the employees and retirees of those political subdivisions.
- Mr. Turgeon described for committee members his experience with NHIT. At the start of their fiscal year there was approximately \$3.7 million in cash and what

would have been the contingency reserve of \$1.2 million. By December of that year there were cumulative losses of \$2.4 million and the contingency reserve was negative at that point at \$1.2 million. Cash was down to \$1.7 million.

- Mr. Turgeon started in April, and by then the cash was down to \$700,000. The book contingency reserve was negative \$2.5 million. In May Mr. Turgeon held a meeting with the members, at which time he informed them there was a possibility of an assessment coming.
- Mr. Turgeon indicated there could have been a little bit of a run on claims when they announced they would close.
- In June Harvard Pilgrim stopped paying claims except for the pharmacy claims. Those have a Pharmacy Benefit Manager that takes care of those claims.
- On June 30th the claims that were pended were about \$1.2 million. The cash on hand was just a little bit under that amount. The trust was completely broke at that point.
- In July Mr. Turgeon became aware there was an organ transplant that was done at the end of the year. Those can run from \$500,000 to \$1 million, with no cash on hand without an assessment. At that point some members paid the assessment.
- When the claims for Harvard Pilgrim, the third party administrator, were not being paid it was a breach of the contract. But they worked with Mr. Turgeon to make it happen.
- As the groups paid the assessment, that enabled Mr. Turgeon to be able to pay. There was a \$610,000 settlement regarding some issues with the administrator. That helped the cash flow.
- Only about two groups did not want to pay. But one of them was the second largest group. That forced Mr. Turgeon to begin the process of terminating them in the trust to protect the remainder of the trust.
- SchoolCare actually did their assessment right around that time and things fell into place. They were able to pay all the claims due to the assessment.
- By December with that \$610,000 settlement and Harvard Pilgrim willing to release a security of deposit, Mr. Turgeon was able to return half of the assessment to the members.
- In the end, Mr. Turgeon thinks they are probably going to be able to return everything because they were able to collect stop loss.
- Mr. Turgeon remarked this was probably the hardest job he's taken on in his 30-year career to get this situation to its end.
- Secretary Scanlan explained what they learned was it is tough on communities when this happens. If a community does not pay or cannot pay for the claims that are due, the health insurance company is going to start billing the individual employees of that community. And in the case of that transplant, the individual employee would be liable for the \$500,000 to \$1 million.
- Part of the problem these issues arose was the pandemic. That threw everything on its head, along with other factors like not following actuarial advice.
- Secretary Scanlan distributed a couple of charts to committee members. In terms of SchoolCare, that chart showed the net position they were in at the end

of each of their fiscal years. These charts were developed by an actuary. SchoolCare was operating comfortably within the range that is called for in SB 661-FN, between the 12 percent and 20 percent. In 2024 they dipped below that line. That would have required a notice to the members of the risk pool organization, under the bill. that is before the committee currently. The members would have been alerted to the potential of an assessment because of the decline in reserves.

