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State of Maine

Medical Trends and Premium Changes in Maine Marketplace

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Introduction

Wakely Consulting Group LLC, an HMA Company ("Wakely"), has been retained by the state of Maine ("State") to analyze historical medical trends and the associated impact on premiums in Maine's merged market. In order to summarize these trends, Wakely relied upon the Unified Rate Review Template public use files (URRT PUF) filed by the individual and small group issuers in the state of Maine for plan years 2023-2025.

The state of Maine has made considerable legislative efforts to improve the affordability in the individual and small group health insurance markets. For example, Maine received approval under a Section 1332 waiver to provide reinsurance. The introduction of this program reduced overall market allowed costs by approximately 8%. Allowed costs represent costs paid by the issuer and cost sharing amounts paid by members. Starting in 2022, the state began operating as a State Based Marketplace and introduced standard plan designs for issuers.

The following year in 2023, Maine merged its individual and small group health markets into a single, pooled market. As a result of this change, issuers that participated in either one of these markets would need to offer both individual and small group marketplace coverage at the same premium cost. In the two years prior to this change, both the individual and small group markets maintained steady enrollment. The small group market saw below average rate increases (3% to 5%), while the individual market saw rate decreases. These items are summarized in Table 1 below.

Table 1: Maine Individual and Small Group Market Metrics, 2021-2022

Market	Metric	2021	2022
Individual	Average Enrollment	63,800	67,400
	Filed Ave Rate Change	-13%	-1%
	Experience Year Loss Ratio	83%	81%
	Number of Issuers	3	3
Small Group	Average Enrollment	48,000	47,200
	Filed Ave Rate Change	5%	3%
	Experience Year Loss Ratio	82%	84%
	Number of Issuers	5	5

During the first year of the merged market, rate increases differed substantially between individual and small group enrollees due to different prior year reference premiums in the two markets. Individual rates increased 11%, as they had previously been substantially less expensive than small group rates, while small group rates decreased 1%. The extension of the reinsurance program to the small group market segment was a substantial driver of lower small group premiums. The market average loss ratios in both years ranged from 81% to 84% and are typically considered sustainable and favorable.

Following the merging of the markets, rate changes in the merged market have been higher than prior years (14.5% average increase in 2024, 9.3% average increase in 2025). Despite these increases, overall enrollment has remained steady. Taro Health joined the market in 2023, while Aetna left in 2025. Starting in 2024, Maine required coverage of infertility services.

Table 2: Maine Merged Market Metrics, 2023-2025

Metric	2023	2024	2025
Average Enrollment (Actual)	114,396	119,695[1]	N/A
Filed Average Premium Rate Change	11.4% / -1.2%	14.5%	9.3%
Experience Yr Loss Ratio	84%	N/A	N/A
Number of issuers	6	6	5
Average Filed Allowed Cost Trend (Total)	7.8%	7.4%	7.5%

Despite the higher volatility in recent average rate increases, the average allowed cost trends filed by issuers have remained steady at around 7.5%. This report examined the trends filed by Maine Marketplace issuers in more detail. Allowed unit cost and utilization trends are examined by both issuer and category of service to quantify their impact on recent overall premium rate changes.

This document has been prepared for the sole use of State of Maine. Wakely understands that the report may be made public. Any distribution of this report should be made in its entirety. This document contains the results, data, assumptions, and methods used in our analyses and satisfies the Actuarial Standard of Practice (ASOP) 41 reporting requirements. Using the information in this report for other purposes may not be appropriate.

Executive Summary

Wakely's analysis of allowed costs and trends in Maine's ACA market from 2021 to 2025 highlights outpatient facility services as a key driver of the premium increases. Outpatient facility costs accounted for over one-third of total allowed costs in 2023 and had the highest unit cost increases among all service categories from 2021 to 2023. For the issuers that have provided the data[2], unit cost trends for outpatient facility services have consistently ranged between 7.7% and 9.4% annually, significantly higher than trends for other services, which averaged between 3.7%

[1] 2024 enrollment estimate is based on the Maine 940 Report.

