Maine Guaranteed Access Reinsurance Association (MGARA) – Analysis and Financing Options

Maine Bureau of Insurance

January 21, 2026

Agenda

- Project Scope
- Key Findings
- Background / Context
- Impact on Premiums
- How Other States Fund Reinsurance Programs
- Alternative Funding Scenarios

Project Scope

- Evaluate financial status of MGARA reinsurance program
- Project near-term impact of MGARA on merged market premiums under status quo funding
- Review how other states fund their reinsurance programs
- Develop funding alternatives

To assist in the evaluation, the Bureau of Insurance engaged Wakely, a national actuarial consulting firm with expertise in reinsurance programs and Section 1332 waivers.

Wakely's report has been provided to the committee and posted on the Bureau's website.

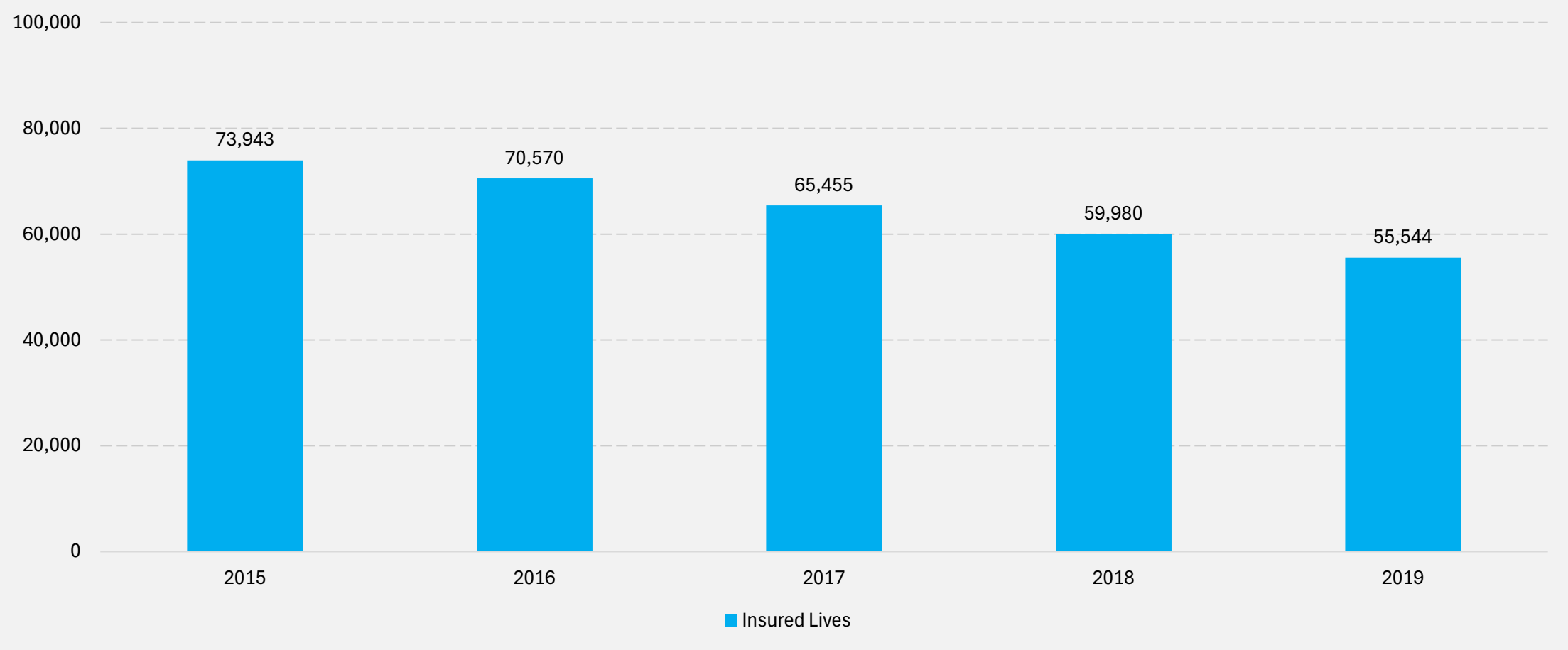
Key Findings

- Status quo funding of $4 per member per month (PMPM) – in conjunction with expiration of enhanced premium tax credits (ePTCs) and subsequent reduction in federal pass-through funds – will result in MGARA reducing premiums by ~4.3% in 2028.
- Approximately $10.6M in funds (both state and federal) are needed to reduce premiums by 1%.
- Maine is the only state that:
    1. Uses a static PMPM assessment to funds its reinsurance program; and
    2. Applies the reinsurance program to the small group market.

