

PREFILED WRITTEN TESTIMONY
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This written testimony is submitted to the Maryland Insurance Administration (the “Administration”) on behalf of Evergreen Health, Inc. (“Evergreen Health”) in connection with a Financial and Community Impact Analysis provided by NovaRest Actuarial Consulting (“NovaRest”) to the Board of Directors of Evergreen Health (the “Board”). NovaRest was first engaged by Evergreen Health in September of 2016 and provided a financial and community impact analysis to the Board at its meeting on October 3, 2016. After Evergreen Health pursued a different transaction, NovaRest was asked to provide an updated financial and community impact analysis, which was presented to the Board at its meeting on April 4, 2017. The updated financial and community impact analysis was submitted to the Administration on May 1, 2017 as part of Evergreen Health’s conversion application. The purpose of this testimony is to summarize for the Administration NovaRest’s findings in the Financial and Community Impact Analysis and the reasons we believe the conversion and acquisition of Evergreen Health is in the public interest.

Background and Qualifications

I am the President and CEO of NovaRest, an actuarial consulting firm that specializes in health insurance consulting and analytics. I have over 35 years of industry experience. I hold FCA (Fellow of the Conference of Consulting Actuaries), ASA (Associate of the Society of Actuaries) and MAAA (Member of the American Society of Actuaries) designations and a Master of Business Administration degree. I am currently the Chair of the Health Committee of the Actuarial Standards Board and previously was a member of the Advisory Board to the HHS Consumer Operated and Oriented Plan (CO-OP) Program.

I have specialization in the areas of health care cost reduction, predicting the cost of health care insurance reform, as well as measuring the financial health of insurance-related entities including HMOs. I have worked with state regulators and the NAIC to implement new insurance reform regulations and with the NAIC to develop solvency standards for all organizations assuming the risk for health care costs or provision of care. I led the project to write the NAIC Health Financial Analyst Manual and assisted regulators in tri-annual insurance reviews. I have provided support to state and federal insurance regulators including engagements to review proposed business affiliations between health insurance entities. I have worked with state regulators, the NAIC, and HHS to implement the Patient Protection and Affordable Care Act (the “Affordable Care Act”).

NovaRest was initially engaged by Evergreen Health prior to the Board’s October 3, 2016 meeting at which the Board considered bids to acquire Evergreen Health. I presented a summary to the Board on October 3, 2016 of my qualifications and experience and an overview of information to be included in the financial and community impact analysis report to be prepared for Evergreen Health and a summary of the conclusions to be included in the report.

Evergreen Health subsequently negotiated a transaction with a new group of acquirers comprised of JARS Health Investments, Inc., Anne Arundel Health System, Inc., and LifeBridge Health, Inc. (the “Acquirers”). I presented to the Board on April 4, 2017 regarding my financial and community impact analysis of the proposed acquisition of Evergreen Health by the Acquirers. I provided to Evergreen Health a Financial and Community Impact Analysis dated April 26, 2017 (the “Report”), which includes my findings reported to the Board related to the proposed conversion and acquisition of Evergreen Health by the Acquirers (the “Acquisition”).

Financial and Community Impact Analysis

It is my opinion the Acquisition of Evergreen Health will have a positive impact on the community served by Evergreen Health. My detailed findings are included in the Report. I will summarize below some key findings related to criteria in Title 6.5 of the State Government Article.

The Acquisition will not have the likelihood of creating a significant adverse effect on the availability and accessibility of health care services in the affected community.

The Acquisition must be considered in the context of Evergreen Health’s current financial condition. Evergreen Health has been determined by the Maryland Insurance Commissioner to be in a financially hazardous condition and it needs the funds it will receive through the Acquisition to increase its surplus and raise its RBC to minimum legal requirements to avoid being placed receivership. Therefore, without the Acquisition, Evergreen Health will cease doing business in the Maryland health insurance market.

Evergreen Health participates in the small group health insurance market in Maryland and has filed its products and rates to continue to participate in the small group market in 2018. Evergreen Health also participates in the large group health insurance market in Maryland and intends to continue to participate in the large group market. Evergreen Health currently does not participate in the individual market due to an order by the Maryland Insurance Commissioner suppressing Evergreen Health’s participation in the individual market because of its current financial condition. Evergreen Health intends to reenter the individual health insurance market when the suppression order is lifted.

Evergreen Health is one of eleven carriers participating in the small group health insurance market in Maryland in 2017 and many of the carriers participating in the small group market are affiliated companies. There are currently only five carriers participating in the individual health insurance market in Maryland, three of which are affiliated companies. The Acquisition will allow Evergreen Health to continue to participate in the small group market and large group market in Maryland and to reenter the individual market when Evergreen Health’s financial condition permits the suppression order to be lifted.

Evergreen Health’s continued and future participation in Maryland’s health insurance markets increases competition among health carriers and increases the choice of health plans available to Maryland residents. Increased competition in health insurance markets generally

results in lower premium rates for health insurance purchasers. Greater choice in health insurance plans and the potential for lower premiums due to competition positively impact the accessibility and availability of health care services in the affected community.