- By the end of Fiscal Year 2025 the rate dropped below 4.4 percent, which would have raised other alarm bells in terms of actually requiring the assessment be levied to enable the risk pool organization to stabilize.
- What actually happened mid-year on October 31st of 2025 was that SchoolCare was almost \$5 million underwater. They were working with the Secretary of State, which provided resources related to actuaries and accountants. The Secretary of State helped SchoolCare's Board make the important and tough decisions they had to make to restore the health of the organization. A \$30 million assessment was made to the members. That brought them pretty close to the bottom line threshold of that range. Hopefully, as they work through this fiscal year they're going to get above that in a comfortable way.
- SchoolCare has been very open and transparent, and has worked really well with the regulator. The same is true with Primex, although because they are not a health insurance agency, they really weren't affected by the pandemic. They have been operating fine, working with the Secretary of State cooperatively and closely.
- The next chart, HealthTrust, shows their financial position in terms of their net position at the end of the fiscal year. HealthTrust met with Secretary Scanlan in March 2023 and self-reported their reserves were in significant decline. By the end of 2023 they were down to 10 days of operating capital, which is alarming as they let no one know about it. They made it through that year, and in 2024 and 2025 their net position has been slowly increasing. However, they are still below the threshold range the Secretary of State believes they should be at. And they are far, far below the upper end of the range they claim their actuary has established for them.
- The Secretary of State's Office does not have a good, working relationship with Health Trust. They do not want to be held accountable. They don't want to be regulated. And they are not transparent. When asked by the Secretary of State for information it believes it needs to be a good regulator, they have to fight HealthTrust for it.
- There are many court actions currently in an attempt to seek information. There is an enforcement action through the Bureau of Securities with a Hearings Officer dealing with violations of RSA 5-B. And if you go back 12 years there was a Supreme Court ruling after another enforcement action was taken. They were keeping very large surpluses in their reserves. The surpluses were being used to subsidize other pooled risk entities they had in operation. Political subdivisions paying for medical insurance had some of their money given to a workman's compensation risk pool that those political subdivisions did not belong to.

- There is a tremendous temptation when these surpluses grow to a certain size to think of other ways to use the taxpayers' money. Again, we're talking about three quarters of a billion dollars worth of taxpayer and employee money.
- That is the reason HealthTrust needs oversight and regulation, to protect the money of our hardworking citizens in New Hampshire. And that is what SB 661-FN is all about. We want to ensure there is a reasonable range that is established, based on standards that are created by people in the industry that know. We want to ensure there are alarms that go off when reserves drop below certain levels to allow us to take action much earlier than we've been able to do. Unfortunately, with audits there is a 6-month+ lag time to receive some of this information. By then the problems are already well on their way to being big problems.
- Senator Rosenwald remarked regarding SchoolCare, even with the assessment they are below the minimum rate. And HealthTrust has said they think the reserve should be above 34 percent. But they told us they were on a five-year plan to rebuild their reserves. They are at 8 percent. How likely is it they could get to 34 percent within five years? Wouldn't that be incredibly expensive for their members? Senator Gray stated he thought Senator Rosenwald's question was better suited to be responded to by HealthTrust. Senator Rosenwald replied she was curious as to whether these reserve levels are the right levels given what we've seen happen among these risk pools. Secretary Scanlan again reiterated these levels should be up between 12 percent and 20 percent so that any issues coming down the road can be addressed.
- Health Trust is claiming they are a non-assessable program where they assume the risk of reserves running out. The only way they can do that is to hold reserves large enough, which would be surplus, to be able to cover those costs if they had a dramatic hit. The bottom line is regardless of how much money they have on hand at the moment, if there was a catastrophic event that wiped out their reserves, the only option they have is to assess the communities to pay for the claims that are out there. That's the bottom line.
- There is much creativity going on in terms of how they can build their surpluses up and pay their claims. But the position of the Secretary of State is that RSA 5-B does not accommodate that. This is a year-to-year thing. The reserve levels have to be high enough based on actuarial expertise to be able to pay the expected claims coming in. Anything that is above and beyond the reserves and the expenses is considered surplus, and is taxpayer money. It should go back to the taxpayers. It should go back to the towns.
- Secretary Scanlan gave Senator Gray an amendment which would allow the political subdivisions to hold some of that money in a special account if they are required to pay an assessment. They would have a pool of money they would manage at their level to be able to pay the assessment. The amendment would also create an opportunity for a political subdivision, if they so choose, to allow the risk pool organization to hold that money in the name of the town and keep it separate.
- To follow up on Senator Rosenwald's question about the 12 percent and the 20 percent, Senator Gray stated those numbers were derived by an actuary that

the state hired to do the assessment. It is what the actuary determined would be adequate.