[2] This analysis was limited by data gaps, as only 30% of the market reported trends by category of service.

to 5.7%. These trends have steadily risen, making outpatient facility services the largest contributor to premium increases.

Market dynamics, including the resumption of suppressed utilization post COVID-19 pandemic, enhanced premium subsidies under the American Rescue Plan (ARP) and Inflation Reduction Act (IRA), and delayed Medicaid redetermination, influence market morbidity and enrollment. Increased enrollment, especially from low-income populations transitioning from Medicaid, is expected to continue driving changes into 2025. These combined factors would generally affect the utilization trends (which also reflect service mix trends), but not the unit cost trends. Unit cost trends reflect the expected changes in provider reimbursement and fee schedules. Hence, the high level of the outpatient facility unit cost trends and the associated impact on the overall premiums is a notable concern.

Findings and Observations

Allowed Costs and Trends by Service Type

Wakely's analysis began by assessing the distribution of allowed costs in the market by category of service. Using the latest available Unified Rate Review Templates (URRTs), we examined the actual allowed costs from 2021 to 2023. The Exhibit 3 below summarizes the allowed costs by category of service in 2023. The most significant category is the outpatient facility services, which accounts for more than a third of total costs. Pharmacy is another key cost category, as it historically accounts for one fifth of total costs.

Exhibit 3: 2023 Maine Merged Market Experience, Distribution of Allowed Costs by Service Category

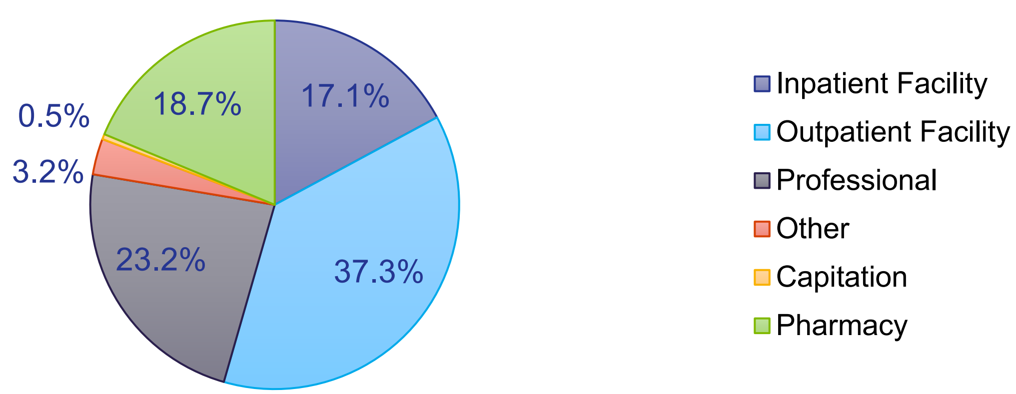
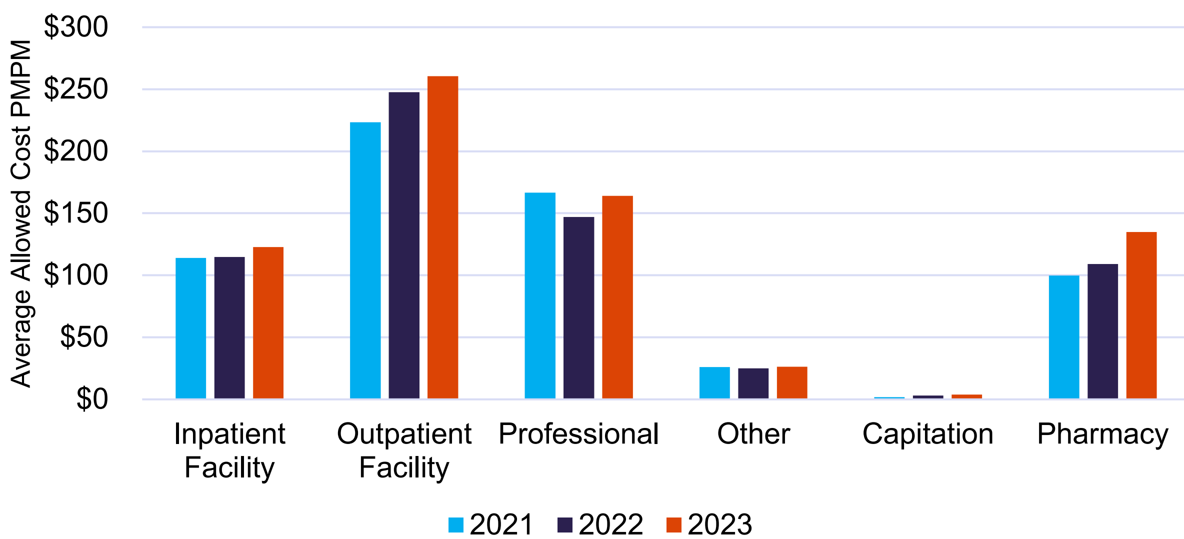


