Appendix C: **Gorman Associates Actuarial and Economic Report**

1332 Waiver
Actuarial and Economic Report

Prepared for the Maine Bureau of Insurance

January 26, 2022

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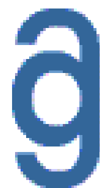

Gorman Actuarial, Inc.

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1. Executive Summary

This report addresses section 45 CFR 155.1308(f)(4)(i)-(iii) and applicable federal regulations and policies related to section 1332 waiver applications. It includes actuarial analyses and actuarial certifications, economic analyses, and data and assumptions. The report was prepared in consultation with the Maine Bureau of Insurance (BOI) and the Maine Department of Health and Human Services. The report is part of Maine's Section 1332 waiver application to the Centers for Medicare and Medicaid Services (CMS), and it should be reviewed within the broader context of the state's waiver application.

Overview of Maine's Waiver Application

The State of Maine is seeking approval for a Section 1332 waiver that would result in the establishment of a single risk pool that includes both the individual market and small group market, and the establishment of a reinsurance program that reduces premiums in both market segments, thereby making health insurance more affordable for a broad group of Maine residents and small employers. These changes will be particularly beneficial to individuals not eligible for subsidized coverage and small employers (and their employees), both of whom should experience lower premiums.

Combining the individual and small group markets into a single risk pool should provide greater stability to these market segments, and may increase the number of insurers offering health plans to individuals.[1] Lowering premiums and stabilizing the markets should slow the decline in membership that has recently occurred in both the individual and small group markets. By addressing underlying issues in the individual and small group markets, Maine seeks to strengthen the Affordable Care Act (ACA) and increase enrollment in comprehensive, affordable health coverage.

If this waiver application is approved by CMS, the state would transition the current individual market retrospective reinsurance program into a retrospective reinsurance program that will apply to the newly pooled individual and small group markets. The current reinsurance program's waiver request was approved by CMS in July 2018 and took effect January 1, 2019. Pending approval of this Section 1332 waiver application, Maine will continue to operate the existing reinsurance program under the terms and conditions delineated by CMS.

[1] As noted in the body of this report, three insurers currently offer coverage in the individual market and five insurers participate in the small group market. Combining the markets may increase the number of insurers offering coverage to individuals.

Pooling the Markets

As of March 2021, roughly 63,000 residents obtained health insurance through Maine's individual market, a decrease of 20,000 or 24% from March 2017.[2] The small group market in Maine has also experienced significant reductions in membership over the past four years due in part to high medical cost trends and the associated premium increases. Enrollment fell from 61,200 in March 2017 to 48,300 in March 2021, a 21% reduction.

Both the individual and small group markets are relatively small, with a combined membership of approximately 111,300 as of March 2021. As market membership declines, enrollees that remain in the market are typically less healthy and use more health care resources, which further drives up premiums.[3] In addition, the smaller the size of the risk pool the less predictable and less stable premiums will be for that pool.[4, 5] It is this dynamic that is of increasing concern to Maine policymakers and is a key factor driving this 1332 waiver application.

Maine proposes to combine the individual and small group markets into a single risk pool for rate setting, risk adjustment, and medical loss ratio (MLR) purposes. Pooling the markets alone would reduce rates in the individual market but increase rates in the small group market compared to the baseline, which assumes there is no section 1332 waiver in effect.[6] The reduction in individual market rates would lower federal spending for Premium Tax Credits (PTCs), which represents the difference between the second lowest cost Silver plan (SLCSP) premium and the maximum premium amount an individual or family is expected to pay based on their family income and size.[7] As Silver plan premiums decline, PTCs fall, which lowers federal spending.

[2] As discussed in the body of this report, Maine expanded eligibility for its Medicaid program (MaineCare) in 2019, which shifted thousands of residents from the individual market to MaineCare.
[3] "Anatomy of a Slow-Motion Health Insurance Death Spiral," H.E. French III and Michael P. Smith, North American Actuarial Journal, 2015.
[4] "Risk Pooling: How Health Insurance in the Individual Market Works," American Academy of Actuaries, https://www.actuary.org/content/risk-pooling-how-health-insurance-individual-market-works-0, accessed on December 7, 2020.
[5] "Health Insurance Markets 101," The Sycamore Institute., https://www.sycamoreinstitutetn.org/about-us/ accessed on December 7, 2020.
[6] For the purpose of this actuarial analysis, the baseline estimate excludes premium reductions associated with Maine's current Section 1332 waiver and assumes there is no waiver in effect and no reinsurance program in the individual market.
[7] In the event an individual's eligible APTC amount exceeds the full premium of the health plan in which the individual is enrolled, APTC is capped at the full premium amount. For example, a Bronze plan's premium may be lower than the APTC an individual is eligible to receive.

Reinsurance Program Design

Under the second part of the waiver application, Maine would establish a reinsurance program applicable to the newly-pooled individual and small group markets effective January 1, 2023. The proposed reinsurance program would reduce premiums across the newly-pooled individual and small group market. As premiums are reduced, premium subsidies provided by the federal government in the form of PTCs decline.

Premium and Membership Impacts

Pooling the markets and applying a retrospective reinsurance program is expected to lower the average individual market premium by 8.0% compared to the baseline in 2023. In the small group market, the average premium is projected to decrease 6.0% in 2023 compared to the baseline. In 2024, the average individual market premium is expected to be 6.1% lower than baseline and the average small group market premium is expected to be 3.9% lower than baseline.

Membership is projected to be higher in each year under the "with wavier" scenario compared to the "no waiver" scenario. In 2023, the individual market membership will be higher by 1,600 members or 2.7% and the small group market membership will be higher by 2,482 members or 5.3% Under the "with wavier" scenario compared to the "no waiver" scenario. In 2024, the individual market membership will be higher by 1,146 members or 2.0% and the small group market membership will be higher by 1,610 members or 3.5% under the "with wavier" scenario compared to the "no waiver" scenario.

Funding and Reinsurance Program Design

The net reduction in federal expenses from lower PTCs due to a reduction in individual market premiums will be used to fund a portion of the retrospective reinsurance program. In addition to the use of federal pass-through funds, Maine plans to use the $4.00 per member per month (PMPM) assessment that is currently used for the Maine Guaranteed Access Reinsurance Association (MGARA) reinsurance program to support the individual market retrospective reinsurance program.[8] Based on recent assessment estimates provided by MGARA, the $4.00 PMPM assessment is expected to generate $27.0 million in revenue in the first year of the waiver (CY 2023).[9] A portion of these funds – estimated to be $300,000 annually – will be used to administer the reinsurance program.

[8] The $4.00 PMPM assessment is statutorily established and not directly tied to the existence of a 1332 waiver or a reinsurance program.
[9] Based on Milliman's Report to the MGARA Board October 18, 2021.

For CY 2023, an additional $8.6 million in reinsurance program funding that was received by Maine in 2021 as a result of the American Rescue Plan Act (ARPA) will be used to further reduce premiums in the first year of the waiver.[10] This funding, in conjunction with the $4.00 PMPM assessment and federal pass-through funds generated from the reduction in PTCs, would be used to fund the newly structured reinsurance program in 2023.

In subsequent years, the reinsurance funding will be supported by the $4.00 PMPM assessment and federal pass-through funding from the reduction in PTCs. Based on current federal law, we are assuming the ACA's premium subsidy schedule is in effect for the duration of the waiver period (i.e., CY 2023 through CY 2032) and enhanced subsidies provided for under ARPA are not extended beyond CY 2022. In addition, we do not assume any additional ARPA-related funds, beyond the $8.6 million noted above, will be available to support the program in CY 2024 and beyond.

Premiums in the individual market are estimated to decline 8.0% compared to the baseline in 2023, which would generate $22.8 million in net federal savings. These savings would be combined with the state assessment and the ARPA revenues to fund the reinsurance program in 2023, which would result in a total of $58.0 million available to fund the reinsurance program. Starting in 2024, it is assumed that additional ARPA funds will not be available. The table below lays out the main funding sources for the first five years of the program. Ten year projections are included in Section 6 of this report.

Reinsurance Program Funding 2023 - 2027					
	2023	**2024**	**2025**	**2026**	**2027**
Federal Funding	$22,785,550	$18,021,369	$18,863,890	$19,755,030	$20,687,374
2021 ARPA Funds	$8,562,238	$0	$0	$0	$0
State Funding	$26,700,000	$26,700,000	$26,700,000	$26,700,000	$26,700,000
Total Reinsurance	$58,047,788	$44,721,369	$45,563,890	$46,455,030	$47,387,374

Table 1: Reinsurance Program Funding – 2023 through 2027[11]

[10] CMS Website: https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section_1332_State_Innovation_Waivers-#Section_1332_State_Application_Waiver_Applications

[11] It was assumed that the state funding assumption of $26.7 million would remain level in future periods. While it is assumed that the individual and small group market enrollment increases in 2023 and then subsequently decreases 2024 through 2032, the enrollment changes are minimal and it is assumed that the majority of the enrollees are coming from or staying within the assessed commercial health insurance market.

For 2023, the retrospective reinsurance program has been initially structured to reimburse insurers 55% of claims costs between $90,000 and $275,000, with the portion of claims exceeding $275,000 the full responsibility of the health insurers. For 2024, the retrospective reinsurance program is initially structured to reimburse insurers 45% of claims costs between $90,000 and $240,000, with the portion of claims exceeding $240,000 the full responsibility of the health insurers.

These initial parameters are subject to adjustment based on actual revenues received from the state assessment and federal pass-through funds generated from lower PTCs to ensure reinsurance reimbursements to insurers do not exceed available funding. On an annual basis, the Maine Guaranteed Access Reinsurance Association (MGARA), in consultation with the Maine Bureau of Insurance (BOI), will establish the reinsurance program's parameters to reflect funding available in order to maintain the financial solvency of the program.

Meeting the Section 1332 Waiver Guardrails

In order for a Section 1332 waiver to be approved by CMS, the waiver must demonstrate that the proposed market modifications will meet four guardrails pertaining to comprehensiveness, affordability, scope, and deficit neutrality. As discussed further in the body of this report, the proposed waiver meets all four guardrails:

1. The waiver will not result in any changes to the essential health benefit (EHB) benchmark or actuarial value requirements and will therefore have no impact on the comprehensiveness of coverage available in the individual and small group markets.
2. Pooling the individual and small group markets and applying a retrospective reinsurance program will reduce premiums, compared to the baseline, thereby increasing the affordability of health insurance. The waiver does not alter cost-sharing and out-of-pocket limits currently in place, ensuring overall affordability of coverage is improved for individuals and small group members.
3. More residents will be covered under ACA-compliant plans with the waiver than would be covered without the waiver, which satisfies the scope guardrail.
4. The proposed waiver does not increase net spending by the federal government, thereby addressing the deficit neutrality requirement.

2. Background

Overview of Section 1332 requirements

Section 1332 of the Affordable Care Act (ACA) permits a state to apply to CMS for a State Innovation Waiver (now also referred to as a State Relief and Empowerment Waiver) to pursue innovative strategies for providing residents with access to high quality, affordable health insurance while retaining the protections of the ACA. Since 2017, State Innovation Waivers have allowed states to implement programs to provide residents with access to health care that is at least as comprehensive as coverage provided absent the waiver; provides coverage and cost-sharing protections against excessive out-of-pocket spending that are at least as affordable as without the waiver; provides coverage to at least a comparable number of residents as would be covered absent a waiver; and will not increase the federal deficit.[12]

As of August 2021, CMS had approved waivers in 16 states,[13] including Maine. Fourteen (14) states received approval to waive the single risk pool requirement under Section 1312 of the ACA to the extent that it would otherwise require excluding total expected state reinsurance payments when establishing the market-wide index rate.[14]

While each state's reinsurance program varies, 12 states[15] apply a claims cost-based model, under which insurers are reimbursed for a portion of the costs of enrollees whose claims exceed an attachment point; one state – Alaska – uses a conditions-based model under which insurers are reimbursed for claims costs for individuals with one or more pre-determined high-cost condition; and prior to 2022 Maine used a hybrid conditions and claims cost-based model. Beginning in 2022, Maine has transitioned from a hybrid conditions and claims cost-based model to a full retrospective claims cost-based model.

Guardrails

Pursuant to Section 1332, states must demonstrate that the waiver meets the following four guardrails:

[12] Centers for Medicare and Medicaid Services, Programs and Initiatives, State Innovation Waivers.
[13] Centers for Medicare and Medicaid Services, CCIIO Data Brief Series, "State Innovation Waivers: State-Based Reinsurance Programs," August 2021.
[14] CMS, CCIIO Date Brief Series, August 2021.
[15] Colorado, Delaware, Maryland, Minnesota, Montana, New Hampshire, New Jersey, North Dakota, Oregon, Pennsylvania, Rhode Island, and Wisconsin.

Comprehensiveness – a 1332 waiver must demonstrate that health coverage is required to be forecast to be at least as comprehensive overall for residents as the coverage provided absent the waiver;

Affordability – coverage under the waiver will be at least as affordable for residents as coverage absent the waiver (including premiums, deductibles, co-pays, and co-insurance);

Scope – the waiver must provide coverage to a comparable number of residents as would be covered without the waiver; and

Deficit Neutrality – projected federal spending net of federal revenues is equal to or lower than projected federal spending in the absence of the waiver.

Consistent with federal regulations and CMS guidance, waivers that impact the individual market should use a baseline in which there is no waiver plan in effect, and should compare premiums, comprehensiveness, and coverage under the baseline for each year to those projected under the waiver. As described further in this report, the guardrails analysis uses the “no waiver plan in effect" scenario to establish the baseline against which coverage, affordability, scope, and deficit neutrality under the waiver are compared.