- Senator Rosenwald stated SchoolCare is still not at the 12 percent. She hopes through the premiums they are collecting they will be up to and over that range before the end of the year. With SchoolCare the alarm bell should have started going off in 2024. And if that wasn't corrected then they certainly would have required action in 2025, well before they were underwater.
- Senator Watters indicated SB 297-FN had a one percent maximum. Page 4 of SB 661-FN has a 16 percent maximum. Does the 20 percent come from the 16 plus 4, or what is it? Secretary Scanlan stated the 16 plus 4 is the reserve level the community can hold.
- Senator Lang wanted to look forward as if we were starting this all over again. How should we design it to look? On Page 3 of the bill, (g)(1) applies to the actual towns or school districts to maintain a 4 percent reserve fund themselves, so if they get hit with an assessment they have funding. Is that what that is doing? Building up a capital reserve fund of their own? If something like this were to happen again in the future, it doesn't become a direct hit on taxpayers. Secretary Scanlan agreed. Senator Lang continued the requirement of that component is that if they fall below that 4 percent, then at one percent a year they'll add money back to that capital reserve fund to get back to the 4 percent. That is what would happen in a town or a school district. Secretary Scanlan again agreed. Senator Lang then indicated it sounded like a similar process on the risk pool side, whereby a 4 percent assessment cash fund can be held but they're obligated under a capital reserve fund to have 12-16 percent of cash on hand to deal with claims and regular processes. Secretary Scanlan once again agreed.

### **Summary of testimony presented in opposition:**

Scott DeRoche, Executive Director, and Jeanne Herrick, General Counsel, HealthTrust:

- Health Trust strongly opposes SB 661-FN.
- Director DeRoche believes there is a very large misconception or confusion about what is occurring in the state currently. He understood Senator Carson introduced this bill to prevent what occurred with SchoolCare. This bill, in reality, would mandate by law the model that SchoolCare is offering. It is the exact opposite of what is being stated.
- SchoolCare and NHIT both operated in accordance with risk pool agreements with the Secretary of State. SchoolCare had a risk pool agreement from 2012 that they continue to honor, even though it is expired. NHIT has a risk pool agreement from 2020 that was still active at the time they closed. They were following the model that the regulator desires. That model included low reserves. As Secretary Scanlan stated he sees this as a year-to-year proposition so that risk pools have enough funds to maintain 11 or 12 months of solvency. That is the actuarial methodology that is used. We've seen the reports that it is

insufficient. It creates a volatile arrangement. SB 661-FN would place into law that requirement and that mandate.

- Health Trust is the longest operating and largest risk pool in the state of New Hampshire. They predate RSA 5-B that was enacted in 1987. They are a non-assessable risk pool, and operate in a different model. They operate with a solvency period of 5 years which is very important. Their actuaries state they should keep more funds in reserve than what Secretary Scanlan prefers. That has been an ongoing battle over the last decade or so.
- As talked about in previous testimony, the reserve levels held by risk pools nationally are between 34-38 percent of annual contributions. This means for every dollar that comes into contributions, 34-38 cents is held in reserves, just in case expectations about claims experience differs. That amount is important if there is a difference. The pool has the funds to be able to pay the claims. It is critical all claims be paid. Those reserves are used to pay the claims.
- In HealthTrust's non-assessable model, they are able to rebuild prospectively. Not through a surprise assessment, but through an additional charge, a capital
- risk charge added onto the upcoming year's rate. That rate is announced in October to allow schools and municipalities to account and plan for it in their budget process. Those larger reserves allow for that rebuild to occur over a period of time.
- Going back to the pandemic period, while HealthTrust was pressured to maintain lower and lower reserves, they went to the lowest end of their actuaries' range. That equated to approximately 20 percent of contributions. During their lowest year, they dropped to approximately 5 percent of contributions. It was not 10 days of funds on hand. That is a misconception.
- Director DeRoche distributed an informational packet to committee members. There is a sheet in the packet regarding cash on hand. At the time HealthTrust did have approximately that level of cash on hand, but in addition had over \$94 million in total assets on hand such as ETFs and mutual funds.
- HealthTrust went from 20 percent down to 5 percent, and now is rebuilding as of year end. Currently, halfway through the year they are approximately 10 percent of contributions and continuing that rebuild.
- HealthTrust is the only risk pool that as of June 30, 2025, did not deplete its reserves. SchoolCare and NHIT did deplete them in that low reserve model required by the regulator. HealthTrust did not issue surprise assessments. Every claim was paid. Every group was given their rates in a prospective manner, and were able to plan and budget for them.
- It works when risk pools are allowed to have the proper, adequate reserves to function.
- Director DeRoche understands there are concerns about what occurred with SchoolCare and NHIT. He welcomes the desire to improve how risk pools operate within the state of New Hampshire.
- Risk pools are important. Taxpayers, employees, teachers, firefighters, and, police officers all rely upon risk pools. And it is important there is transparency and oversight. But this proposal actually requires the very low reserve level that resulted in the situation we are in today. That is an extremely strong