Exhibit 4 below summarizes allowed costs per member per month (PMPM) by category of service over time from 2021 through 2023. Pharmacy and outpatient facility categories have experienced the highest allowed cost increases from 2021 to 2023, while all other services remained relatively stable. It is important to note that changes in costs per member per month are inclusive of all drivers, such as provider reimbursement changes, risk pool morbidity, demographics, plan design changes, and the mix of services.

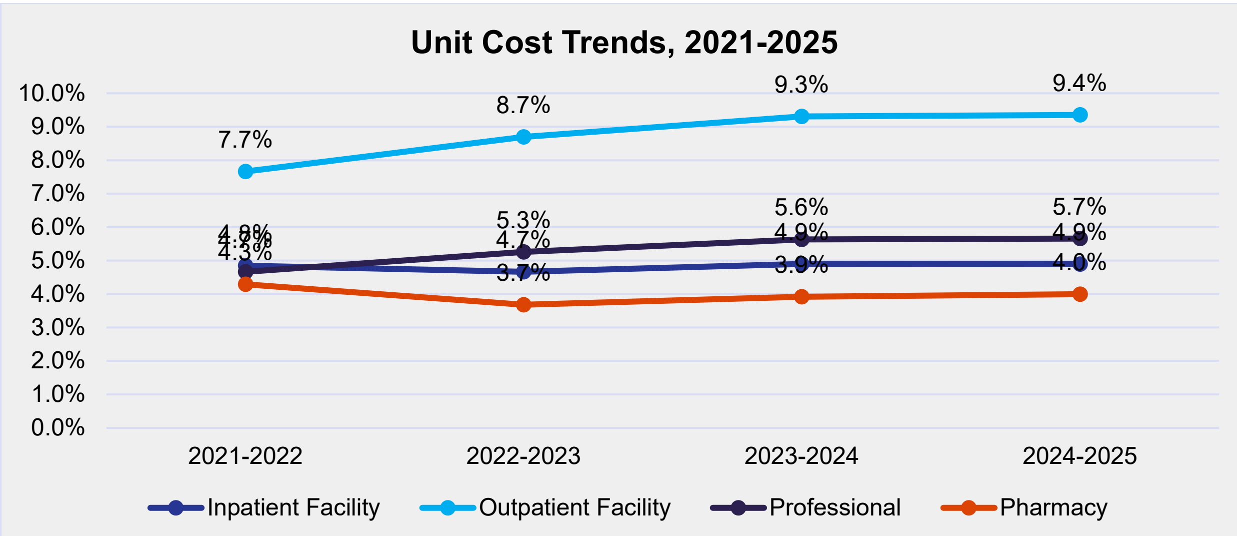
Exhibit 4: 2021 – 2023 Maine Merged Market Experience Allowed Costs PMPM by Category of Service



Not all issuers reported their assumed prospective trend assumptions by each category of service. For example, some issuers only reported an overall average unit cost and utilization trend across all service types; others have reported unit cost and utilization trends for all medical categories combined. In order to more accurately assess the trends at a category of service level, issuers that submitted aggregated trends were omitted from our analysis of service category specific trends. Issuers that reported trends by service category represent 30% of the total projected market allowed cost in 2025.