Background / Context

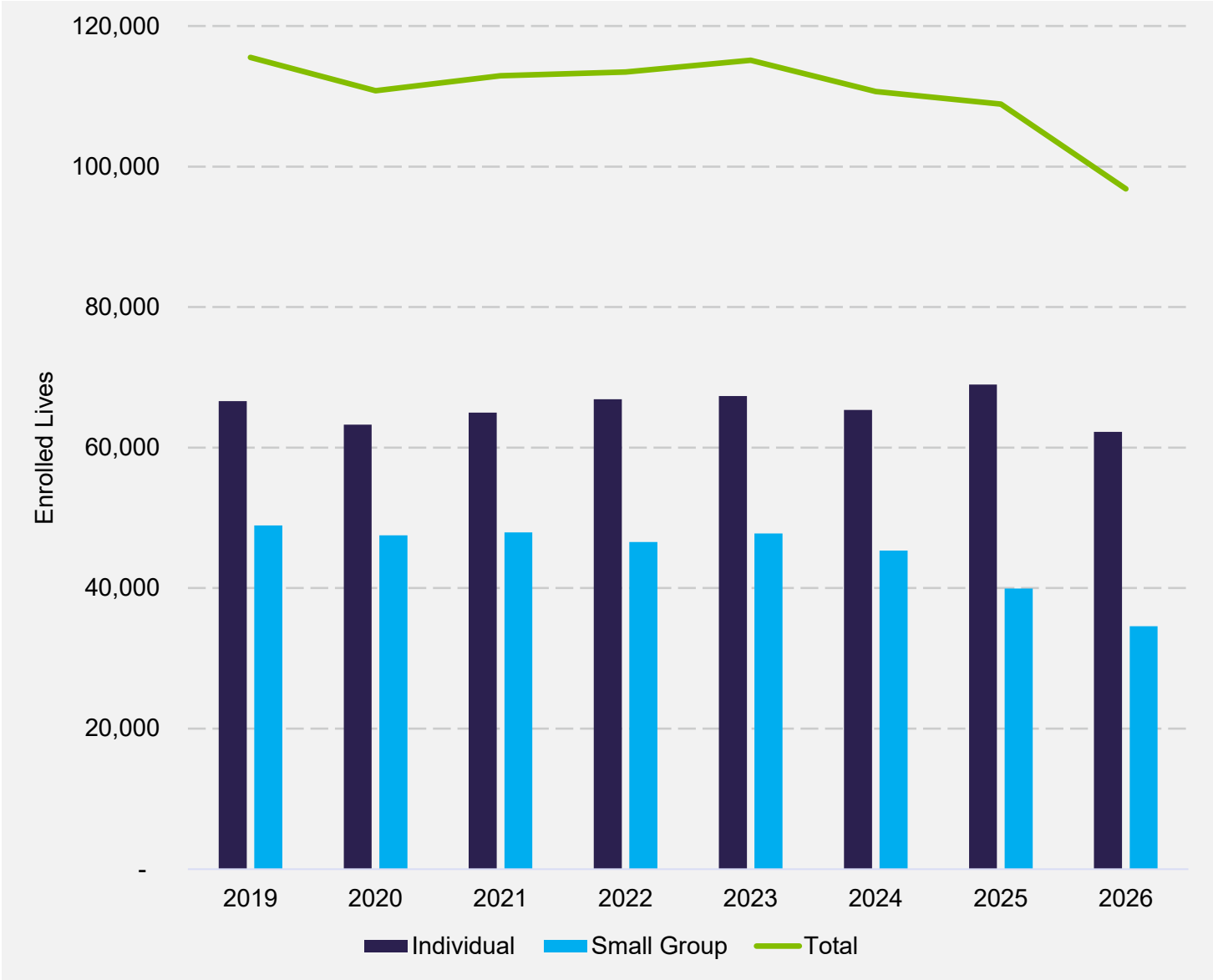
- MGARA operates under a federal Section 1332 waiver that allows the state to claim federal pass-through funds to finance a reinsurance program designed to reduce premiums in the merged (individual and small group) market.
- The waiver took effect in 2019 and runs through 2027
- In 2020, the legislature enacted the Made for Maine Health Coverage Act, which merged the individual and small group markets, effective January 1,2023.
- The merger was intended, in part, to stabilize the small group market, which had experienced a 25% drop in membership from 2015 – 2019.