concern of HealthTrust. To be clear if this bill were to pass, it would outlaw Health Trust's non-assessable model. It would outlaw the reserve level that HealthTrust operated at and was able to survive their claims, And it would require member groups to create their own reserve accounts.

- The 4 percent member groups would be required to create and fund would be insufficient. To put it into context, the assessment SchoolCare issued equated to 12 percent of contributions. The assessment NHIT issued equated to 5 percent. The 4 percent amount is not sufficient to ensure funds are available for groups to pay these assessments in relatively short order to ensure claims are paid.
- Throughout the country, risk pools continue to be viable. We've seen that in New Hampshire. They continue to offer better benefits and better services at rates lower than the commercial sector, supporting our public sector and saving taxpayer dollars. But this system does need adequate funds and reserves to work. Secretary Scanlan has long pushed to hold lower reserves, demanding a reserve level that is less than half the national average, as well as insisting on a year-to-year solvency period that is too low for the state of New Hampshire.
- Senator Lang referenced a chart distributed by the Secretary of State that shows a snapshot in time on June 30th of each year for HealthTrust's last five years. He asked if the chart was accurate. Director DeRoche indicated it looks to be relatively correct. But there are a couple of important things he would note about the information on the chart.
- On June 30, 2021, the 19.9 percent was the year HealthTrust was required to give back surplus to lower down to the 20 percent mark. Approximately \$57 million was returned to the public sector.
- On June 30, 2023, HealthTrust needed to raise about \$60 million. If they were able to merely maintain adequate reserves somewhere in the range of the national average, that volatility wouldn't have occurred. Reserves would have stayed at the more than sufficient level.
- Director DeRoche referenced their Annual Report, which goes back further than the chart.
- For many years they experienced relatively stable claims. The levels the actuaries predicted were more or less sufficient. In 2015 HealthTrust ended the year right about where it was expected. 2016 was a little low but they were able to immediately rebuild the following year. In years 2017-2019 HealthTrust ended right on target. That was followed by the volatility of the pandemic in 2020 and 2021. They then returned the required surplus followed by what has happened with the market, the increased claims costs and special medications. HealthTrust was able to use their reserves successfully. They paid every claim. There was no danger of insolvency. There was no concern about people's hospital bills going unpaid. There were no surprise assessments. The reserves worked and HealthTrust is on a rebuild.
- What they are asking for today is to be able to retain a sufficient level to ensure if this were to happen again in the future, they would be able to pay claims.
- Senator Lang reiterated the bill allows HealthTrust to have a 4 percent assessment fund set aside in case they had to do an assessment. HealthTrust could use a 16 percent maximum contingency pool, in addition to a board-

approved additional 2 percent, bringing it up to a 22 percent maximum cash on hand, Senator Lang asked if that is accurate. Director DeRoche agreed the proposal would allow them to maintain 12-16 percent. They would have to petition the Secretary of State to have the additional 2 percent. Director DeRoche stated based on their experience, such a petition is very likely to fail.