Actuarial Certification

This report is a supplement to Maine's 1332 waiver application. It addresses requirements under section 45 CFR 155.1308(f)(4)(i)-(iii), including actuarial analyses, actuarial certifications, economic analyses, and data and assumptions. The actuarial certification is included in Section 8 of this report.

Maine Demographics

Maine had a total population of 1.36 million in 2020[16], an increase of 34,000 residents (+2.6%) since the 2010 census. By comparison, the United States population increased by approximately 7.4% over this 10-year period. Maine’s population growth rate continues a pattern of modest increases compared to the rest of the country. While the U.S. population increased by 33% from 1990 - 2020, Maine‘s population grew 11%.

Compared to the country, Maine residents are older – with a median age of 45.1 years versus 38.5 for the U.S. as a whole. While close to 22% of Mainers are age 65+, across the country 17% of the population is 65 years or older. The table below provides a

[16] United States Census, 2020.

breakdown of Maine's age demographics, which is based on the results of the 2020 American Community Survey.[17]

Maine Population by Age (2020 estimate)		
Age Range	Number	Percentage
Under 18 years	245,455	18.2%
18 to 24 years	108,059	8.0%
25 to 34 years	164,268	12.2%
35 to 44 years	156,920	11.6%
45 to 54 years	171,038	12.7%
55 to 64 years	210,048	15.6%
65 years and over	294,353	21.8%
	1,350,141	

Source: American Community Survey, 2020

Table 2: Maine Population

Median household income in Maine was estimated to be $57,918 in 2020, which was approximately 14% below the median household income for the United States ($67,521).[18] A breakdown of household income distribution for Maine is shown in the table below.

Maine Household Income (2020 estimate)		
Household Income Range	Number	Percentage
Less than $20,000	90,173	15.4%
$20,000 to $39,999	111,635	19.1%
$40,000 to $59,999	95,561	16.4%
$60,000 to $99,999	134,047	23.0%
$100,000 to $149,999	85,743	14.7%
$150,000 to $199,999	36,008	6.2%
$200,000 or more	30,890	5.3%
	584,057	

	Maine	United States
Median Household Income	$57,918	$67,521

Source: American Community Survey, 2020

[17] American Community Survey, Demographic and Housing Estimate, 2020.
[18] American Community Survey, Selected Social Characteristics in the United States, 2020.

Table 3: Maine Household Income

As is the case throughout the United States, slightly less than half of all Maine residents (46%) obtain health insurance through an employer, while seven percent purchase coverage in the individual market. Public health insurance programs cover 38% of Maine residents, split between Medicaid (18%) and Medicare (20%). Approximately 5% of Maine residents are uninsured.[19] The chart below provides a breakdown of insurance status by coverage type for Maine residents in 2020.

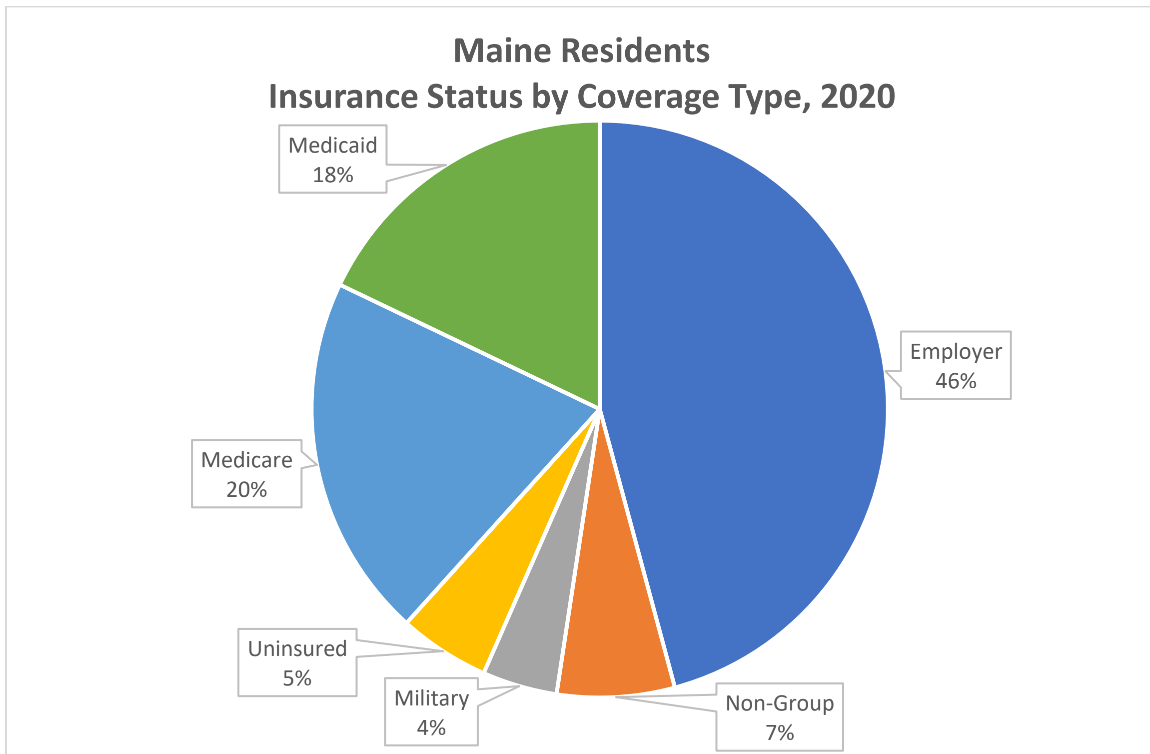

Figure 1: Maine Residents Insurance Status by Coverage Type

Maine and the Affordable Care Act

Over the past few years, Maine has taken a number of proactive steps designed to expand access to comprehensive health coverage to more residents, with a particular emphasis on expanding access to health care for underserved and vulnerable lower-income Mainers. In November 2017, Maine voters approved a referendum to expand Medicaid – known in the state as MaineCare. The eligibility expansion extended coverage to adult residents with incomes up to 138% of the Federal Policy Level (FPL). Enrollment started on a rolling basis in early 2019 and was largely completed during the

[19] Kaiser Family Foundation, State Health Facts, 2020.

individual market open enrollment period for plan year 2020. As of October 2021, approximately 84,900 residents were covered through the MaineCare eligibility expansion, and a total of 366,695 Maine residents were receiving health coverage through the MaineCare program.[20]

Prior to the plan year 2022 open enrollment, Maine used the federal health insurance exchange, Healthcare.gov, to enable residents to determine if they are eligible for advanced premium tax credits (APTC) and to enroll in a qualified health plan (QHP). The state had adopted the federal marketplace plan management model, which allowed Maine officials to certify and oversee the QHPs that are sold on the exchange.

Legislation enacted during the 129th Legislative Session[21] the "Made for Maine Health Coverage Act," made a number of substantive changes to Maine's approach to ACA implementation, including establishment of the Maine Health Insurance Marketplace. The Marketplace's purpose is to allow Maine to operate a state-based exchange to benefit the state's insurance market and persons enrolling in health plans, facilitate the purchase of QHPs, reduce the number of uninsured, improve transparency, and conduct consumer education and outreach. In addition, Maine is transitioning the individual market reinsurance program to a claims-based retrospective reinsurance model effective January 1, 2022.

The state spent the past 18+ months developing the administrative apparatus and technical infrastructure to operate a state-based exchange. Effective for the plan year 2022 open enrollment, Maine transitioned from the federal health insurance marketplace and now operates its own state-based marketplace.

The law also authorizes the state to enter into state-federal health coverage partnerships that support the availability of affordable health coverage. In this case, a partnership "means a program established or authorized under federal law that provides or reallocates federal funding or that provides for the waiver or modification of otherwise applicable provisions of federal laws governing health insurance."[22] This includes, but is not limited to, a section 1332 waiver.

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[20]MaineCare, like all Medicaid programs, is subject to continuity of coverage and maintenance of effort rules tied to the increased Federal Medical Assistance Percentages (FMAP) provided to states during the current public health emergency. These rules have likely increased the number of residents covered by state Medicaid programs.
[21]PL 2020, c. 653, "An Act To Enact the Made for Maine Health Coverage Act and Improve Health Choices in Maine," signed by the Governor on March 18, 2020.
[22] 24-A Maine Revised Statutes Annotated (MRSA) chapter 34-A, "State-Federal Health Coverage Partnerships."

Individual Market

As of March 2021, approximately 63,000 residents obtained health insurance through Maine's individual market, a decrease of 20,000 or 24% from March 2017. With the expansion of MaineCare eligibility to adults with income up to 138% of the FPL in 2019, a number of adults that had previously obtained coverage in the individual market shifted to the MaineCare program. As noted in the chart below, the number of residents purchasing insurance in the individual market has declined each of the past four years, although enrollment has been more stable over the past two years.

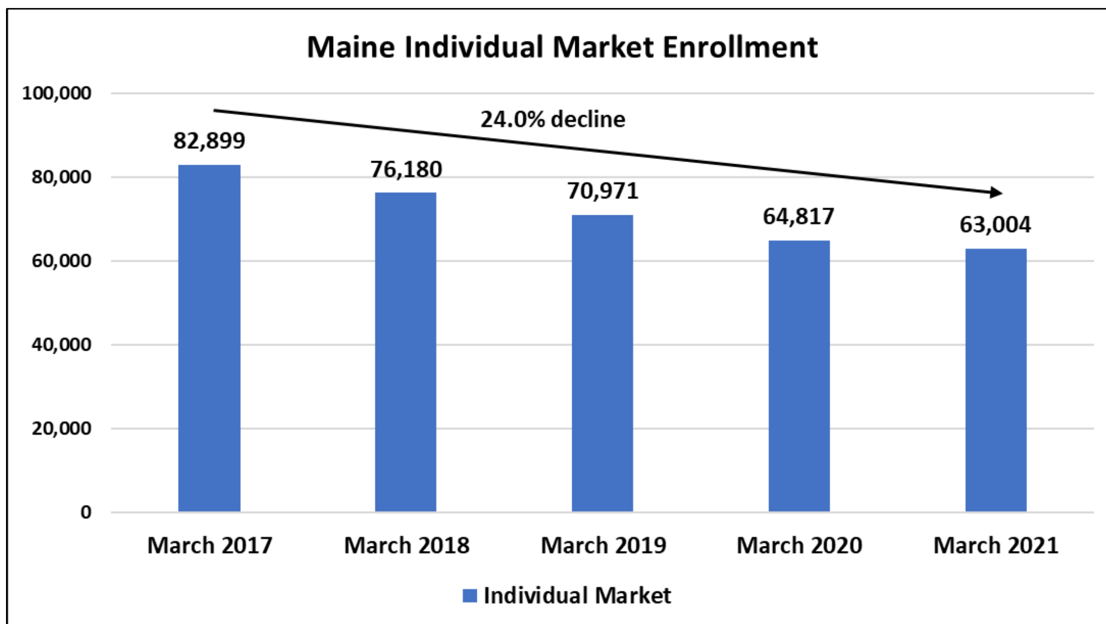

Figure 2: Maine Individual Market Enrollment Snapshot[23]

More recently, the individual market has been helped by the MGARA reinsurance program, which was reactivated in 2019. From 2019 through 2021, this program used a hybrid-model reinsurance program with components of both a traditional attachment-point reinsurance program and a conditions-based reinsurance program. High-risk enrollees with one of eight conditions are automatically ceded to the program, and insurers are permitted to voluntarily cede other high-risk enrollees to the program.

In 2021, the program covers 90% of ceded members' claims costs from $65,000 to $95,000; and 100% of claims costs beyond that point up to $1 million. For claims costs that exceed $1 million, MGARA covers the net amount of claims not otherwise covered by the federal high-cost risk pool program within the risk adjustment program.

[23] Membership snapshot as of March of each year. These figures differ from the member months information displayed in Table 4.

Starting in 2022, the MGARA reinsurance program will transition to a claims-based retrospective reinsurance model and will cover 100% of claims between $76,000 and $250,000. There is no reinsurance for claims that exceed $250,000.

The MGARA program is funded in two ways: (1) a $4.00 PMPM assessment that applies across Maine's fully insured and self-insured commercial health insurance markets; and (2) federal pass-through funds obtained through a section 1332 waiver.

The MGARA reinsurance program and the expansion of MaineCare appear to have mitigated the need for rate increases and helped stabilize the individual market. Overall average rates declined (-12.5%) in 2021 and (-2.4%) in 2022, based on insurers' rate filings, which follows modest changes in rates in 2019 (1.1%) and 2020 (-0.5%).[24] The rate reduction in 2021 is primarily due to insurers more accurately accounting for the impact of the MGARA program, as well as improved morbidity and lower claims trend in the individual market. The improved morbidity and lower claims trend are likely due in part to higher-cost members shifting out of the individual market and into the MaineCare program.

Three insurers participate in the individual market – Anthem, Community Health Options, and Harvard Pilgrim Health Care.[25] The tables below show annual membership for CY 2017 through CY 2020 and average annual rate changes for 2019 through 2022.

[24] For 2019 through 2021, this estimate is based on a weighted average of renewing plan rate changes weighted by experience period or current enrollment from Worksheet 2 of the URRTs and includes both on and off exchange plans. For 2022, the estimate is based on average rate changes by insurer reported by the Maine BOI weighted by March 2021 enrollment.

[25] Aetna Health, Inc.(AHI) offered non-exchange coverage in the Maine individual market in 2017 but exited in 2018. AHI had 11,170 member months (or approximately 930 members) in 2017 which are not shown in the table.