Small Group Membership (2015 – 2019)



Merged Market Membership

- From 2020 – 2024, small group and individual market enrollment remained relatively stable.
- In 2025 and 2026, insurers project a meaningful reduction in small group market members.



Factors Affecting the Merged Market (2020 – 2025)

Covid

- Decline in utilization of medical services in 2020 and 2021
- Uptick in claims and cost of services from 2022 through 2025

Double-digit increases in health care spending

- Increase in health system reimbursement rates
- Significant jump in prescription drug expenses, driven by increase in use and cost of specialty medications
- Aging population

Availability of enhanced premium tax credits (2021 through 2025)

- Increase in individual market enrollment, particularly for those with income >400% of the federal poverty level (FPL)
- Increase in federal pass-through funding to support the state's reinsurance program
- Reduction in net premiums paid by individual market enrollees

Factors Affecting the Merged Market (2020 – 2025)

Expansion of Medicaid eligibility to adults with income up to 138% FPL (2019)

- Shifted lower-income adults from the individual market to MaineCare

Expansion of MaineCare to children in families with income up to 300% FPL (Oct. 2023)

- Shifted children from individual market to MaineCare
- Increased the proportion of older members in the individual market and lowered the proportion of children
- Adversely affected the risk profile of the individual market

Availability of small employer premium subsidy program with funding from the federal American Rescue Plan Act (Nov. 2021 – July 2023)

- Directly lowered premiums for small employers
- Helped stabilize the small group market

Factors Affecting the Merged Market (2020 – 2025)

End of Enhanced Premium Tax Credits (2026)

- Increased premiums in the merged market due to lower federal pass-through funds for the reinsurance program
- Reduction or termination of premium tax credits for individuals
- Projected deterioration of the risk pool

Increase in Maine residents with health coverage

- Uninsured rate in Maine fell from 8.0% in 2019 to 5.7% in 2024
- Largest percentage point decline in the U.S.
- Reduction in uncompensated care

MGARA's Impact on Premiums

Plan Year	Attachment Point	Cap	Coinsurance	Type	Premium Impact, %
2019	$47,000 $77,000	$77,000 $1,000,000	90% 100%	Prospective	-5.1%
2020	$65,000 $95,000	$95,000 $1,000,000	90% 100%	Prospective	-5.5%
2021	$65,000 $95,000	$95,000 $1,000,000	90% 100%	Prospective	-9.8%
2022	$76,000	$250,000	100%	Retrospective	-13.8%
2023	$90,000	$275,000	100%	Retrospective	-13.9%
2024	$135,000	$275,000	75%	Retrospective	-7.1%
2025	$135,000	$275,000	75%	Retrospective	-7.9%
2026	$135,000	$275,000	60%	Retrospective	-6.7%
2027 Assumed	$135,000	$275,000	60%	Retrospective	-4.9% to -5.1% Estimated
2028 Assumed	$135,000	$275,000	60%	Retrospective	-4.3% to -4.8% Estimated

Other States Reinsurance Programs

- In addition to Maine, 15 states have reinsurance programs funded through a Section 1332 waiver.
- Financing of each state's share of program costs fall under three broad categories:
    1. State general fund revenue
    2. Fees / assessments, primarily tied to insurance premiums
    3. Combination of general fund revenue and fees / assessments

- Reinsurance programs' impact on premiums ranges from 4% to 31%, with Maine on the lower end of the spectrum