- The additional 4 percent as written would be a requirement of the groups. Director DeRoche understands there may be an amendment coming forward allowing them to hold that, which would bring you to 20 percent, which is the level HealthTrust was at the year prior to the pandemic. That was their 2021 level. If the desire is to avoid volatility, it would not do that.
- The desire now, understanding the volatility in the market, is to return to a normal level used throughout the country, the 34-38 percent. It is a typical insurance average.
- HealthTrust actuaries, Milliman, looks at reserves over a 5-year solvency period. Even if the reserves were set at 20-25 percent, HealthTrust would not be able to retain that money. That would be the maximum amount allowed by law.
- The other requirement for a year-to-year solvency period, when you give that to an actuary, they're going to come back with something like a 16 percent reserve because you are basically planning to get through the next 11 months. If you don't have enough funds, you need an immediate source of income or else you'll have to close. Or you'll have to issue an immediate assessment.
- Risk pools that operate on a year-to-year basis are referred to as transactional risk pools. They are exceedingly unpopular.
- Senator Lang reiterated on June 30, 2025, HealthTrust was at 8.1 percent. Their argument is they want 30 percent reserves. Wouldn't that assessment bankrupt towns? Director DeRoche's response was no. HealthTrust is rebuilding today by adding 5 percent on top of the rates, which need to cover claims and expenses in a year. There is a transparent 5 percent capital risk charge added to the rate. That amount fuels their rebuild. HealthTrust's Board recently accelerated the charge to 5.3 percent in the last two rating cycles. Member groups have still found it is beneficial to stay with HealthTrust compared to the commercial market. They have retained almost every member group, and they're willingly paying that charge. That is the way HealthTrust is rebuilding reserves. Therefore, in response to Senator Lang's question, it would not be a dramatic one-time assessment to get to 30 percent.
- This is a multi-year rebuild. HealthTrust has secured stop-loss reinsurance to protect themselves during the rebuilding period.
- Senator Rosenwald asked when was the last year HealthTrust had a 34 percent reserve level. Director DeRoche stated they have not had a 34 percent level in New Hampshire. There has been significant pressure to have lower reserves, and a focus on ensuring risk pools hold as little in reserves as possible, and prioritize return of surplus back to the towns and cities. As a result of that, their Board set the target at the low end of the actuaries' range that equates to 19 or 20 percent given the year. Their Board has now targeted 22 percent as the

upper end of their actuaries' range. That equates to 28 percent of reserves or contributions.

- The way Senators Rosenwald and Lang read the bill, HealthTrust could hold 20 percent without having to ask the Secretary of State for that extra 2 percent. Isn't that where HealthTrust wants to be? Director DeRoche indicated that is where they were in 2020 and 2021. It is not where they want to be. In hindsight, that level was too low. Their Board has set the level at 22 percent, which is still in the actuaries' range. The rebuild right now is currently targeted to 22 percent. Director DeRoche expects they would target above that in future years given the continued volatility.
- Senator Rosenwald remembered there was previous testimony most states don't regulate their risk pools at all. The pools get together and make their own decisions. Director DeRoche stated they utilize qualified actuaries. The national average contribution leverage for the health insurance industry as a whole is 33 percent. A healthy insurer holds 33 cents in reserves for every one dollar in contributions coming through. It is 33 percent throughout the country. The public sector demands more stability than the commercial market because of the taxpayer process, the way that you can raise revenue, and the ability to respond.
- Risk pools throughout the country work with their actuaries to determine what the appropriate reserve level is to maintain. It is a bit more protection than what a normal commercial insurer would hold to provide that rate stability. We are not talking about risk pools building reserves to unfathomable levels. This is still one-third of annual contributions.
- If there is any concern about misuse or anything along those lines, funds should be returned back to the public sector.
- SB 661-FN focuses on ensuring risk pools don't go insolvent. The best protection against that is to simply hold adequate reserves in line with the national average.
- Attorney Herrick added the percentages with respect to the maximum need to be read in conjunction with other language in the statute. The Secretary of State testified there were 4 definition provisions important to his enforcement of the statute in this proposed legislation. The definition of contingency reserves won't do away with the need for an actuarial evaluation. It actually will include an actuarial evaluation. Those would be limited for the upcoming plan year as may be reasonably established, and subsequently required to cover expected, unforeseen, and extraordinary claim and administrative losses and liabilities. That one year period would limit the amount of your contingency reserves. As Director DeRoche noted, it's likely that limit will actually come in below the 20, 18, and 16 percent as you can only retain enough for that one year. SchoolCare and NHIT were in risk pool agreements with the Secretary of State. That is the interpretation they operated under. Their actuary reports considered a year-to-year solvency period. They focused on enough reserves to get through the current year. In HealthTrust's opinion, that is not a sufficient reserve level or methodology to maintain the stability of the public sector needs. It is certainly not one that HealthTrust's model could operate within.