Individual Market Average Members by Year and Insurer				
	CY 2017	CY 2018	CY 2019	CY 2020
Anthem				
Exchange	21,024	0	20,346	23,087
Non Exchange	4,568	3,056	2,976	3,123
Total	25,592	3,056	23,322	26,210
CHO				
Exchange	28,038	38,774	25,501	14,429
Non Exchange	3,054	3,467	2,863	2,148
Total	31,092	42,242	28,364	16,576
Harvard Pilgrim				
Exchange	17,243	25,480	13,395	17,552
Non Exchange	2,153	1,294	1,165	1,391
Total	19,396	26,774	14,560	18,943
Total All Insurers				
Exchange	66,305	64,255	59,243	55,068
Non Exchange	9,775	7,817	7,003	6,662
Total	76,080	72,071	66,246	61,729

Table 4: Individual Market Average Members by Year and Insurer[26]

Individual Market Average Rate Changes				
	2019	2020	2021	2022
Anthem	-4.9%	-1.5%	-11.9%	-2.9%
CHO	2.2%	3.9%	-12.9%	-5.4%
Harvard Pilgrim	1.9%	-6.9%	-13.0%	1.1%
Total All Insurers	1.1%	-0.5%	-12.5%	-2.4%

Table 5: Individual Market Average Rate Changes by Year and Insurer[27]

[26] Average members is equal to annual member months divided by 12. These figures differ from membership shapshot noted in Figure 2.

[27] For 2019 through 2021, this estimate is based on a weighted average of renewing plan rate changes weighted by experience period or current enrollment from Worksheet 2 of the URRTs and includes both on and off exchange plans. For 2022, the estimate is based on average rate changes by insurer reported by the Maine BOI weighted by March 2021 enrollment.

Small Group Market

The small group market in Maine has also experienced significant reductions in membership over the past four years, which is due in part to high medical cost trends and the associated premium increases. Enrollment fell from 61,200 in March 2017 to 48,300 in March 2021, a 21% decline.

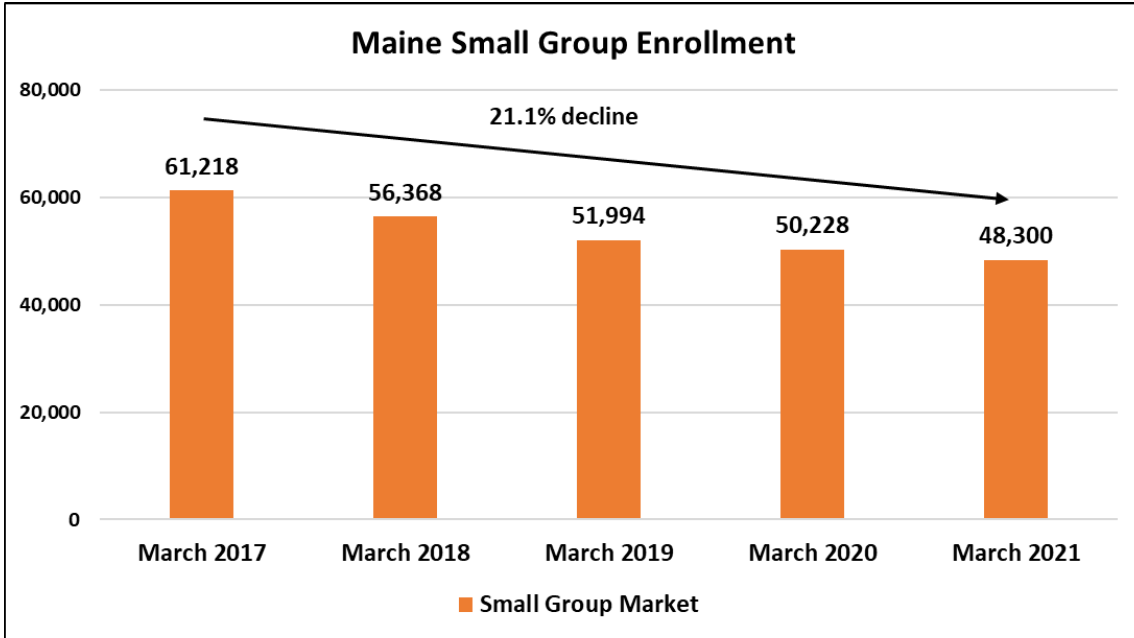

Figure 3: Maine Small Group Market Enrollment Snapshot[28]

Five insurers participate in the small group market – Aetna[29], Anthem, Community Health Options, Harvard Pilgrim Health Care[30], and United Healthcare. The tables below show annual membership for CY 2017 through CY 2020 and average rate changes for 2019 through 2022.

[28] Membership snapshot as of March of each year. These figures differ from the member months information displayed in Table 6.

[29] There are two Aetna companies operating in the Maine small group market, Aetna Life Insurance Company and Aetna Health, Inc. For purposes of this analysis, the information provided for Aetna is combined across both companies.

[30] There are two Harvard Pilgrim companies operating in the Maine small group market, Harvard Pilgrim Health Care, Inc. and HPHC Insurance Company, Inc. For purposes of this analysis, the information provided is combined across both companies.

Small Group Market Average Membership by Year and Insurer				
	CY 2017	CY 2018	CY 2019	CY 2020
Aetna	13,028	4,773	968	484
Anthem	13,481	11,636	12,056	11,610
CHO	8,128	8,676	8,698	9,098
Harvard Pilgrim	18,364	26,500	27,054	25,537
United	129	617	2,656	2,759
Total All Insurers	53,129	52,202	51,432	49,487

Table 6: Small Group Market Historical Membership by Insurer[31]

The average annual rate increase in the small group market was 11.0% in 2019, 8.8% in 2020, 5.5% in 2021, and 3.2% in 2022, representing a cumulative increase of 31%.

Small Group Market Average Rate Changes				
	2019	2020	2021	2022
Aetna	8.4%	19.9%	7.6%	-10.1%
Anthem	10.9%	8.1%	4.9%	2.4%
CHO	7.2%	9.7%	3.6%	2.1%
Harvard Pilgrim	14.7%	8.2%	7.2%	2.8%
United	3.6%	12.1%	-4.7%	11.3%
Total All Insurers	11.0%	8.8%	5.5%	3.2%

Table 7: Small Group Market Average Rate Changes by Year and Insurer[32]

On its current trajectory, the small group market may experience a continued loss of members. Insurers have also expressed concern that small groups with relatively healthier members are choosing to self-insure and purchase low threshold stop-loss policies to lower their health care premiums and avoid some of the requirements of the ACA. As this market segment contracts, there is growing concern that the risk profile of the small group market will deteriorate, causing a further escalation in premiums and a reduction in membership.

[31] Average members is equal to annual member months divided by 12. These figures differ from membership shapshot noted in Figure 3.

[32] For 2019 through 2021, this estimate is based on a weighted average of renewing plan rate changes weighted by experience period or current enrollment from Worksheet 2 of the URRTs and includes both on and off exchange plans. For 2022, the estimate is based on average rate changes by insurer reported by the Maine BOI weighted by March 2021 enrollment. Aetna's average rate change in 2022 is a blend of the rate changes for Aetna Health Inc. and Aetna Life Insurance Company.

In general, as market membership declines, enrollees that remain in the market are typically less healthy and use more health care resources, which further drives up premiums.[33] In addition, the smaller the size of the risk pool the less predictable and less stable premiums will be for that pool.[34, 35] It is this dynamic that is of increasing concern to Maine policymakers and is a key factor driving this 1332 waiver application.

Looking Ahead

Maine's current section 1332 waiver has been effective in lowering premiums in the individual market and appears to have stabilized this market segment. However, the small group market continues to experience a loss of membership and increasing premiums.

A more holistic view of the challenges facing Maine's ACA marketplace – particularly for small employers – has led Maine to propose changes to the ACA marketplace structure which it believes can benefit a broader group of Maine residents, providing market stability for both individual purchasers and small employers.

3. Maine's 1332 Waiver

Pooling the Markets and Applying a Reinsurance Program

Maine proposes to combine the individual and small group markets into a single risk pool for rate setting, risk adjustment, and medical loss ratio (MLR) purposes, and to overlay a retrospective reinsurance program across the newly pooled market. In combination, these changes will lower premiums for both market segments and generate savings to the federal government, which Maine proposes to leverage to benefit the broader ACA marketplace.

Pooling the markets would reduce rates in the individual market but increase rates in the small group market compared to the baseline.[36] The reduction in individual market rates would lower federal spending for PTCs, which generally represents the difference

[33] "Anatomy of a Slow-Motion Health Insurance Death Spiral," H.E. French III and Michael P. Smith, North American Actuarial Journal, 2015.
[34] "Risk Pooling: How Health Insurance in the Individual Market Works," American Academy of Actuaries https://www.actuary.org/content/risk-pooling-how-health-insurance-individual-market-works-0, accessed on December 7, 2020.
[35] "Health Insurance Markets 101," The Sycamore Institute, https://www.sycamoreinstitutetn.org/about-us/, accessed on December 7, 2020.
[36] For the purpose of this actuarial analysis, the baseline estimate excludes the premium reductions associated with Maine's current Section 1332 waiver and assumes there is no reinsurance program in the individual market.

between the second lowest cost silver plan (SLCSP) premium and the maximum amount an individual or family is expected to pay based on their family income and size. As Silver plan premiums decline, PTCs fall, which lowers federal spending.

The second component of the waiver is the establishment of a retrospective reinsurance program that would reduce premiums across the newly-pooled individual and small group market. As premiums in the individual market are further reduced, there is a reduction in premium subsidies provided by the federal government in the form of PTCs.

In combination, pooling the markets and applying a retrospective reinsurance program is expected to lower the average individual market premium by 8.0% compared to the baseline in 2023. In the small group market, the average premium in 2023 is projected to decrease 6.0% compared to the baseline. In 2024, the average individual market premium is expected to be 6.1% lower than baseline and the average small group market premium is expected to be 3.9% lower than baseline.

Membership is projected to be higher in each year under the “with wavier” scenario compared to the “no waiver” scenario. In 2023, the individual market membership will be higher by 1,600 members or 2.7% and the small group market membership will be higher by 2,482 members or 5.3% under the “with wavier” scenario compared to the “no waiver” scenario. In 2024, the individual market membership will be higher by 1,146 members or 2.0% and the small group market membership will be higher by 1,610 members or 3.5%.

The net reduction in federal spending from lower PTCs will be used to fund a portion of the retrospective reinsurance program for the pooled market. In addition to the use of federal pass-through funds, Maine proposes to use the $4.00 PMPM assessment that is currently used for the MGARA reinsurance program for the individual market to support the reinsurance program for the pooled market. If Maine's proposed 1332 waiver application is approved, the current MGARA reinsurance program would be replaced by a reinsurance program that would apply to the newly-pooled market. Pending CMS approval of this section 1332 waiver, Maine will continue to operate the individual market reinsurance program pursuant to the terms and conditions of its existing 1332 waiver.

Based on estimates provided by MGARA, the $4.00 PMPM assessment is expected to generate $27.0 million in revenue in the first year of the waiver (CY 2023).[37] A portion of the funds – estimated to be $300,000 annually – will be used to administer the

[37] Based on Milliman’s Report to the MGARA Board October 18, 2021.

reinsurance program. An additional $8.6 million[38] in reinsurance program funding received by Maine in 2021 from the enhanced premium subsidies under ARPA would also be used to support the 2023 reinsurance program. Premiums in the individual market are estimated to decline 8.0% compared to the baseline in 2023, which would generate $22.8 million in net federal savings. These savings would be combined with the state assessment and the ARPA funds to fund the reinsurance program in 2023.

In subsequent years, the reinsurance funding will be supported by the $4.00 PMPM assessment and federal pass-through funding from the reduction in PTCs. Based on current federal law, we are assuming the ACA's premium subsidy schedule is in effect for the duration of the waiver period (i.e., CY 2023 through CY 2032) and enhanced subsidies provided for under ARPA are not extended beyond CY 2022.

In 2023, a total of $58.0 million would be available to fund the reinsurance program. Based on current projections, the retrospective reinsurance program was initially structured to reimburse insurers 55% of claims costs between $90,000 and $275,000, with the portion of claims exceeding $275,000 the full responsibility of the health insurer. In 2024, a total of $44.7 million would be available to fund the reinsurance program. For 2024, the retrospective reinsurance program was initially structured to reimburse insurers 45% of claims costs between $90,000 and $240,000, with the portion of claims exceeding $240,000 the full responsibility of the health insurers. Based on actual revenues received from the assessment and federal pass-through funds from lower PTCs, these parameters may be adjusted to ensure reinsurance reimbursements to insurers do not exceed available funding. On an annual basis, the Maine Guaranteed Access Reinsurance Association (MGARA), in consultation with the Maine BOI, will set the reinsurance program's parameters to reflect funding available in order to maintain the financial solvency of the program.

The reinsurance mechanism would be what has been referred to as "invisible" reinsurance. "Invisible" reinsurance allows enrollees to remain in the individual market with their current plan and insurer, but a portion of their claims may be reimbursed to the insurer by the reinsurance program. The enrollee is not aware that their claims are being paid via the reinsurance pool; meaning there is no effect on the enrollee as the task of submitting claims for reimbursement to the reinsurance pool is completed on the back end of the process and is without consequence to the enrollee.

Pooling the markets and overlaying a reinsurance program is designed to stabilize both the individual and small group markets, which will benefit a larger number of Maine

[38] CMS Website: https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section_1332_State_Innovation_Waivers-#Section_1332_State_Application_Waiver_Applications

residents. Larger insurance pools have less premium volatility from one year to the next, in part because large "shock" claims can be spread over a greater number of members, which provides for greater market stability. Maine's individual and small group markets are both relatively small, with a combined membership of approximately 111,300 as of March 2021. Combining the risk pools and overlaying a reinsurance program will reduce premiums for both the individual and small group markets compared to baseline, helping to stabilize both market segments. The result should mean more individuals and small group members remain covered through the ACA marketplace.