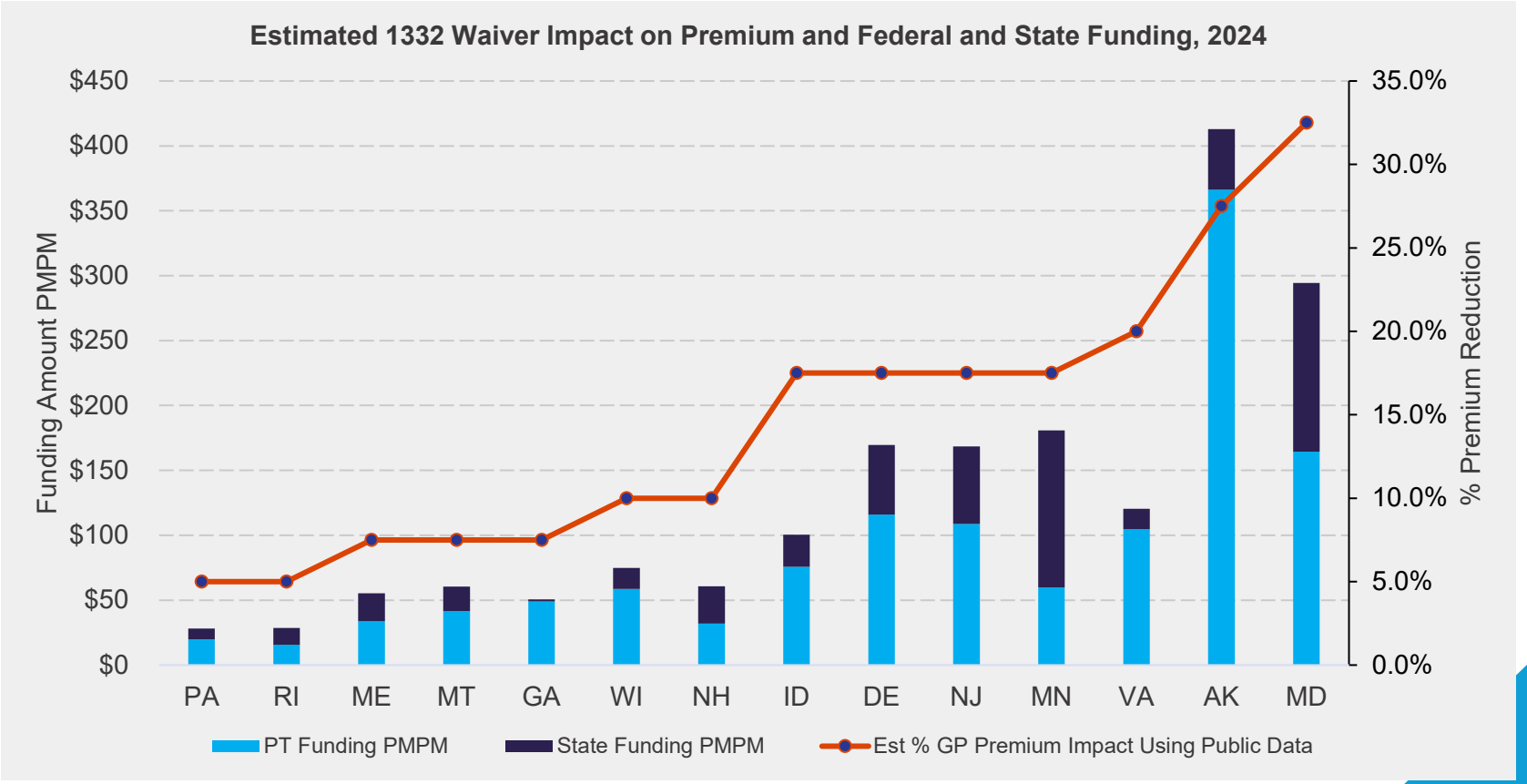
State-Based Reinsurance Programs

State	2025 Advanced Premium Tax Credit Reduction	General Fund	Issuer Assess-ment	Provider Fee	Mandate Penalty	Notes and Other Funding Sources
Minnesota	**-31%**	**X**		**X**		A portion of past accumulations of the state's 2.0% provider tax, which applies to hospitals and other providers.
Oregon	**N/A**		**X**			Starting in PY 2020, 2.0% state premium assessment on major medical premiums and stop loss insurance.
Maryland	**-40%**		**X**			In PY 2019, 2.75% premium assessment on certain health insurance carriers. In PY 2020-2028, 1.0% assessment.
New Jersey	**-19%**	**X**			**X**	Revenue raised by shared responsibility payments per the state individual mandate, and if necessary, the state general fund. At the time the mandate was enacted it was expected to generate $90 to$100M in penalties.
Wisconsin	**-12%**	**X**				State general purpose revenue (GPR), which consists of general taxes, miscellaneous receipts, and revenues collected by the state.
Colorado	**-25%**	**X**	**X**	**X**		Fee on health insurers who would otherwise be subject to the now repealed federal Health Insurance Provider Fee under Section 9010 of the ACA. For PYs 2022 and 2023 only, a special assessment on hospitals. A portion of the state's health insurance premium tax revenue. Money from the state's general fund is available for section 1332 waiver administration.
Delaware	**-15%**		**X**			Assessment on carriers and entities that would otherwise be subject to the federal Health Insurance Providers Fee under Section 9010 of the ACA. The state assessment is 2.75% of premium annually in years that the Health Insurance

State-Based Reinsurance Programs

State	2025 Advanced Premium Tax Credit Reduction	General Fund	Issuer Assess-ment	Provider Fee	Mandate Penalty	Notes and Other Funding Sources
Montana	**N/A**		**X**			1.2% annual state assessment on major medical health insurance premiums.
North Dakota	**-16%**		**X**			A state assessment on insurers writing in the small and large group health insurance markets ($22M in PY 2020).