- Senator Gray referenced the chart from the Secretary of State. HealthTrust's maximum gain on reserve was 1.8 percent in the first period, and 1.2 percent in the next. This means even to get to the 12 percent, we're talking in excess of several years. HealthTrust is on a five-year plan, but Senator Gray thought that five-year plan was to get to 16 percent. Their five-year plan is going to fall far short of that. Director DeRoche stated Senator Gray's observation was a good one, and a very valid question. In the rebuild plan, the Board targeted rebuilding at 5 percent of annual contributions each year. That was accelerated to 5.3 percent. There was never a desire to get it all done at once. When first implemented, it was viewed as a three-year rebuild. So 5 percent the first year, 5 percent the second year, and 5 percent the third year. That makes 15 percent. Add that to the 5 percent you started with and you're back at the 20 percent target.
- The reality is the health care market and claims have continued to spike. While HealthTrust did add the 5 percent to rates, the claims were higher than the actuary's expectation and ate into that 5 percent overage. There was no erosion of the reserve level or anything along those lines. But the practical effect was the rebuild was slower than expected due to higher unexpected claims. That is a reality in the market right now. That is why we are seeing commercial carriers pulling out of certain segments of the market. We've seen Medicare Advantage changes. The costs coming through the marketplace exceed all expectations. You used to be able to plan for a 5 percent medical trend in one year. HealthTrust has had a 14 percent medical trend and a 19.9 percent prescription trend. The actual amount that went to the rebuild was about 1.5-2 percent in those early years.
- We're currently in Fiscal Year 2026. HealthTrust believes rates will hold through the year. They are actually exceeding the actuarial rebuild for this year, being at a \$10 million rebuild halfway through the year. That is exceeding actuarial expectations. HealthTrust expects to have a larger growth this year, as they've adjusted to that volatility in the marketplace.

Cathy Ann Stacey, President, New Hampshire Association of Counties:

- Four of Ms. Stacey's county members are member groups with HealthTrust. Two member groups were with NHIT, but have now obtained insurance coverage directly through Anthem Blue Cross. One other county member is also with Anthem. The remaining three counties are self-insured. Rockingham County is self-insured.
- It is the Association's belief that SB 661-FN, along with other bills in committees, intend to eliminate non-assessable risk pool programs. The contingency levels adopted by the regulator for one year of reserves are inadequate.
- Insurance claims will likely continue to rise given the high cost of medical care. Contingency reserve levels sufficient to meet those costs must be established.

Tara Tucker, Town Administrator, Town of Greenland:

- Ms. Tucker was previously the Police Chief for the Town of Greenland.
- The town uses HealthTrust as their insurer, and Ms. Tucker just started sitting on the Board of Directors.