4. Actuarial Analysis Process and Assumptions

Methodology

To model this policy, data were collected directly from the insurers, insurance carrier actuaries were interviewed, Maine's individual and small group market rate filings were analyzed, and publicly available reports from CMS and the Maine Bureau of Insurance were evaluated. The goal of the modeling exercise was to: (1) analyze the impact of pooling the individual and small group markets; (2) quantify the effect on premiums from the introduction of a retrospective reinsurance program to the newly pooled market; and (3) project the impact on membership in the (pooled) individual and small group market resulting from a reduction in premiums

The modeling approach is summarized in the following steps:

I. Develop a model that estimates the 2020 Advance Premium Tax Credits (APTC) funded by the federal government. The model projects 2020 APTC by insurer, income category, metal level, age category, and rating area. The results were then compared to reported 2020 APTC from the 2020 CMS open enrollment period public use files to measure alignment between the model and the actual results.[39]

II. Project 2023 APTC assuming no MGARA reinsurance program in place for the individual market. This scenario is referred to as the "baseline." In order to establish a baseline premium under a "no waiver" scenario, individual market rates are adjusted to account for the current reinsurance program. Using data provided by the insurers as part of the annual rate filing, individual market premiums were increased by removing the premium reduction that the insurers attributed to the existing reinsurance program. 2023 premium rates were projected by utilizing 2022 rates and rate filing assumptions.

[39] https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/2020-Marketplace-Open-Enrollment-Period-Public-Use-Files.

III. Using the adjusted individual market rates and the actual small group market rates, we then develop an estimate of the impact on rates from pooling the individual and small group markets in 2023 for each insurer. In light of COVID-19s impact on medical claims in CY 2020, claims data for CY 2019 were used as a starting point with adjustments made to the individual market for morbidity changes resulting from the MaineCare expansion, which took effect in 2019 and resulted in thousands of individual market enrollees shifting to MaineCare. Individual and small group market claims data were combined for each insurer and normalized for rating factors. This established the starting point or "base claims" for premium rate development in a pooled market. These results were then compared to the normalized base claims for each market separately to estimate the premium impact of pooling the markets. These premium impacts were further adjusted for projected changes in risk adjustment. Assumptions were made regarding the impact of changing enrollment resulting from the waiver on morbidity for both the individual and small group markets and sensitivity analysis was performed on these assumptions.

IV. Project 2023 APTC assuming markets are pooled and a new retrospective reinsurance program is implemented, which reduces the pooled market premiums. The model accounted for changes in the second lowest cost Silver level plan by rating region as a result of the pooled market. Several iterations were performed to ensure that funding from the assessment and the section 1332 waiver would support the premium rate reductions stemming from the reinsurance program.

V. Calculate APTC savings by comparing the final 2023 APTC in the previous step to baseline results for 2023.

VI. Adjust the APTC savings to account for actual PTC. Using data provided by CMS, PTC is projected to be 96.46% of APTC.[40]

VII. Include the $4.00 PMPM assessment in both the baseline premium rates and the rates with the program when determining APTC savings.[41]

[40] https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/1332-Key-Components-Pass-through-Estimate-Feb-2021.xlsx

[41] PL 653 (LD 2007) changed the $4.00 PMPM assessment so that it is no longer contingent on the Section 1332 Innovation Waiver.

Enrollment Projections and Assumptions - Individual Market

Table 8 breaks out the March 2021 enrollment for the individual market. Data were provided by insurer, income category, age category, metal level and region. In addition, information from CMS open enrollment reports on federal poverty levels (FPL) was incorporated. Table 9 shows March 2021 APTC enrollment by FPL level. Modeling of APTC for the baseline scenario and the waiver scenario was performed at the insurer, income category, age category, metal level, and region level.

Individual Market Enrollment		
		March 2021
On Exchange		
	Members w/APTC	44,160
	Members w/out APTC	11,262
	Total On Exchange	55,422
Off Exchange	Total Off Exchange	7,593
Total On & Off Exchange		63,015

Table 8: Maine Individual Market Enrollment, March 2021

Individual Market Enrollment	
	March 2021
On Exchange- Members with APTC	
138% FPL to 150% FPL	6,309
>150% to ≤200% of FPL	14,343
>200% to ≤250% of FPL	10,720
>250% to ≤300% of FPL	6,027
>300%- ≤400% of FPL	6,762
Total	44,160

Table 9: Maine APTC Individual Market Enrollment by FPL, March 2021[42]

[42] Based on the 2021 Marketplace Open Enrollment Period Public Use Files. https://www.cms.gov/research-statistics-data-systems/marketplace-products/2021-marketplace-open-enrollment-period-public-use-files. Accessed November 16, 2021.

Membership projections for the individual market are affected by a number of key factors, including: (1) whether the individual is eligible for APTCs; (2) the availability of other health coverage programs; (3) the change in individual market premiums; and (4) the offer of affordable coverage by employers. Each factor is discussed briefly below.

Individuals that obtain coverage through the ACA marketplace and receive premium subsidies are largely shielded from rate changes – either positive or negative – due to the structure of APTCs. The share of the premium paid by individuals eligible for APTCs is based on their income and family size, irrespective of the underlying health plan premium (assuming the individual selects the second lowest cost Silver level plan or a less expensive plan). As a result, subsidy-eligible individuals are likely to retain coverage regardless of changes in premiums.

MaineCare expansion took effect in early 2019 and shifted some lower-income adult residents from the individual market to the state's Medicaid program. During the 2020 individual market open enrollment period (November – December 2019), a majority of MaineCare expansion-eligible enrollees had already shifted to that program, therefore the modeling does not anticipate any further material impacts to membership in the individual market stemming from the MaineCare eligibility expansion.

It is worth noting that MaineCare enrollment has increased by 61,000 members (+20%) over the past 18 months. In addition, the individual market continued to experience a small decline in APTC membership in 2021. This is most likely due in part to restrictions on eligibility redeterminations tied to the declaration of a public health emergency for COVID-19.

For individuals that do not have access to premium subsidies, the model projects a slight reduction in membership under the “no waiver” scenario. We have also assumed that a reduction in premiums resulting from the 1332 waiver will incent some people to enter the market. Under both the “with waiver” and “no waiver” scenarios, the model assumes membership reductions over time based on historical patterns and annual premium rate increases.

In addition, as noted above, Maine's population increased only modestly over the past decade (+2.6% or 34,000 residents from 2010 to 2020) and is not projected to significantly increase over the next ten years.[43] Accordingly, the model does not anticipate an increase in individual market membership resulting from population growth.

[43] Maine’s State Economist projects 2.1% growth from 2018 – 2028 and 2.3% growth from 2018 – 2038.- https://www.maine.gov/dafs/economist/demographic-projections

Finally, stabilizing the small group market by pooling the markets and applying a reinsurance program should reduce the number of individuals who otherwise may have migrated from the small group market due to their employer no longer offering health insurance. In addition, almost all large employers offer employer-sponsored insurance and are expected to continue to do so for the foreseeable future.[44]

Individual Market Membership and Premium Projections – No Waiver

With a section 1332 waiver currently in place, and a reinsurance program in effect since 2019, it is necessary to develop membership projections under a "no waiver" scenario. The baseline "no waiver" membership projections need to reflect what the membership would have been in the absence of the current MGARA reinsurance program.

The table below shows the CY 2020 average premiums PMPM for the individual market, which is used as the starting point for the overall individual market membership projections.

Individual Market Average Premium PMPM			
			CY 2020
On Exchange			
	Members w/APTC		
		Member Share of Premium	$111.80
		APTC Share of Premium	$544.44
		Gross Premiums	$656.23
	Members w/out APTC		$514.00
	Total On Exchange		$636.59
Off Exchange	Total Off Exchange		$606.43
Total On & Off Exchange			$633.34

Table 10: Maine Individual Market Average Premium PMPM CY 2020

[44] Kaiser Family Foundation's 2020 Health Benefits Survey reports that 99% of firms with 200 or more employees offered health insurance to their employees, a percentage that has remain largely unchanged for the past 20 years.

2023 individual market premiums are developed by starting with 2020 actual reported premiums by insurer. Using data submitted by each insurer as part of the annual rate filing for plan years 2019 through 2022, the model adjusted premiums in the individual market for 2019 through 2022 to account for the impact of the reinsurance program. The table below summarizes the reinsurance program impact and shows the estimated average rate change excluding the impact of the current MGARA reinsurance program.[45]

Individual Market Rate Change Adjustments					
	2018	2019	2020	2021	2022
Average Rate Change including impact of Current MGARA Program	16.8%	1.2%	-0.5%	-12.5%	-2.4%
MGARA Reinsurance Impact	n/a	-5.7%	-6.0%	-9.6%	-13.8%
Average Rate Change excluding impact of Current MGARA Program	16.8%	7.3%	-0.1%	-9.0%	2.4%

Table 11: Individual Market Rate Changes Including and Excluding Current MGARA Program

Premiums are then trended forward from 2020 to 2022 using average rate changes from the 2021 and 2022 rate filings, adjusted for any change in the current MGARA reinsurance program impact assumptions. For the period from 2023 through 2032, based on guidance provided in the preamble to federal regulations pertaining to section 1332 waivers (finalized in September 2021), the model uses trend projections from the most recent National Health Expenditures (NHE)[46] report as the basis for projecting premium trends. The model uses the average of the NHE's projected spending per enrollee trends for direct purchase and employer-sponsored insurance for years 2023 to 2028. For years beyond 2028 – the last year for which NHE projections are available – the model uses the projected increase from 2028. The table below shows the premium trends used in the modeling.

[45] MGARA was reestablished in 2019. After reviewing 2019 individual market rate filings, we estimate the impact of the reinsurance program in the individual market to be a 5.7% reduction in premiums. Since 2020 was the second year of MGARA, the incremental impact of the reinsurance program is equal to the change in the reinsurance assumption from 2019 to 2020 (i.e., 5.7% to 6.0%) or approximately 0.3% further reduction to premium due to MGARA. Therefore, the impact to the rate change from MGARA in 2020 is equivalent to the year-over-year change in the MGARA assumption, or -0.3%. The -0.3% is applied to the 2020 average rate change including MGARA to calculate the average rate change excluding MGARA. This calculation is repeated in subsequent years.

[46] Center for Medicare and Medicaid Services, National Health Expenditures, Projected 2019 – 2028: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet

Calendar Year	National Health Expenditure Trends
2023	5.3%
2024	5.2%
2025	4.5%
2026	4.6%
2027	4.6%
2028+	4.5%

Table 12: National Health Expenditure Trends Used in Modeling

The adjusted rate changes shown in Table 11 were then used as the starting point to project baseline membership in the individual market under a "no waiver" scenario. As noted above, because members that receive APTC are largely shielded from the underlying change in premiums, the membership affected by a rise in premiums are the unsubsidized individuals. Approximately 30% of the individual market (18,900 individuals as of March 2021) purchased insurance without receiving APTC subsidies.

Using the adjusted rate changes from Table 11 and NHE trends from Table 12, unsubsidized membership in the individual market was projected using three methodologies:

- A regression model using Maine's individual market data based on actual membership and average rate changes for the period from 2017 – 2021.
- An elasticity by metal level function presented at a Society of Actuaries meeting in June 2017 that modeled membership changes based on premium changes using CMS open enrollment public use files from 2017.[47]
- An elasticity model used by the Council of Economic Advisors in a January 2017 Issue Brief on enrollment changes in the individual market that showed that the average elasticity of individual market enrollment with respect to premiums is -0.4 which means that a 1% increase in premiums reduces enrollment by 0.4%.[48]

For each of these membership projection methodologies, two starting points were used: March 2018, which was prior to implementation of the current individual market reinsurance program and Maine's Medicaid eligibility expansion; and March 2021, which is the most recent enrollment data available and reflects the impact of the MaineCare expansion and COVID-19.

[47] Murawski, Engel, Liner. Session 76 L, "Understanding Stakeholder Behavior: Hidden Forces in the U.S. Healthcare System," June 12-14, 2017.
[48] Council of Economic Advisors Issue Brief, "Understanding Recent Developments in the Individual Health Insurance Market," January 2017. https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf. Accessed November 16, 2021.

Six sets of membership projections were generated, with all of the results within +/-9% of the average. To establish a single membership projection, the average of the six results was used. The projections focused on the unsubsidized population. As noted above, members receiving APTC are largely unaffected by premium increases.

A final adjustment was made to individual market membership projections. Based on recent experience, members attrit over the course of a plan year. Since the starting point for the projections utilizes March (either 2018 or 2021) membership, a 5% reduction was applied to project membership for the full calendar year. [49] The table below shows membership projections under a "no waiver" scenario for 2023 – 2032.