Exhibit 5 summarizes the average unit cost trends by service category assumed by issuers from 2021 to 2025 as part of their premium rate development. Issuers have consistently projected higher unit costs trends for outpatient facility services than other services. While unit cost trend assumptions vary from 3.7% to 5.7% per year for inpatient facility, professional services, and pharmacy, the unit cost trends for outpatient facility range from 7.7% to 9.4%. Furthermore, the unit cost trends for outpatient facility have increased each year. In comparison, unit cost trends assumptions have remained steady for other categories of services. These high unit cost trend assumptions for this subset of issuers align with the market-wide data showing substantial allowed cost increases for outpatient facilities from 2021 to 2023.

Exhibit 5: 2021– 2025 Average Unit Costs Trends by Category of Service for Select Issuers



Unit Cost Trends and Premium Changes

Wakely looked to contextualize the impact of the components of cost trend on average premium changes in Maine ACA market. Exhibit 6 below summarizes the components of the average 2025 premium change across all issuers in the individual portion of the merged ACA market[3]. Trends are only broken out at a medical and pharmacy service category level so that all issuers are considered (not just those that reported trends for all service categories). Of the 9.1% average rate change, medical unit cost trend was the largest component, contributing 3.8% to that average premium increase.

[3] Note that CMS requires separate premium filings for individual and small group segments of the merged market, and as a result, the average premium changes are quantified separately and composited across the issuers using individual and small group premium revenue.

Exhibit 6: Components of Average 2025 Premium Change, All Issuers (Individual Segment)