- Greenland was approached by an independent insurance company in 2024, and the town did change their provider to the insurance company. It is a town of 23 full-time employees, fairly small. The insurance company promised the town everything. Greenland was shocked and surprised when they learned the insurance company was not what they promised to be. Employees were paying huge amounts, not just in prescription costs but also in medical coverage. It was a nightmare, and the town is still dealing with that insurance company.
- Greenland petitioned HealthTrust to go back to them and HealthTrust agreed.
- Perhaps we don't understand our risk pools as well as we should as members.
- New Hampshire is unlike any other state in the country. There are so many small towns. Greenland's population is 4,200. Being near Interstate 95 they have a huge amount of influx going through the town. But Greenland is a small town. For them to be able to go in any other direction than a risk pool to obtain solid, dependable coverage is not realistic.
- Health care has gotten crazier by the day. If Greenland is going to try and retain and recruit employees, it has to be through decent benefits, and to be able to answer to the taxpayers for rates that are going to stay the same. The town can't have volatility. Administrator Tucker does not know how the town would handle an assessment. They run a tight budget. There isn't an extra \$400,000 lying around somewhere. If the risk pool wasn't non-assessable, the town couldn't use them.
- To hold 4 percent would be very difficult for Greenland. The 5 percent they are paying with HealthTrust is the guarantee the town won't get an assessment. If HealthTrust has to hold higher reserves to be able to represent the small towns and their taxpayers in keeping things level, so be it.
- For the town of Greenland, this is their only option. The town is very limited.
- Senator Gray sought to run a scenario by Administrator Tucker. HealthTrust is adding 5.3 percent to the town's rate. The building up of the 4 percent is only one percent per year. Which is better for the town? Administrator Tucker agreed, but it still doesn't guarantee they won't receive an assessment.
- Senator Gray understands having reserves. But having oversight is very important. Having a regulator is very important. Perhaps there is something in between 20 percent and 34 percent. Perhaps there is something that can still offer towns the protection of having a non-assessable risk pool.

Jennifer Leonard, Human Resources Manager, Manchester Housing and Redevelopment Authority:

- The Authority is the largest public housing agency in Northern New England. They have been a group member of HealthTrust for decades.
- Throughout the country, risk pools continue to be viable through unexpected claim spikes, offering stable and lower rates than the commercial market.
- Manchester Housing depends on HealthTrust remaining a non-assessable risk pool. They take comfort in HealthTrust's adequate reserves that have covered any volatility in the health care market on behalf of their members for years. Sufficient reserves result in a stable and protective experience for group members.

- HealthTrust remains the only risk pool in New Hampshire that has never issued a surprise assessment to its group members due to insufficient contingency reserves.
- As an independent, public nonprofit, Manchester Housing's budgets are tight. They would never be able to suddenly take on a surprise assessment.
- Only in New Hampshire are there discussions about mandating insufficient reserves or outlawing non-assessable risk pools.

Margaret Byrnes, Executive Director, New Hampshire Municipal Association:

- Most members of NHMA are members of one or more risk pools, whether it be a health care risk pool, Primex as their property liability risk pool, or both. The Association is also a member of a risk pool, Health Trust.
- NHMA opposes SB 661-FN for three major reasons. One, it allows only one model of risk pool. It allows only assessable pools. Two, it creates unpredictability and additional costs in municipal budgeting. And three, it creates a new mandate for municipalities.
- On the first point, Director Byrnes agrees with prior testimony from Cathy Stacey and from HealthTrust regarding essentially outlawing non-assessable pools, which is what HealthTrust is. There is a reason and a purpose for allowing more than one risk pool to operate. Giving political subdivisions a choice of what type of pool they believe best suits their needs and what level of risk essentially they want to take in joining a pool, if they choose to be a member of a risk pool at all.
- On the second point with regard to unpredictability and additional costs in municipal budgeting, although the current RSA Chapter 5-B does not actually reference assessments, let's assume in our state both assessable and non-assessable pools are allowed. And that assessments are allowable under current New Hampshire law. Senator Gray remarked that is the subject of a court decision right now. Director Byrnes stated it is in front of an Administrative Hearings Officer of the Secretary of State's Office.
- Regardless of the assessability of pools, political subdivisions who received assessments over the past year clearly were surprised to receive those assessments, and were not prepared necessarily to pay them. That certainly necessitates clarifying the law so that members of assessable pools know it is a possibility and how it will work. It does not justify disallowing non-assessable pools here in New Hampshire.
- SB 661-FN establishes a new mandate for municipalities. It requires municipalities to establish capital reserve funds at the local level for the purpose of paying unexpected assessments. Regardless of the requirement that the municipality establish a capital reserve fund, that still does not ensure the capital reserve fund will hold enough money to pay an assessment, as municipalities cannot know when an assessment is coming or what the total dollar amount of the assessment will be. In towns, capital reserve funding is still contingent on Town Meeting approval. It's not a sure thing that funds will be put into a capital reserve fund. On a purely technical point, Ms. Byrnes mentioned these would not be capital reserve funds. They are not capital expenditures. They would be qualified as reserve funds.