Individual Market Membership Projections- Baseline (No Waiver)							
			2023	**2024**	**2025**	**2026**	**2027**
Average Annual Enrollment							
	On Exchange						
		Members w/APTC	41,952	41,952	41,952	41,952	41,952
		Members w/out APTC	9,319	8,978	8,738	8,507	8,287
		Total On Exchange	51,271	50,930	50,690	50,459	50,239
	Off Exchange	Total Off Exchange	7,490	7,216	7,011	6,812	6,622
	Total On & Off Exchange		58,761	58,146	57,701	57,271	56,861
			2028	**2029**	**2030**	**2031**	**2032**
Average Annual Enrollment							
	On Exchange						
		Members w/APTC	41,952	41,952	41,952	41,952	41,952
		Members w/out APTC	8,081	7,886	7,699	7,522	7,352
		Total On Exchange	50,033	49,838	49,651	49,474	49,304
	Off Exchange	Total Off Exchange	6,445	6,275	6,113	5,959	5,811
	Total On & Off Exchange		56,478	56,113	55,765	55,432	55,115

Table 13: Individual Market Membership Projections- Baseline (No Waiver)

The model also assumes that the morbidity of the risk pool worsens over time and assumes the average claims costs for enrollees leaving the market was 73% of the average claims costs for those staying in the market.[50] This resulted in an increase of 0.3% in morbidity in 2023 and an increase of 0.5% in morbidity in 2024.[51]

[49] This is based on reviewing historical enrollment patterns for March 2019 and November 2019.
[50] Council of Economic Advisors Issue Brief, "Understanding Recent Developments in the Individual Health Insurance Market," January 2017.
https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf. Accessed November 16, 2021.
[51] It was assumed that there would be no additional morbidity changes beyond 2024 and that any morbidity changes in the years after 2024 were negligible to the overall modeling.

Individual Market Membership and Premium Projections – With Waiver

Using the "no waiver" membership as the starting point, the model first adjusts the individual market premiums to reflect pooling the individual market risk pool with the small group market risk pool. A reinsurance program is then layered on top of the pooled market, which results in a net premium reduction of 8.0% in 2023 and a net premium reduction of 6.1% in 2024 compared to the "no waiver" scenario.

For the period from 2025 through 2032, the model uses the NHE trend projections noted above. Pooling the markets and instituting a reinsurance program lowers the baseline or starting point. It does not, however, impact medical trend over time, which is why the NHE trend is appropriately used in each scenario.

Individual Market			
CY	Baseline- No Waiver Premuim PMPM	After Waiver with Pooled Market and Reinsurance Premium PMPM	Percentage Difference between No Waiver and After Waiver
2023	$636.41	$585.55	-8.0%
2024	$670.15	$629.13	-6.1%
2025	$700.79	$657.94	-6.1%
2026	$733.17	$688.40	-6.1%
2027	$767.03	$720.24	-6.1%
2028	$802.04	$753.17	-6.1%
2029	$838.63	$787.59	-6.1%
2030	$876.88	$823.55	-6.1%
2031	$916.84	$861.15	-6.1%
2032	$958.61	$900.43	-6.1%

Table 14: Individual Market Premium PMPMs and Percentage Impact from Waiver Reinsurance Program 2023-2032[52]

[52] It was assumed that the premium PMPM reductions in 2025 and beyond would be consistent with 2024. The state assessment of $4.00 PMPM is a fixed amount. The value of the state assessment may diminish over time as premiums continue to rise due to health care trend, but it was assumed that the impact to the overall modeling was negligible.

Using the three models described previously and the rate changes resulting from the waiver, membership projections were developed using two starting points: March 2018, which was prior to implementation of the current individual market reinsurance program and the Medicaid eligibility expansion; and March 2021, which is the most recent enrollment data available and reflects the impact of the MaineCare expansion and COVID-19.

Six sets of membership projections were generated, with all of the results within +/-10% of the average. To establish a single membership projection, the average of the six results was used. The projections focused on the unsubsidized population. The 2023 membership in the "with waiver" scenario is 2.8% higher than the membership in the "no waiver" scenario.

Individual Market Membership Projections- After Waiver with Pooled Market and Reinsurance							
			2023	**2024**	**2025**	**2026**	**2027**
Average Annual Enrollment							
	On Exchange						
		Members w/APTC	41,952	41,952	41,952	41,952	41,952
		Members w/out APTC	10,205	9,612	9,353	9,104	8,866
		Total On Exchange	52,157	51,564	51,305	51,056	50,818
	Off Exchange	Total Off Exchange	8,203	7,727	7,505	7,290	7,085
	Total On & Off Exchange		60,361	59,292	58,811	58,346	57,903
			2028	**2029**	**2030**	**2031**	**2032**
Average Annual Enrollment							
	On Exchange						
		Members w/APTC	41,952	41,952	41,952	41,952	41,952
		Members w/out APTC	8,644	8,433	8,232	8,041	7,859
		Total On Exchange	50,596	50,385	50,184	49,993	49,811
	Off Exchange	Total Off Exchange	6,893	6,711	6,536	6,369	6,210
	Total On & Off Exchange		57,490	57,096	56,720	56,362	56,020

Table 15: Individual Market Membership Projections- After Waiver

It was assumed that the morbidity of the enrollees entering the insurance market in 2023 as a result of the waiver would be healthier than the morbidity of the enrollees currently enrolled. Using the same relationship described above[53], the membership

[53] Council of Economic Advisors Issue Brief, "Understanding Recent Developments in the Individual Health Insurance Market," January 2017. https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf. Accessed November 16, 2021.

increases as a result of the waiver improved the morbidity by 0.3% in 2023. The subsequent membership decrease in 2024 will increase morbidity by 0.1% in 2024.[54, 55]

Enrollment Projections and Assumptions – Small Group Market

Table 16 shows the March 2021 enrollment for the small group market. While data on individual market enrollment by family income level is available through the Marketplace (see Table 9 above), a comparable dataset is not available for the small group market.

However, according to the 2019 American Community Survey results for Maine,[56] roughly 73% of Maine residents (or approximately 950,000 individuals) have annual income below 500% FPL. Of this number, approximately 360,000 have income between 300% - 500% FPL. It is reasonable to assume the family income levels of members of the small group market reflect the broader Maine economy.

Small Group Market	
	March 2021
Total Enrollment	48,300

Table 16: Maine Small Group Market Enrollment March 2021[57]

Membership in the small group market is driven primarily by three market forces: (1) the cost of coverage; (2) the labor market and the ability of employers to attract and retain workers; and (3) the availability of alternative health coverage arrangements. Each is discussed below.

As premiums increase, employers find it difficult to continue to offer employees affordable health benefits. Over the past several years, as noted previously, premiums in Maine's small group market have increased and the number of employees and dependents covered has declined. This is largely due to a decrease in the number of employers offering health coverage in the fully insured (ACA) market but may also be

[54] The lower morbidity improvement in 2024 is a result of the smaller premium reductions in 2024 since the 2021 ARPA funds are used for 2023 and not for subsequent years.
[55] It was assumed that there would be no additional morbidity changes beyond 2024 and that any morbidity changes in the years after 2024 were negligible to the overall modeling.
[56] U.S. Census Bureau, 2019 American Community Survey 1-Year Estimates.
[57] In March 2021, approximately 0.3% of the Maine small group enrollment was on exchange. The small group on exchange population was not analyzed separately and is included as part of the overall small group analysis throughout this report.

affected by a drop in the number of employees that choose to enroll when offered coverage (known as the "take up" rate).

The second key factor affecting membership in the small group market is the condition of the labor market and the ability of employers to attract and retain workers. As labor markets tighten – and employers struggle to fill open positions and/or retain workers – employer-sponsored health benefits become an important consideration for current and prospective workers. Conversely, as the number of unemployed workers increases, the offer of health benefits by employers may become less of a factor in attracting and retaining employees.

A final factor influencing small group market membership is the availability of alternative coverage arrangements. These can take the form of public programs – such as premium tax credits for lower income individuals purchasing qualified health plans through the exchange and the expansion of MaineCare eligibility – as well as employers opting to self-fund their health benefits and leave the fully insured (ACA) market.

In addition, changes to federal health reimbursement arrangement (HRA) rules that permit employees to use (pre-tax) HRA funds to pay premiums for individual market coverage may encourage some small employers to contribute to an Individual Coverage Health Reimbursement Arrangement (ICHRA) rather than purchase insurance on behalf of their employees. Employer contributions to ICHRAs can be combined with pre-tax contributions by employees, which can then be used to pay premiums, thereby lowering the net cost of coverage to the employee.

While each of these factors can influence membership in the small group market, the change in health insurance premiums is the largest driver. By establishing a reinsurance program that applies across the newly pooled individual and small group markets, and leveraging broad-based state funds and federal pass-through funds, the model projects a premium decrease of 6.0% below the baseline in 2023 for the small group market and a premium decrease of 3.9% below the baseline in 2024. As discussed below, this rate reduction will help stabilize the small group market, and the small group market membership could increase slightly as a result of the waiver.

<u>Small Group Market Membership and Premium Projections – No Waiver</u>

The small group market does not currently have a reinsurance program, so there is no need to make adjustments to the rates and the average rate changes from 2019 – 2022 as was described above for the individual market. In addition, there is no APTC available to small group market members. As a result, membership projections apply to the entire small group market.

The table below shows the CY 2020 average premiums PMPM for the small group market, which is used as the starting point for the overall small group market projections.

Small Group Market Average Premium PMPM	
	CY 2020
Total	$521.10

Table 17: Maine Small Group Market Average Premium PMPM CY 2020[58, 59]

2023 small group market premiums are developed by starting with 2020 actual reported premiums. Premiums are then trended forward from 2020 to 2022 using average rate changes from the 2021 and 2022 rate filings and adjusting for benefit buy down.[60]

Consistent with the individual market, the 2022 premiums are then trended forward at 5.3% to develop the 2023 baseline premiums. The 5.3% is the average of the NHE's projected spending per enrollee trends for employer-sponsor insurance and direct purchase. The remainder of the ten-year projection period (2024 through 2032) uses NHE trends as shown in Table 12.

Small group membership projections used the same three methodologies noted above, with the exception of using small group specific data for the Maine regression model. Because the small group market does not have a reinsurance program and has been less affected by the MaineCare expansion, there was no need to use two different starting points as was the case for the individual market. March 2021 actual enrollment served as the starting point for membership projections.

Membership projections from each of the three methodologies were within +/-5% of the average. The average of the three projections was used to establish a single membership projection. The table below displays membership projections for the period from 2023 – 2032 under a "no waiver" scenario.

[58] Note that the benchmark plan in the Small Group Market in 2022 is the Anthem Silver 3500/30%/8500 PPO plan (HIOS ID: 48396ME0780100) with a 2022 calibrated plan adjusted index rate of $410.94.
[59] CY 2020 premium is gross of premium credits provided in 2020 due to COVID. This only impacted the Small Group Market in Maine.
[60] Benefit buy down was estimated by comparing 2019 and 2020 average rate changes from the rate filings to actual 2019 and 2020 premium yield.

Small Group Market Membership Projections- Baseline (No Waiver)					
	2023	2024	2025	2026	2027
Average Annual Enrollment	46,824	45,741	44,946	44,148	43,365
	2028	2029	2030	2031	2032
Average Annual Enrollment	42,616	41,881	41,160	40,452	39,759

Table 18: Small Group Market Membership Projections- Baseline (No Waiver)

It was assumed that the morbidity of the enrollees leaving the small group market would be healthier than the morbidity of the enrollees staying in the small group market. In the small group market, the average claims costs for enrollees leaving the market were assumed to be 90% of the claims costs of those staying in the market.[61] This resulted in an increase in morbidity of 0.3% in 2023, and an increase in morbidity of 0.5% in 2024.[62]

Small Group Membership and Premium Projections – With Waiver

Using the "no waiver" membership as the starting point, the model first adjusts the small group market premiums to reflect pooling with the individual market. A reinsurance program is then layered on top of the merged market, which results in a net premium reduction of 6.0% in 2023 and 3.9% in 2024 compared to the "no waiver" scenario.

For the period from 2025 through 2032, the model uses the NHE trend projections noted above. Pooling the markets and instituting a reinsurance program lowers the baseline or starting point. It does not, however, impact medical trend over time, which is why NHE trend is appropriately used in each scenario.

[61] Council of Economic Advisors Issue Brief, "Understanding Recent Developments in the Individual Health Insurance Market," January 2017. https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf. Accessed November 16, 2021. The Issue Brief assumes that the average claims costs for enrollees leaving the individual market is 73% of the claims costs of enrollees that stay in the individual market. Since it is the employer group making the purchasing decision, anti-selection will be less significant in the small group market compared to the individual market. The average claims costs for enrollees leaving the small group market are assumed to be 90% of the claims costs for enrollees that stay in the small group market. These assumptions were tested to ensure reasonability of the results.

[62] It was assumed that there would be no additional morbidity changes beyond 2024 and that any morbidity changes in the years after 2024 were negligible to the overall modeling.

Small Group Market			
CY	Baseline- No Waiver Premuim PMPM	After Waiver with Pooled Market and Reinsurance Premium PMPM	Percentage Difference between No Waiver and After Waiver
2023	$580.62	$545.92	-6.0%
2024	$610.82	$587.09	-3.9%
2025	$638.30	$613.51	-3.9%
2026	$667.34	$641.42	-3.9%
2027	$697.71	$670.61	-3.9%
2028	$729.11	$700.79	-3.9%
2029	$761.92	$732.32	-3.9%
2030	$796.20	$765.28	-3.9%
2031	$832.03	$799.71	-3.9%
2032	$869.47	$835.70	-3.9%

Table 19: Small Group Market Premium PMPMs and Percentage Impact from Waiver Reinsurance Program 2023-2032[63]

Using the three different models described previously and the rate changes resulting from the waiver, three sets of membership projections were generated, with all of the results within +/-6% of the average. To establish a single membership projection, the average of the three results was used. The 2023 membership under the "with waiver" scenario is 5.3% higher than the membership in the "no waiver" scenario.