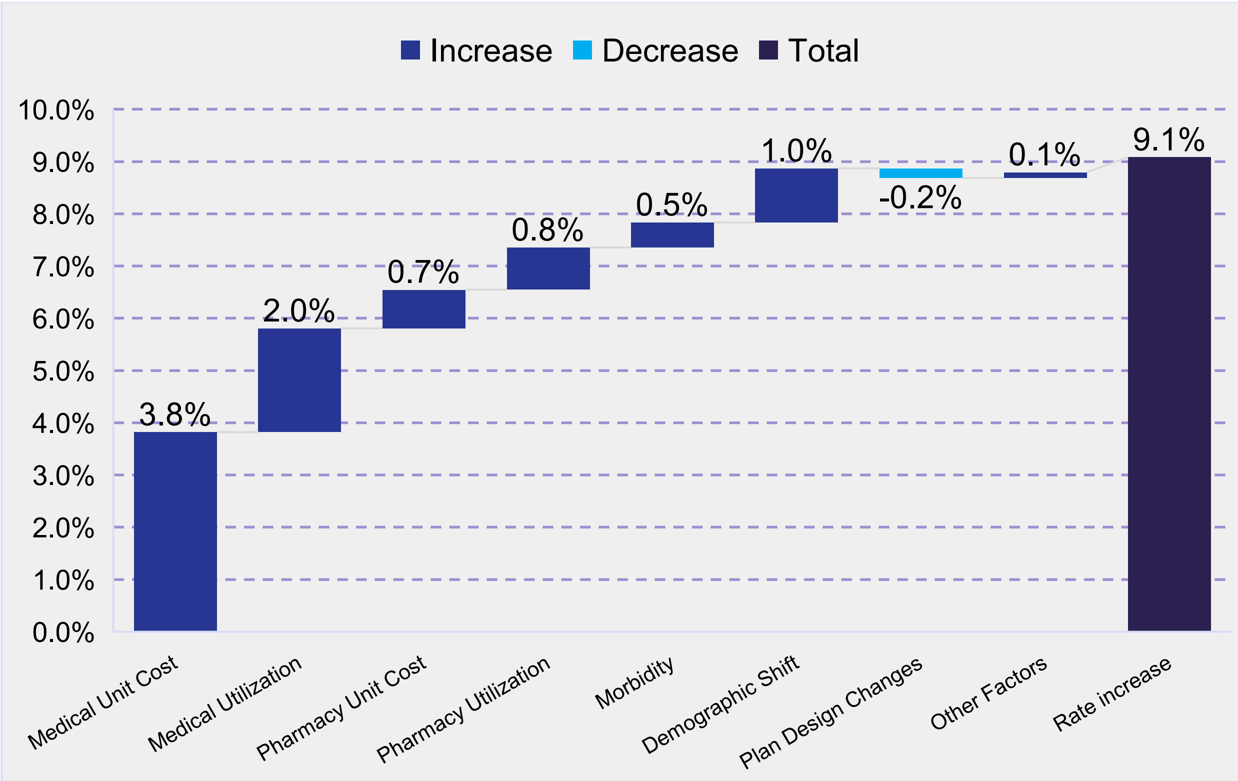
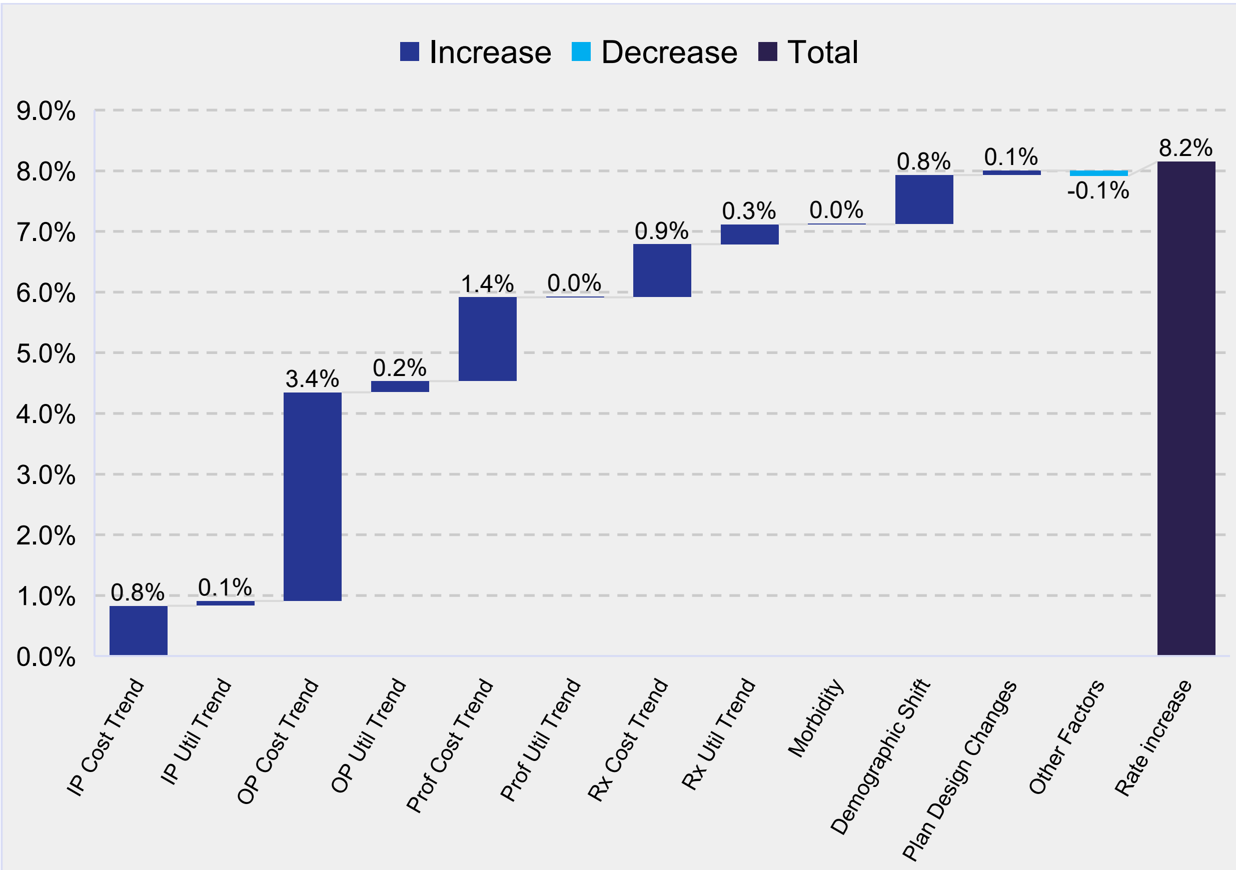


Exhibit 7 only includes a single issuer that broke out trends at a more granular category of service level and may not be representative of the statewide experience. This additional level of data allows us to highlight outpatient facility unit cost trend as the largest component of the overall average premium increase. Of the 8.3% average rate change for these issuers, the outpatient facility unit cost trend was the largest component, contributing 3.4% to that average premium increase.