- As compared to last year's SB 297-FN, SB 661-FN does not contain the provision that allows the regulator to step in and require an audit if the risk pool fails to do one. Given the financial allegations against the risk pools, that would seem to be an important provision. The regulator would have to ensure that an audit is always completed, and that both the regulator and members are able to see an audit and the financial status of the risk pool.
- Part of the purpose of this proposal is to respond to the scenario with SchoolCare and NHIT, and to prevent that from happening again. The language of SB 661-FN is, in fact, codifying that process. It is codifying all pools will be assessable. By putting the reserve levels where they almost ensure assessments will become routine for municipalities who are members of risk pools, or at least members of health care risk pools.
- Senator Rosenwald asked if the risk pools did a better job of setting their member contributions, wouldn't it be less likely that there would be need for an assessment. Director Byrnes indicated they are working with actuaries who are making predictions, and that is what is being used to determine the rates. The predictability of health care claims is becoming more and more volatile. And that is a factor in setting rates. It's also a factor in wanting to ensure that reserves can withstand that volatility. Senator Rosenwald remarked perhaps by better they mean if they weren't as concerned with competing against the other risk pools and having lower member contributions. If they were more accurate in what they really thought they were going to need to cover their claims costs. Director Byrnes' sense has been that their main motivation is being accurate in what they need to cover their claims and administrative overhead, and to serve their members with all the services the risk pool provides.
- Senator Gray again referenced the charts provided by the Secretary of State. If there was a requirement to rebuild in either one or two years to the 12 percent level, would it lessen the chances that there would be an assessment? Director Byrnes does not think it would lessen the chances of an assessment. In testimony given last week on SB 605-FN, we heard SchoolCare was at roughly 12 percent before they went down to -2 percent, which necessitated the \$30 million assessment they issued. Senator Gray indicated upon reviewing the chart, Director Byrnes will see SchoolCare was not at the 12 percent.

**Neutral Information Presented:**

Jennifer Burk, Director of Finance, SchoolCare:

- SchoolCare appreciates Senator Carson's intent to strengthen the oversight, transparency, and fiscal stability in pooled risk management programs that serve political subdivisions across the state.
- SB 661-FN takes meaningful steps in that direction. It clarifies fiduciary responsibility for governing boards, strengthens actuarial and audit standards, improves transparency for participating members, and provides the Secretary of State with tools to intervene when a pool shows signs of financial stress. It also appropriately clarifies that pooled risk programs are not insurance companies, and assessments may be required when claims costs exceed expectations.

- While SchoolCare is neutral on SB 661-FN as introduced, they believe the bill would be strengthened by incorporating the amendment language previously offered by Senator Carson during the consideration of SB 297-FN last year. That amendment addresses a technical implementation issue related to assessments for health coverage pools. It establishes a limited, restricted fund capped at 4 percent of prior year contributions derived from program earnings and surplus. And it requires this fund be used first to address actuarially-determined deficiencies before assessments are imposed. It makes clear the fund does not replace existing reserve requirements, nor does it limit the Secretary of State's authority.
- The amendment does not eliminate assessments. It simply clarifies the order of operations, promoting predictability and avoiding financial disruption for municipalities and school districts.
- SchoolCare recommends the committee consider the prior amendment if SB 661-FN were to move forward.
- SchoolCare will analyze the amendment provided from the Secretary of State.
- Senator Gray remarked he wouldn't characterize the amendment provided from the Secretary of State as an amendment. Rather, he would characterize it as a suggestion the committee will analyze.

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Date Hearing Report completed: February 15, 2026