Small Group Market Membership Projections- After Waiver with Pooled Market and Reinsurance					
	2023	2024	2025	2026	2027
Average Annual Enrollment	49,305	47,352	46,532	45,709	44,901
	2028	2029	2030	2031	2032
Average Annual Enrollment	44,129	43,371	42,627	41,898	41,183

Table 20: Small Group Market Membership Projections- After Waiver

[63] It was assumed that the premium PMPM reductions in 2025 and beyond would be consistent with 2024. The state assessment of $4.00 PMPM is a fixed amount. The value of the state assessment may diminish over time as premiums continue to rise due to health care trend, but it was assumed that the impact to the overall modeling was negligible.

It was assumed that the morbidity of the enrollees entering the insurance market in 2023 as a result of the waiver would be healthier than the morbidity of the enrollees currently enrolled. Using the same 90% assumption used in the "no waiver" scenario, the morbidity improved by 0.2% in 2023 but did not affect pool morbidity in 2024.[64, 65]

APTC and PTC

The Gross Premium for members eligible for APTC is generally equivalent to the premium for the second lowest cost Silver plan (SLCSP) adjusted for the enrollee's age and rating region. As defined in the ACA and subsequent federal regulations, a household's required premium contribution ranges from 3.1% of income for a family at 133% of the federal poverty level (FPL) to 9.83% of income for a family with income of 300% or more of the FPL.

However, ARPA - enacted by Congress and signed by President Biden in March 2021 – changed the required premium contribution schedule, increased federal subsidies for individuals and families with income below 400% FPL, and extended subsidies to those with earnings above 400% FPL. These changes are in effect for 2021 and 2022. Congress is considering legislation that would extend the ARPA premium contribution schedule beyond 2022.

Based on current law, this report does not assume the enhanced premium subsidies will continue beyond 2022. However, scenario testing using the ARPA premium subsidies was conducted. These results are included in the Appendix to this report.

APTC is calculated as the difference between the gross premium and the amount an individual is expected to pay based on family size and income. If an individual enrolls in a health plan with a premium that is lower than the SLCSP (e.g., a Bronze plan), the APTC an individual is eligible to receive may exceed the gross premium of the selected health plan. In this case, APTC is capped at the full premium amount. The Maine market includes a significant portion of APTC eligible enrollees that have purchased a Bronze plan. The model accounts for the lower APTC for these enrollees.

The model projects the 2023 SLCSP rate under the baseline (no waiver) scenario and under the waiver scenario. For the baseline, we utilize the 2022 SLCSP from the 2022 rate filing, remove the impact of the current MGARA program from the rate, and then

[64] The lower morbidity improvement in 2024 is a result of the smaller premium reductions in 2024 since the 2021 ARPA funds are used for 2023 and not for subsequent years.
[65] It was assumed that there would be no additional morbidity changes beyond 2024 and that any morbidity changes in the years after 2024 were negligible to the overall modeling.

project the rate to 2023 using a 5.3% trend.[66, 67] For the waiver scenario, we adjust these projected 2023 SLCSP rates for the impact of pooling the markets and applying a retrospective reinsurance program. The SLCSP rates under the baseline and waiver scenarios are adjusted for rating region distribution and age to calculate the gross premium for APTC eligible members. As shown in Table 21, for 2023, the gross premium in the baseline is $660 PMPM and the gross premium in the waiver scenario is $610 PMPM, a 7.5% reduction.[68]

For 2023, the model assumes a 2.0% increase in FPL and 0.3% increase in the sliding scale percentages compared to 2022 which are based on the actual change over the past three years. For the period from 2024 through 2032, the model assumes 2.0% annual increase in the premium that an individual is expected to pay.[69]

APTC is based on income expectations for a future period. That is, an individual's APTC is determined in advance of the plan year, based primarily on prior year earnings. When an individual files taxes at the end of the year, the advance premium tax credit the individual received during the course of the year is then reconciled to actual earnings to determine the premium tax credit (PTC) an individual is eligible to receive based on their actual year-end earnings and family size. The tax filer receives a tax credit (if APTC is less than PTC) or a payment is due (if APTC is greater than PTC).

To determine PTC, the model makes an adjustment to account for differences between APTC and PTC. CMS reported that PTCs provided to Maine residents in 2019 were 96.46% of APTCs, which is the percentage used for this report.[70]

For the waiver scenario, pooling the individual and small group markets and overlaying a reinsurance program is expected to reduce the SLCSP premium, which reduces PTC. The difference in premiums for the SLCSP – comparing the baseline scenario to the waiver

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[66] Center for Medicare and Medicaid Services, National Health Expenditures, Projected 2019 – 2028: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet

[67] Under a pooled market that includes both individual purchasers and employer groups, the model uses the average NHE projected trends for direct purchase and employer-sponsored insurance.

[68] The reduction in gross premium PMPMs for subsidized enrollees is 7.5% rather than 8.0% because modeling was done at the insurer level and results vary by insurer. The 8.0% represents the overall average reduction in the individual market premium PMPMs in 2023. The 7.5% represents the reduction in the subsidized population only whose enrollment is based on a different mix of insurers than the mix of insurers in the overall individual market.

[69] In 2021, the FPL (at 100%) is $12,880 for an individual and $4,540 for each additional member of the family. For the past three years, the individual FPL amount has increased an average of 2.0% per year, while the average change for each additional member of the family has been 1.7% . Prior HHS Poverty Guidelines and Federal Register References | ASPE

[70] https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/1332-Key-Components-Pass-through-Estimate-Feb-2021.xlsx

scenario – for individuals receiving subsidies through the marketplace represents the reduction in federal spending in PTCs that can then be passed through to the state to support the reinsurance program.

State Assessment

The state's contribution to the reinsurance program consists of an assessment on health insurers and third-party administrators based on the number of lives covered by each entity at a rate of $4.00 PMPM. The assessment applies to all covered lives in the individual, small group, and large group, including both the fully insured and self-insured markets, but excluding employees and dependents covered by state and federal government employers.

Claims Trend and Reinsurance Program

Reinsurance parameters were initially established such that the total reinsurance program funding and the estimated average premium reductions across the pooled individual and small group market would equal the projected reinsurance funding available in 2023 ($58.0 million) and 2024 ($44.7 million).

Member level annual incurred claims were collected for CY 2019 for both the individual and small group market. This data was trended forward to 2023 based on a review of historical allowed claims and premium trends for the past several years for both the individual and small group markets. The average annual allowed claims trend in the combined individual and small group market for 2017 to 2019 was 4.6%. Projected premium trends from 2020 to 2023 for the combined individual and small group markets is 4.0% cumulative over these three years. This information was evaluated and GA assumed a 4.0% overall trend to project the 2019 member level claims to 2023 and 2024 for reinsurance modeling purposes.

The proposed reinsurance parameters were applied to each member's annual claims to determine the estimated reinsurance amount in CY 2023 and CY 2024.[71] For 2023, the retrospective reinsurance program was initially structured to reimburse insurers 55% of claims costs between $90,000 and $275,000, with the portion of claims exceeding $275,000 the full responsibility of the health insurers. For 2024, the retrospective reinsurance program was initially structured to reimburse insurers 45% of claims costs between $90,000 and $240,000, with the portion of claims exceeding $240,000 the full

[71] The CY 2019 individual market claims includes claims experience for enrollees who will transition to MaineCare expansion throughout the year in 2019. We are able to identify the enrollees in cost sharing reduction (CSR) 94% plans. It is assumed that the enrollees eligible for MaineCare expansion will primarily come from the CSR 94% population. The reinsurance parameters were tested, both including and excluding the CSR 94% population, and there was no material impact.

responsibility of the health insurers. The Maine Guaranteed Access Reinsurance Association (MGARA), in consultation with the Maine BOI, will establish the reinsurance parameters each year based on available funding to ensure the financial solvency of the program.

2023 and 2024 Membership and Premium Projections- Individual Market

2023 and 2024 individual market membership and premium projections are shown below for both the baseline (no waiver) and the proposed waiver (including the pooled market and retrospective reinsurance program). As explained previously, the Maine market includes a significant portion of APTC eligible enrollees that have purchased a Bronze plan, which has gross premiums that are lower than the APTC. The model accounts for the lower APTC for these enrollees. Under the waiver in 2023, enrollment among individual market members is projected to be 2.7% greater (an additional 1,600 members) than under the ”no waiver” scenario; and premiums are projected to be 8.0% lower. Under the waiver in 2024, enrollment among individual market members is projected to be 2.0% greater (an additional 1,146 members) than under the ”no waiver” scenario; and premiums are projected to be 6.1% lower.

2023 Individual Market Projections					
			Baseline- without waiver	With Pooled Market & Reinsurance - After Waiver	% Change
Average Annual Enrollment					
On Exchange					
	Members w/APTC		41,952	41,952	0.0%
	Members w/out APTC		9,319	10,205	9.5%
	Total On Exchange		51,271	52,157	1.7%
Off Exchange	Total Off Exchange		7,490	8,203	9.5%
Total On & Off Exchange			58,761	60,361	2.7%
Average Premium PMPM					
On Exchange					
	Members w/APTC				
		Member Share of Premium	$129.50	$126.95	-2.0%
		APTC Share of Premium	$530.10	$483.17	-8.9%
		Gross Premiums	$659.59	$610.12	-7.5%
	Members w/out APTC		$536.87	$490.45	-8.6%
	Total On Exchange		$637.29	$586.71	-7.9%
Off Exchange	Total Off Exchange		$630.43	$578.18	-8.3%
Total On & Off Exchange			$636.41	$585.55	-8.0%
Total Annual Premium					
On Exchange					
	Members w/APTC				
		Member Share of Premium	$65,192,719	$63,909,715	-2.0%
		APTC Share of Premium	$266,862,750	$243,240,990	-8.9%
		Gross Premiums	$332,055,469	$307,150,704	-7.5%
	Members w/out APTC		$60,036,797	$60,062,078	0.0%
	Total On Exchange		$392,092,266	$367,212,783	-6.3%
Off Exchange	Total Off Exchange		$56,664,099	$56,917,050	0.4%
Total On & Off Exchange			$448,756,365	$424,129,833	-5.5%

Table 21: Maine Individual Market 2023 Projections- Baseline (No Waiver) and With Waiver[72]

[72] Note that the average member share of premium increased in 2023 compared to 2020 due to several factors: (1) trend of the FPL and sliding scale percentages; (2) a small number of lower income enrollees

2024 Individual Market Projections					
		Baseline- without waiver	With Pooled Market & Reinsurance - After Waiver	% Change
Average Annual Enrollment				
On Exchange				
	Members w/APTC	41,952	41,952	0.0%
	Members w/out APTC	8,978	9,612	7.1%
	Total On Exchange	50,930	51,564	1.2%
Off Exchange	Total Off Exchange	7,216	7,727	7.1%
Total On & Off Exchange		58,146	59,292	2.0%
Average Premium PMPM				
On Exchange				
	Members w/APTC			
	Member Share of Premium	$132.09	$129.49	-2.0%
	APTC Share of Premium	$561.80	$524.69	-6.6%
	Gross Premiums	$693.89	$654.18	-5.7%
	Members w/out APTC	$564.79	$526.64	-6.8%
	Total On Exchange	$671.14	$630.41	-6.1%
Off Exchange	Total Off Exchange	$663.22	$620.59	-6.4%
Total On & Off Exchange		$670.15	$629.13	-6.1%
Total Annual Premium				
On Exchange				
	Members w/APTC			
	Member Share of Premium	$66,496,573	$65,187,909	-2.0%
	APTC Share of Premium	$282,825,780	$264,143,042	-6.6%
	Gross Premiums	$349,322,354	$329,330,951	-5.7%
	Members w/out APTC	$60,845,738	$60,746,119	-0.2%
	Total On Exchange	$410,168,091	$390,077,070	-4.9%
Off Exchange	Total Off Exchange	$57,432,366	$57,545,655	0.2%
Total On & Off Exchange		$467,600,458	$447,622,725	-4.3%

Table 22: Maine Individual Market 2024 Projections- Baseline (No Waiver) and With Waiver

who transitioned to MaineCare expansion; (3) the cumulative SLCSP trend was negative from 2019 to 2022 and as SLCSP rates decrease, APTC decreases and the members share of premium for APTC eligible members in Bronze plans increases.

2023 and 2024 Membership and Premium Projections - Small Group Market

2023 and 2024 small group market membership and premium projections are shown below for both the baseline (no waiver) and the proposed waiver (including the pooled market and retrospective reinsurance program). Under the waiver in 2023, enrollment among small group members is projected to be 5.3% greater (an additional 2,482 members) than under the ”no waiver” scenario; and premiums are projected to be 6.0% lower. Under the waiver in 2024, enrollment among small group members is projected to be 3.5% greater (an additional 1,610 members) than under the ”no waiver” scenario; and premiums are projected to be 3.9% lower.

2023 Small Group Market Projections			
	Baseline- without waiver	With Pooled Market & Reinsurance - After Waiver	% Change
Average Annual Enrollment	46,824	49,305	5.3%
Average Premium PMPM	$580.62	$545.92	-6.0%
Total Annual Premium	$326,243,308	$322,998,162	-1.0%

Table 23: Maine Small Group Market 2023 Projections- Baseline (No Waiver) and With Waiver

2024 Small Group Market Projections			
	Baseline- without waiver	With Pooled Market & Reinsurance - After Waiver	% Change
Average Annual Enrollment	45,741	47,352	3.5%
Average Premium PMPM	$610.82	$587.09	-3.9%
Total Annual Premium	$335,275,188	$333,596,534	-0.5%

Table 24: Maine Small Group Market 2024 Projections- Baseline (No Waiver) and With Waiver

5. Meeting the Section 1332 Guardrails

In order for a Section 1332 waiver to be accepted, the waiver must demonstrate that the changes will: (1) provide coverage of benefits that is as comprehensive overall for residents of the state as the coverage provided absent the waiver (Comprehensive); (2) not result in changes in coverage, premiums, and cost-sharing protections that reduce the affordability of health plans (Affordability); (3) provide coverage to at least as many residents as would be covered without the waiver (Scope); and (4) not increase federal spending that would occur absent the waiver (Deficit Neutrality).