Rhode Island	**-6%**	**X**			**X**	Penalties collected from the state individual mandate which ranged from $8.6M in 2015 and estimated at $9.7M in 2017. Rhode Island received a one-time state appropriation for the Health Insurance Market Integrity Fund to support operation and administration of the program.
Pennsylvania	**-6%**		**X**			A portion of a user fee that is 3.0% of premiums and assessed on issuers participating in the Pennsylvania Health Insurance Exchange and other available state sources.
New Hampshire	**-16%**		**X**			A premium assessment of 0.6% of the previous year's second lowest cost silver plan without waiver rate across all licensed health insurance issuers in the state's individual and group health insurance markets with some exceptions.
Georgia	**-11%**	X				State general funds.
Virginia	**N/A**	X				State appropriations allotted in the Commonwealth Health Reinsurance Program Special Fund.
Idaho	**-25%**	X	X			An annual premium tax allotment, and one-time deposit of $25 million in 2022, and an assessment on the health insurance market on an as needed basis to achieve the state's target premium reduction.

Impact of Other States Reinsurance Programs



Financing Principles

- Alternative funding options should be structured to:

1. Provide stability and predictability from year-to-year
2. Respond to changes in market conditions (i.e., growth in health care costs, shifts in enrollment)
3. Apply broadly to minimize the per-unit financial impact on any single participant
4. Provide for administratively efficient implementation

Alternative Funding Scenarios

Scenario	State Assessment Funding (millions)	Federal Pass-through Funding (millions)	MGARA Premium Reduction %	Change in ACA Merged Market Enrollment %	Change in ACA Merged Market Enrollment #
$4 PMPM Assessment (Baseline)	$28.3 to $28.6	$19.8 to $25.4	-4% to -5%	NA	NA
$6 PMPM Assessment	$42.4 to $42.9	$30 to $38.2	-7% to -8%	0.3% to 0.8%	200 to 700
3.0% Premium Assessment on Fully Insured Market	$79.9 to $85.5	$39.4 to $75	-11% to -15%	0.5% to 2.2%	500 to 2,000
1.5% Premium Assessment on Fully Insured Market & $6 PMPM Assessment	$82.2 to $85	$49.5 to $74.9	-12.1% to -14.9%	0.8% to 2.6%	700 to 2,500