Evergreen Health offers a variety of products including POS, HMO Open Access, HMO National, and Select products as described in detail in the Report. Evergreen Health believes in providing services through a patient-centered primary care model that combines an integrated health coaching and care coordination program. Its ideal model is similar to the Healthy Howard Health Plan, a successful model for delivering health care to uninsured residents of Howard County, Maryland. If the Acquisition does not occur, Evergreen Health will be forced to cease operations and Maryland residents will no longer be able to access coverage through Evergreen Health's innovative health care model.

Additionally, if the Acquisition does not occur, Evergreen Health's insureds will be negatively impacted because their chosen health carrier will no longer be available to provide their coverage, forcing them to switch carriers. Evergreen Health's insureds may not have available to them a product at a premium that best suits their needs. Evergreen Health also offers some of the lowest cost plans available in the small group market, which plans will no longer be available to Evergreen's insureds or Maryland residents if the transaction does not occur.

I do not anticipate any negative impact on the availability and accessibility of health care services in the affected community as a result of the transaction. The Acquirers have indicated no plans to make immediate changes with respect to Evergreen Health's products, provider networks or other operational areas. The Acquirers have indicated they will be reviewing best practices in various areas and may make improvements in the future. Future premiums may increase as a result of the Acquisition due to Evergreen Health losing its state premium tax exemption and depending on any future profit expectations of the Acquirers. The Acquirers could make changes after reviewing various areas of Evergreen Health's operations, but I have no reason to anticipate a negative impact.

In my opinion, the Acquisition will have a positive impact on the accessibility and availability of health care services in Maryland. If the acquisition does not occur, Evergreen Health will be placed into receivership which will have a negative impact on the accessibility and availability of health care services in Maryland.

The Acquisition includes sufficient safeguards to ensure that the affected community will have continued access to affordable health care.

The principal purpose of the Acquisition is to enable Evergreen Health to continue its operations and, in turn, continue to provide health insurance coverage to Maryland residents. The Acquirers have agreed to fund Evergreen Health with an amount necessary for Evergreen Health to satisfy minimum surplus and risk based capital (RBC) requirements to continue its operations, including increasing Evergreen Health's RBC to 71% at closing and using commercially reasonable efforts to increase Evergreen Health's RBC to 200% by December 31, 2018. This will allow Evergreen Health to continue to operate in Maryland and ensure continued access to its affordable health care plans. Further, as previously stated, additional competition in

the health insurance market helps to keep health insurance premiums down which provides greater access to affordable health care. Thus, the Acquisition will increase the likelihood for Evergreen Health's members and Maryland residents to have continued access to affordable health care. If the Acquisition does not occur, continued access to affordable health care could be reduced because Evergreen Health will be required to cease selling its health insurance plans and competition will be lessened by the elimination of a health carrier from the market.

The Acquisition will not result in diseconomies of scale

Based on my analysis of the relevant facts, I believe the Acquisition will produce neither economies of scale nor diseconomies of scale. This conclusion is largely based on the facts that the Acquirers do not control other health insurance carriers that would enable them to achieve synergies through consolidation or other cost reduction that could come from increased scale. Therefore, I do not anticipate economies of scale. The Acquirers have also indicated no planned changes to operations that would result in diseconomies of scale. The Acquirers will be looking to grow membership in the future which could achieve economies of scale if their growth plans are fulfilled, but I do not anticipate the Acquisition will produce immediate discernable economies or diseconomies of scale.

The Acquisition is equitable to enrollees, insureds and certificateholders of Evergreen Health

If the Acquisition occurs, I do not anticipate changes that would be inequitable to Evergreen Health's enrollees, insureds or certificateholders. Equitable pricing among Evergreen Health's enrollees is not expected to change as a result of the Acquisition. Evergreen Health's insurance products and rating structure are also not expected to change as a result of the Acquisition. The Acquisition could have a future impact on premiums in light of the imposition of the 2% premium tax and any potential return on investment of the Acquirers, but the Acquirers have indicated no intent to change Evergreen Health's current pricing practices. With the passage of the Affordable Care Act, health carriers are no longer allowed to underwrite policies in the individual and small group markets based on health status. Carriers in the individual and small group markets are required to use a single risk pool methodology, which prohibits using relative morbidity in pricing market segments. Evergreen Health does not intend to change its large group underwriting policies; therefore, large group enrollees should not experience higher or inequitable premiums because of a change in underwriting guidelines.

If the Acquisition does not take place, Evergreen Health's enrollees must find other coverage and may be required to pay higher premiums for comparable coverage by losing access to Evergreen Health's low cost plans. Enrollees will no longer be able to receive coverage through their chosen carrier and they may be forced to join a different network, impacting continuity of care. Enrollees will also have access to one less health carrier if the Acquisition does not occur because Evergreen Health will cease to operate in Maryland. Accordingly, I believe the Acquisition is equitable to enrollees, insureds and certificateholders of Evergreen Health.

Respectfully submitted,

Donna Novak, President and CEO
NovaRest