With regard to *Comprehensiveness* of coverage, the waiver will not result in any changes to the essential health benefit (EHB) benchmark or actuarial value requirements and will therefore have no impact on the comprehensive coverage available in the individual and small group markets.

Pooling the individual and small group markets and applying a retrospective reinsurance program will reduce premiums, compared to the baseline, thereby increasing the *Affordability* of health insurance. The model projects 2023 premiums will decline 8.0% in the individual market and 6.0% in the small group market. The waiver will not alter the ACA's cost-sharing protections, including overall limits on out-of-pocket spending. While we did not make any explicit projections regarding the selection of plans by members, lower premiums should allow more members to select qualified health plans with lower member cost-sharing, thereby reducing out-of-pocket costs.

By stabilizing premiums, the model projects that more residents will be covered under the waiver as would be covered without the waiver (*Scope*). Under a “no waiver” scenario – based on recent experience in both the individual and small group markets – membership is projected to decline. Approval of the waiver will mean more Maine residents will be covered under ACA-compliant health plans than would be covered without the waiver.

Finally, the proposed waiver will achieve *Deficit Neutrality*. It will not increase spending by the federal government. Federal pass-through funding will be calculated based on actual PTC. Premiums in the individual market will be 8.0% lower than premiums under the baseline scenario in 2023. The tables on the following pages demonstrate how the waiver proposal addresses the deficit neutrality requirement.

Note that throughout the report, all of the premium PMPMs including the gross premiums are representative of the average demographics, plan designs and regions represented in the baseline data. The Appendix includes an illustrative example of

premiums in 2023 for a family of four at specific ages in a specific region for the second lowest cost silver plan under the "no waiver" and "with waiver" scenarios.

Deficit Neutrality Projection, 2023-2027					
	2023	**2024**	**2025**	**2026**	**2027**
Baseline (without waiver)- Individual Market Total Annual Premium					
Members w/APTC					
Gross Premiums	$332,055,469	$349,322,354	$365,041,860	$381,651,264	$399,016,397
Member Share of Premium	$65,192,719	$66,496,573	$67,826,505	$69,183,035	$70,566,695
APTC Share of Premium	$266,862,750	$282,825,780	$297,215,355	$312,468,229	$328,449,701
Total PTC	$257,415,809	$272,813,748	$286,693,931	$301,406,854	$316,822,582
Total On & Off Exchange	$448,756,365	$467,600,458	$485,239,304	$503,873,672	$523,373,213
Baseline (without waiver)- Small Group Market Total Annual Premium					
Total	$326,243,308	$335,275,188	$344,270,940	$353,542,468	$363,075,802
After Waiver With Pooled Market & Reinsurance- Individual Market Total Annual Premium					
Members w/APTC					
Gross Premiums	$307,150,704	$329,330,951	$344,150,844	$359,809,707	$376,181,049
Member Share of Premium	$63,909,715	$65,187,909	$66,491,667	$67,821,500	$69,177,930
APTC Share of Premium	$243,240,990	$264,143,042	$277,659,177	$291,988,207	$307,003,118
Total PTC	$234,630,259	$254,792,378	$267,830,042	$281,651,824	$296,135,208
PTC Savings	$22,785,550	$18,021,369	$18,863,890	$19,755,030	$20,687,374
2021 ARPA Funds	$8,562,238	$0	$0	$0	$0
State Assessment	$26,700,000	$26,700,000	$26,700,000	$26,700,000	$26,700,000
Total Reinsurance	$58,047,788	$44,721,369	$45,563,890	$46,455,030	$47,387,374
Total On & Off Exchange	$424,129,833	$447,622,725	$464,329,299	$481,980,036	$500,453,027
After Waiver With Pooled Market & Reinsurance- Small Group Market Total Annual Premium					
Total	$322,998,162	$333,596,534	$342,572,765	$351,823,531	$361,336,253

Deficit Neutrality Projection, 2028-2032					
	2028	2029	2030	2031	2032
Baseline (without waiver)- Total Annual Premium					
Members w/APTC					
Gross Premiums	$416,972,135	$435,735,881	$455,343,995	$475,834,475	$497,247,026
Member Share of Premium	$71,978,029	$73,417,590	$74,885,942	$76,383,661	$77,911,334
APTC Share of Premium	$344,994,105	$362,318,291	$380,458,054	$399,450,814	$419,335,693
Total PTC	$332,781,314	$349,492,223	$366,989,838	$385,310,256	$404,491,209
Total On & Off Exchange	$543,574,747	$564,698,501	$586,783,900	$609,872,137	$634,006,248
Baseline (without waiver)- Total Annual Premium					
Total	$371,097,683	$381,136,334	$391,460,419	$402,078,409	$412,999,029
After Waiver With Pooled Market & Reinsurance- Total Annual Premium					
Members w/APTC					
Gross Premiums	$393,109,196	$410,799,110	$429,285,070	$448,602,898	$468,790,028
Member Share of Premium	$70,561,489	$71,972,719	$73,412,173	$74,880,417	$76,378,025
APTC Share of Premium	$322,547,707	$338,826,391	$355,872,897	$373,722,481	$392,412,003
Total PTC	$311,129,518	$326,831,937	$343,274,996	$360,492,705	$378,520,618
PTC Savings	$21,651,796	$22,660,286	$23,714,842	$24,817,550	$25,970,591
2021 ARPA Funds	$0	$0	$0	$0	$0
State Assessment	$26,700,000	$26,700,000	$26,700,000	$26,700,000	$26,700,000
Total Reinsurance	$48,351,796	$49,360,286	$50,414,842	$51,517,550	$52,670,591
Total On & Off Exchange	$519,595,339	$539,613,983	$560,546,309	$582,431,339	$605,309,844
After Waiver With Pooled Market & Reinsurance- Small Group Market Total Annual Premium					
Total	$371,097,683	$381,136,334	$391,460,419	$402,078,409	$412,999,029

Table 25: Deficit Neutrality Projection, 2023-2032

6. Ten Year Projections

The tables below show the membership and premium projections for 2023 through 2032 for both the baseline (no waiver) and waiver scenarios. The assumptions used to develop these projections are described throughout the earlier parts of this report.

2023-2027 Baseline (without Waiver)						
		2023	2024	2025	2026	2027
Individual Market Average Annual Enrollment						
On Exchange						
	Members w/APTC	41,952	41,952	41,952	41,952	41,952
	Members w/out APTC	9,319	8,978	8,738	8,507	8,287
	Total On Exchange	51,271	50,930	50,690	50,459	50,239
Off Exchange	Total Off Exchange	7,490	7,216	7,011	6,812	6,622
Total On & Off Exchange		58,761	58,146	57,701	57,271	56,861
Small Group Market Average Annual Enrollment		46,824	45,741	44,946	44,148	43,365
Individual Market Average Premium PMPM						
On Exchange						
	Members w/APTC					
	Member Share of Premium	$129.50	$132.09	$134.73	$137.42	$140.17
	APTC Share of Premium	$530.10	$561.80	$590.39	$620.69	$652.43
	Gross Premiums	$659.59	$693.89	$725.12	$758.11	$792.61
	Members w/out APTC	$536.87	$564.79	$590.20	$617.06	$645.14
	Total On Exchange	$637.29	$671.14	$701.86	$734.33	$768.28
Off Exchange	Total Off Exchange	$630.43	$663.22	$693.06	$724.60	$757.56
Total On & Off Exchange		$636.41	$670.15	$700.79	$733.17	$767.03
Small Group Market Average Premium PMPM		$580.62	$610.82	$638.30	$667.34	$697.71
Individual Market Total Annual Premium						
On Exchange						
	Members w/APTC					
	Member Share of Premium	$65,192,719	$66,496,573	$67,826,505	$69,183,035	$70,566,695
	APTC Share of Premium	$266,862,750	$282,825,780	$297,215,355	$312,468,229	$328,449,701
	Gross Premiums	$332,055,469	$349,322,354	$365,041,860	$381,651,264	$399,016,397
	Members w/out APTC	$60,036,797	$60,845,738	$61,886,570	$62,990,196	$64,155,131
	Total On Exchange	$392,092,266	$410,168,091	$426,928,430	$444,641,460	$463,171,528
Off Exchange	Total Off Exchange	$56,664,099	$57,432,366	$58,310,874	$59,232,212	$60,201,685
Total On & Off Exchange		$448,756,365	$467,600,458	$485,239,304	$503,873,672	$523,373,213
Small Group Market Total Annual Premium		$326,243,308	$335,275,188	$344,270,940	$353,542,468	$363,075,802

2028-2032 Baseline (without Waiver)							
			2028	2029	2030	2031	2032
Individual Market Average Annual Enrollment							
On Exchange							
	Members w/APTC		41,952	41,952	41,952	41,952	41,952
	Members w/out APTC		8,081	7,886	7,699	7,522	7,352
	Total On Exchange		50,033	49,838	49,651	49,474	49,304
Off Exchange	Total Off Exchange		6,445	6,275	6,113	5,959	5,811
Total On & Off Exchange			56,478	56,113	55,765	55,432	55,115
Small Group Market Average Annual Enrollment			42,616	41,881	41,160	40,452	39,759
Individual Market Average Premium PMPM							
On Exchange							
	Members w/APTC						
		Member Share of Premium	$142.98	$145.84	$148.75	$151.73	$154.76
		APTC Share of Premium	$685.30	$719.71	$755.74	$793.47	$832.97
		Gross Premiums	$828.27	$865.54	$904.49	$945.20	$987.73
	Members w/out APTC		$674.17	$704.50	$736.21	$769.34	$803.96
	Total On Exchange		$803.38	$840.06	$878.40	$918.46	$960.33
Off Exchange	Total Off Exchange		$791.65	$827.28	$864.51	$903.41	$944.06
Total On & Off Exchange			$802.04	$838.63	$876.88	$916.84	$958.61
Small Group Market Average Premium PMPM			$729.11	$761.92	$796.20	$832.03	$869.47
Individual Market Total Annual Premium							
On Exchange							
	Members w/APTC						
		Member Share of Premium	$71,978,029	$73,417,590	$74,885,942	$76,383,661	$77,911,334
		APTC Share of Premium	$344,994,105	$362,318,291	$380,458,054	$399,450,814	$419,335,693
		Gross Premiums	$416,972,135	$435,735,881	$455,343,995	$475,834,475	$497,247,026
	Members w/out APTC		$65,378,275	$66,665,427	$68,018,472	$69,439,379	$70,930,203
	Total On Exchange		$482,350,410	$502,401,307	$523,362,467	$545,273,854	$568,177,230
Off Exchange	Total Off Exchange		$61,224,337	$62,297,194	$63,421,434	$64,598,284	$65,829,019
Total On & Off Exchange			$543,574,747	$564,698,501	$586,783,900	$609,872,137	$634,006,248
Small Group Market Total Annual Premium			$372,856,146	$382,913,421	$393,255,813	$403,891,755	$414,829,942

Table 26: 2023-2032 Projections Baseline (without Waiver)

2032-2027 After Waiver With Pooled Market & Reinsurance						
		2023	2024	2025	2026	2027
Individual Market Average Annual Enrollment						
On Exchange						
	Members w/APTC	41,952	41,952	41,952	41,952	41,952
	Members w/out APTC	10,205	9,612	9,353	9,104	8,866
	Total On Exchange	52,157	51,564	51,305	51,056	50,818
Off Exchange	Total Off Exchange	8,203	7,727	7,505	7,290	7,085
Total On & Off Exchange		60,361	59,292	58,811	58,346	57,903
Small Group Market Average Annual Enrollment		49,305	47,352	46,532	45,709	44,901
Individual Market Average Premium PMPM						
On Exchange						
	Members w/APTC					
	Member Share of Premium	$126.95	$129.49	$132.08	$134.72	$137.41
	APTC Share of Premium	$483.17	$524.69	$551.54	$580.00	$609.83
	Gross Premiums	$610.12	$654.18	$683.62	$714.72	$747.24
	Members w/out APTC	$490.45	$526.64	$550.34	$575.38	$601.56
	Total On Exchange	$586.71	$630.41	$659.32	$689.88	$721.83
Off Exchange	Total Off Exchange	$578.18	$620.59	$648.52	$678.02	$708.87
Total On & Off Exchange		$585.55	$629.13	$657.94	$688.40	$720.24
Small Group Market Average Premium PMPM		$545.92	$587.09	$613.51	$641.42	$670.61
Individual Market Total Annual Premium						
On Exchange						
	Members w/APTC					
	Member Share of Premium	$63,909,715	$65,187,909	$66,491,667	$67,821,500	$69,177,930
	APTC Share of Premium	$243,240,990	$264,143,042	$277,659,177	$291,988,207	$307,003,118
	Gross Premiums	$307,150,704	$329,330,951	$344,150,844	$359,809,707	$376,181,049
	Members w/out APTC	$60,062,078	$60,746,119	$61,769,384	$62,855,280	$64,002,648
	Total On Exchange	$367,212,783	$390,077,070	$405,920,228	$422,664,987	$440,183,697
Off Exchange	Total Off Exchange	$56,917,050	$57,545,655	$58,409,071	$59,315,049	$60,269,330
Total On & Off Exchange		$424,129,833	$447,622,725	$464,329,299	$481,980,036	$500,453,027
Small Group Market Total Annual Premium		$322,998,162	$333,596,534	$342,572,765	$351,823,531	$361,336,253