Exhibit 7: Components of Average 2025 Premium Change, Example Issuer (Individual Segment)



Regulatory Context

In addition to examining the URRTs, Wakely also considered the broader regulatory context in the ACA markets nationwide and in the state of Maine during the time period studied (2021-2025).

There are several key factors that may have impacted both costs and trends. The first key consideration is the public health emergency surrounding COVID-19 pandemic. The pandemic suppressed utilization in 2020-2021, after which there was both a resumption of normal utilization and additional pent-up demand in 2022 for the previously foregone elective services. The next consideration is the enhanced federal premium subsidies created as part of the ARP and IRA laws. The enhanced subsidies increased the availability of minimal net premium plans for anyone with income up to 150% of the federal poverty level (FPL) and offered higher sliding scale subsidies for enrollees with higher incomes. As a result of these subsidies, there was higher incentive to enroll for those not previously insured, who generally tend to be healthier. As a result, the market morbidity likely improved with this new enrollment.

Another consideration is the effect of Medicaid redetermination on the ACA market. The unwinding of members from Medicaid began in April 2023 and is assumed to have been completed by October 31, 2024. As individuals lose Medicaid coverage, a portion enrolls in ACA plans, particularly those at the lowest income levels. In Maine, the unwinding process was delayed. It is estimated that two thousand enrollees have joined the marketplace after losing their Medicaid coverage since April 2023[4]. While the morbidity of these new enrollees is currently unknown, based on the incremental morbidity changes expected by the issuers, it is not a significant driver of 2025 premium increases.

Finally, as noted in the issuers' rate filings, the high premium trends in 2024 were driven by the changes in the reinsurance parameters, and high unit cost trends for hospital facilities as a result of the cost shift from the public to the private sector. The latter helps to explain the observed increase in the outpatient facility unit costs in the market. Wakely did not analyze the factors influencing the supply side of the medical services, including provider availability and labor pressures that may have led to the observed increases.

[4] Source: State-based Marketplace (SBM) Medicaid Unwinding Report. State-based Marketplace (SBM) operational data submitted to CMS. November 2024.

Appendix A: Data, Methodology and Limitations

Beginning in 2023, all issuers participated in both individual and small group segments of the merged market, whereas Aetna and UnitedHealthcare previously operated only in the small group segment. Taro Health entered the market in 2023, and Aetna exited both market segments by 2025.

Each issuer's approach to category of service (COS) trends varied significantly. Aetna broke out utilization trends by facility, non-facility, and pharmacy, while cost trends were detailed across all COS categories. Anthem distinguished trends into medical, capitation, and pharmacy for both utilization and unit cost. Community Health Options segmented utilization and unit cost trends into inpatient, outpatient, professional, and pharmacy categories. Point32 (Harvard Pilgrim) differentiated utilization trends by medical and pharmacy, while unit costs were broken out into medical, other, capitation, and pharmacy. For plan years 2023 and 2024, Taro Health used a rating methodology that did not break out trends but provided more detail for plan year 2025, breaking out trends into inpatient, outpatient, professional, other, and pharmacy categories for both utilization and unit cost, while assuming a notably low utilization trend of 0.3% per year. UnitedHealthcare, by contrast, did not apply COS-level trends and only reported total unit cost and utilization trends. Due to these differences, Community Health Options and Taro Health were the two issuers used when aggregating 2025 trends at a detailed category of service level. Together they represent 30% of the total projected 2025 market enrollment and may not be representative of the entire market.

In the small group segment, many issuers filed quarterly rate adjustments. Aetna and UnitedHealthcare applied the same annual trend assumptions from year to year, while Community Health Options and Point32 (Harvard Pilgrim) adjusted trends quarterly, with Point32 (Harvard Pilgrim)'s year-two trends significantly lower than year-one trends. Taro stood out as the only issuer to significantly reduce trends from 2024 to 2025, projecting a 1.4% lower trend in their first quarter filing. Our analysis was limited to using first quarter filings.

Across individual and small group market segments, all issuers assumed identical trends for both segments, though rate changes were close but not identical.

Enrollment trends were influenced by Aetna's exit from the market. Due to their historically small enrollment, it was assumed that Aetna maintained consistent enrollment from 2023 into 2024. This can not be confirmed as Aetna did not file a 2025 URRT, and therefore has not reported 2024 enrollment.

Finally, there is conflicting data on 2024 emerging enrollment between the 2024 open enrollment public use files and the URRT, and hence there is uncertainty in the consumers' response to significant premium increases in 2024. URRT estimates indicate a notable change in the individual segment in 2024, whereas open enrollment period (OEP) public use[5] data and Maine 940 report both indicate a more stable individual segment enrollment.

[5] https://www.cms.gov/data-research/statistics-trends-reports/marketplace-products/2024-marketplace-open-enrollment-period-public-use-files

Appendix B: Disclosures and Limitations

Responsible Actuary. I, Ksenia Whittal, am the actuaries responsible for this communication. I am a Members of the American Academy of Actuaries and Fellows of the Society of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to issue this report. Freddy Quiram and Michael Cohen has made significant contributions to this analysis.

Purpose. Analyze historical information from Unified Rate Review Template public use files (URRT PUF) filed by the individual and small group issuers in the state of Maine for plan years 2023-2025 (reflecting actual experience from 2021-2023 of the merged market), summarizing historical trends in premiums, medical trends and the associated impact on premiums. The analysis will aggregate issuer filed information to develop market-wide unit cost and utilization trends over time by service category (inpatient, outpatient, professional, pharmacy and other services).

Intended Users. This information has been prepared for the sole use of the State of Maine. This analysis cannot be distributed to or relied on by any other third party without the prior written permission of Wakely. It is our understanding that these results may be made public. This information is confidential and proprietary.

Risks and Uncertainties. The assumptions and resulting estimates included in this analysis are inherently uncertain. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from our estimates. Wakely does not warrant or guarantee the projected values included in the analysis. It is the responsibility of the organization receiving this output to review the assumptions carefully and notify Wakely of any potential concerns. Please refer to the Appendix A for a list of data limitations and reliances.

Conflict of Interest. The responsible actuaries are financially independent and free from conflict concerning all matters related to performing the actuarial services underlying this analysis. In addition, Wakely is organizationally and financially independent to the State of Maine.

Data and Reliance. We have relied on others for data and assumptions used in the assignment. We have reviewed the data for reasonableness but have not performed any independent audit or otherwise verified the accuracy of the data/information. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly.

Subsequent Events. Changes to federal or state law or regulation could impact the results. Additionally, changes to economic conditions could material affect results. There are no known relevant events subsequent to the date of information received that would impact the results of this report.

Contents of Actuarial Report. This document and the supporting exhibits/files constitute the entirety of actuarial report and supersede any previous communications on the project.

Deviations from ASOPS. Wakely completed the analysis using sound actuarial practice. To the best of my knowledge, the report and methods used in the analysis are in compliance with the appropriate Actuarial Standards of Practice (ASOP) with no known deviations. In developing these standard plan designs and the resulting actuarial certification, Wakely followed applicable Actuarial Standards of Practice (ASOP) including:

ASOP No. 23 Data Quality;

ASOP No. 41 Actuarial Communications;

ASOP No. 56 Modeling.

Appendix C: Data Reliance

Wakely has utilized data provided by CMS and Maine issuers in the analyses described in this report. The analyses were performed using the following data.

- 2023 - 2025 ME Unified Rate Review Templates (URRTs)
- 2024 Open enrollment public use files.
- Maine 940 Report
- https://www.maine.gov/governor/mills/news/federal-government-approves-maines-plan-improve-health-insurance-small-businesses-2022-07-15#:~:text=Under%20the%20now%2Dapproved%20waiver,pooled%20market%20beginning%20in%202023.