2028-2032 After Waiver With Pooled Market & Reinsurance							
			2028	2029	2030	2031	2032
Individual Market Average Annual Enrollment							
On Exchange							
	Members w/APTC		41,952	41,952	41,952	41,952	41,952
	Members w/out APTC		8,644	8,433	8,232	8,041	7,859
	Total On Exchange		50,596	50,385	50,184	49,993	49,811
Off Exchange	Total Off Exchange		6,893	6,711	6,536	6,369	6,210
Total On & Off Exchange			57,490	57,096	56,720	56,362	56,020
Small Group Market Average Annual Enrollment			44,129	43,371	42,627	41,898	41,183
Individual Market Average Premium PMPM							
On Exchange							
	Members w/APTC						
		Member Share of Premium	$140.16	$142.97	$145.83	$148.74	$151.72
		APTC Share of Premium	$640.71	$673.04	$706.90	$742.36	$779.49
		Gross Premiums	$780.87	$816.01	$852.73	$891.10	$931.20
	Members w/out APTC		$628.63	$656.91	$686.47	$717.37	$749.65
	Total On Exchange		$754.86	$789.38	$825.46	$863.16	$902.56
Off Exchange	Total Off Exchange		$740.77	$774.11	$808.94	$845.35	$883.39
Total On & Off Exchange			$753.17	$787.59	$823.55	$861.15	$900.43
Small Group Market Average Premium PMPM			$700.79	$732.32	$765.28	$799.71	$835.70
Individual Market Total Annual Premium							
On Exchange							
	Members w/APTC						
		Member Share of Premium	$70,561,489	$71,972,719	$73,412,173	$74,880,417	$76,378,025
		APTC Share of Premium	$322,547,707	$338,826,391	$355,872,897	$373,722,481	$392,412,003
		Gross Premiums	$393,109,196	$410,799,110	$429,285,070	$448,602,898	$468,790,028
	Members w/out APTC		$65,208,722	$66,478,980	$67,815,311	$69,219,690	$70,694,180
	Total On Exchange		$458,317,919	$477,278,090	$497,100,380	$517,822,588	$539,484,208
Off Exchange	Total Off Exchange		$61,277,420	$62,335,894	$63,445,928	$64,608,751	$65,825,635
Total On & Off Exchange			$519,595,339	$539,613,983	$560,546,309	$582,431,339	$605,309,844
Small Group Market Total Annual Premium			$371,097,683	$381,136,334	$391,460,419	$402,078,409	$412,999,029

Table 27: 2023-2032 Projections After Waiver

7. Considerations and Limitations

Users of this report must possess a reasonable level of expertise and understanding of health care, health insurance markets and financial modeling so as not to misinterpret the information presented. The report addresses certain provisions of the Affordable Care Act, but is not intended to act as an official or comprehensive interpretation of the legislation itself.

The results presented in this report are estimates based on complex actuarial models. Differences between our estimates and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. Actual experience will most likely not conform exactly to the assumptions used in this analysis. Actual results will differ from projected results to the extent that actual experience deviates from expected experience.

GA performed sensitivity testing on many of the assumptions to verify that varying the assumptions would not significantly change results. Actual federal pass-through funding will be based on the filed premiums and projected enrollment and may vary from the estimates in this report. Actual issuer 2023 through 2032 developed rates may also vary from what was assumed.

8. Actuarial Certification

Reliance

In the analysis described in this report, Gorman Actuarial (GA) relied on information provided by health insurers, the Maine BOI, MGARA, and publicly available information. GA has not audited this information for accuracy. GA has performed a limited review of the data for reasonableness and consistency. If the underlying data are inaccurate or incomplete, the results of this analysis may likewise be inaccurate or incomplete.

Subsequent Events

While GA performed scenario testing considering potential changes due to COVID-19, the testing was not exhaustive. Actual results may differ due to the wide range of possible outcomes due to the impact of COVID-19 on health care expenses and the economy.

GA also considered the impact of Clear Choice products, which became effective in 2022 in the Maine individual markets. This initiative establishes standardized plan designs in the individual market, and in 2023 will also standardize products in the small group market. GA compared the metal AV's and enrollment information from the 2021 rate filings to the proposed Clear Choice plans and determined that, on average, there would be minimal overall premium impacts to the individual market and the small group market and therefore minimal impact to the estimates in this report. Results at the individual insurer level may vary.

The report contains statements that attempt to provide some prospective context to current or past trends. These statements are based on the understanding of the existing regulatory environment as of January 2022. If subsequent changes are made, these statements may not appropriately represent the expected future state.

ASOPS

GA used sound actuarial methodologies, principles, and judgement and have complied with all current Actuarial Standards of Practice (ASOPs). In particular, GA has complied with ASOP 23 Data Quality and ASOP 41 Actuarial Communication.

Actuarial Certification

This study includes results based on actuarial analyses conducted by Bela Gorman and Jennifer Smagula, both of whom are members of the American Academy of Actuaries

and Fellows of the Society of Actuaries. They both meet the qualification standards for performing the actuarial analyses presented in this report.

This report is solely for the use of supporting Maine's 1332 Waiver application. The intended users of this report are the Maine BOI and those federal agencies to which the application is submitted. Distribution of this report to any other parties does not constitute advice from or by us to those parties. GA assumes no duty or liability to any third parties who receive the information herein.

We believe the current Maine Waiver proposal complies with the following:

- The coverage provided under this 1332 Waiver is at least as comprehensive as the coverage available absent the 1332 Waiver.
- The coverage provided under this 1332 Waiver is at least as affordable as the coverage available absent the 1332 Waiver.
- The 1332 Waiver will provide coverage to at least a comparable number of residents as would be available absent the 1332 Waiver.
- The 1332 Waiver will not increase the federal deficit.

Bela Gorman, FSA, MAAA Date

Jenn Smagula, FSA, MAAA Date

9. Appendices

Illustrative Premiums for a Family of Four

In 2023, the estimated monthly premium (prior to any APTC subsidies) for the second low cost Silver plan for a family of four in Portland, Maine with two forty year olds and two ten year olds is $1,495 without a waiver and $1,404 with a waiver.[73]

American Rescue Plan Act

On March 11, 2021, President Biden signed into law the American Rescue Plan Act (ARPA) of 2021. One of the key provisions is a significant increase in premium subsidies for the purchase of health plans offered on the Affordable Care Act's (ACA) exchanges.

For Calendar Years 2021 and 2022, ARPA makes two significant changes in the manner by which premium subsidies are determined. The first change reduces the percentage of annual income that individuals and families with income below 400% of the federal poverty level (FPL) are expected to pay for the second lowest cost Silver plan (SCLSP); and the second change expands premium subsidies to individuals and families with income that exceeds 400% FPL.

The ACA and ARPA establish sliding scale thresholds as a percent of one's income. These thresholds represent an enrollee's expected premium contribution for the SLCSP. The table below shows these sliding scale percentages for members eligible for APTCs by various income levels under the ACA and under ARPA.

[73] The with waiver premium of $1,404 is 6.1% lower than the without waiver premim of $1,495. These results are specific to the Portland region and to the SLCS plan in that region. Modeling was conducted at the insurer level and results vary by insurer. The 8.0% shown previously represents the overall average reduction to the individual market premium PMPMs in 2023. This is based on enrollment from the mix of insurers in the overall individual market.

Income Level as a Percentage of Federal Poverty Level (FPL)	Expected Premium Contribution for SLCSP **Sliding Scale Percentage by Income Level**	
	ACA (before legislative changes) "Current"	**ARP**
100-133%	2.07%	0%
133-150%	3.10% – 4.14%	0%
150-200%	4.14% – 6.52%	0% - 2.0%
200-250%	6.52% – 8.33%	2.0% – 4.0%
250-300%	8.33% – 9.83%	4.0% – 6.0%
300-400%	9.83%	6.0 %– 8.5%
400+%	Not eligible for subsidies	8.5%

Table 28: Expected Premium Contribution for SLCSP by Income Level[74]

For purposes of modeling throughout this report, the APTC and subsequent pass-through funding was calculated based on the provisions of the ACA for the projection period 2023 through 2032. GA performed sensitivity testing on the results under the assumption that the provisions under ARPA continued into 2023 and beyond. GA also collected enrollment data as of August 2021 in addition to March 2021 to understand the increase in APTC enrollment. APTC enrollment increase by approximately 3,000 enrollees during this timeframe and presumably the majority of this increase is due to ARPA.

GA's analysis shows that the additional premium subsides under ARPA will decrease pooled market premiums by an additional 0.3% to 0.8% in 2023 and by an additional 0.2% to 0.7% in 2024 on top of the current premium reductions outlined in this report under the "with waiver" scenario. This is equivalent to an additional $2.4 to $5.9 million in federal pass-through funding in 2023 and an additional $2.0 to $5.0 million in pass-through funding in 2024.

[74] https://www.kff.org/health-reform/issue-brief/impact-of-key-provisions-of-the-american-rescue-plan-act-of-2021-covid-19-relief-on-marketplace-premiums/. Accessed November 18, 2021.

Definitions and Abbreviations

Actuarial Value (AV) – The percentage of total average costs for covered benefits that a health plan will cover. For example, if a plan has an actuarial value of 70%, on average, a person enrolled in the plan would be responsible for 30% of the costs of all covered benefits and the health plan would cover the rest of the costs of covered benefits.

Advance Premium Tax Credit (APTC) – A tax credit provided by the federal government to help individuals pay their monthly health insurance premium. Individuals that apply for coverage through the health insurance marketplace can estimate their income for the year, and if they qualify for a premium tax credit, they can use the credit in advance to lower their premium. If at the end of the year they've taken more premium tax credit in advance then they are due based on their actual annual income, they are required to pay back the excess credit when they file their federal tax return. If they've taken less than they qualify for, they are refunded the difference.

Affordable Care Act (ACA) – The comprehensive federal health reform law enacted in March 2010, also referred to as The Patient Protection and Affordable Care Act (PPACA) or "Obamacare." The law has three primary goals: (1) make affordable health insurance available to more people by subsidizing premiums and cost-sharing for lower income households; (2) expand the Medicaid program to cover adults with income below 138% of the federal poverty level; and (3) support innovative medical care delivery methods designed to lower the costs of health care generally.

American Rescue Plan Act (ARPA) – Legislation enacted in March 2021 to combat the COVID-19 pandemic, including public health and economic impacts.

Attachment Point – In the context of reinsurance, attachment point is the amount of claims that a health insurer is responsible for covering before the reinsurer will step in and pay the excess or a portion of the excess. For example, if the attachment point is $75,000 and an enrollee incurs $100,000 in claims during the plan year, the health insurer covers $75,000 in claims costs and the reinsurer pays for claims beyond the attachment point, or in this case $25,000.

Centers for Medicare and Medicaid Services (CMS) – A federal agency within the U.S. Department of Health and Human Services that administers the Medicare program and works in partnership with state governments to administer Medicaid, the Children's Health Insurance Program (CHIP), and health insurance portability standards, among other responsibilities.

Code of Federal Regulations (CFR) – The codification of the general and permanent rules published in the Federal Register by the departments and agencies of the federal government.

Cost-Sharing – The amount of allowed claims for covered benefits that a health plan member is responsible for paying out of pocket.

Essential Health Benefits (EHB) – A set of ten (10) categories of services health insurance plans must cover under the ACA, including doctors' services, inpatient and outpatient hospital care, prescription drugs, pregnancy and childbirth, mental health services, and other core health care services.

Exchange User Fees – A fee charged by the federal government to fund and support the federal health insurance marketplace. The fee is set annually and is a percentage of the premiums charged by health insurers that sell health plans through the federal health insurance marketplace.

Federal Medical Assistance Percentage (FMAP) – The percentage rates used to determine the matching funds rate allocated annually to certain medical and social service programs. FMAP varies by state and is determined by a formula that takes into consideration the average per capita income for each state relative to the national average.

Federal Poverty Level (FPL) – A measure of income issued every year by the U.S. Department of Health and Human Services to determine eligibility for certain programs and benefits, including subsidies for ACA marketplace health insurance plans and Medicaid.

Gross Premium – The total premium charged by a health insurer for a health plan, prior to any subsidies for which an individual may be eligible.

Health Insurance Marketplace or Exchange – A shopping and enrollment platform that offers health plans to individual, families and small businesses. The ACA established the Marketplace as a means to extend health insurance coverage to millions of uninsured Americans. In most states, the federal government runs the Marketplace, while some states have established their own.

Individual Coverage Health Reimbursement Arrangement (ICHRA) – A federal rule that allows employers to establish a health reimbursement arrangement (HRA) and contribute funds on a pre-tax basis into an account that employees can then use to purchase individual health insurance policies.

Individual Market – In the context of health insurance, individual market means the market for health insurance coverage offered to individuals other than in connection with a group health plan. Insurers offering coverage in the individual market establish a single risk pool that includes all individual market members.

Maine Guarantee Access Reinsurance Association (MGARA) – A legislatively established private non-profit organization that operates a reinsurance program for the higher-risk segment of Maine's individual health insurance market.

MaineCare – The state's Medicaid program that provides health coverage for Maine's children and adults who are elderly, disabled, or with low incomes.

Medicare Supplement Plans – Private health insurance plans for Medicare enrollees that help pay the member's share of health care costs under Medicare Part A and Part B. For example, a Medicare Supplement Plan (also referred to as a Medigap plan) may pay Part B coinsurance for doctor visits and lab tests.

National Health Expenditure (NHE) – Estimates and projections that measure annual health spending in the U.S. by type of good or service delivered (e.g., hospital care, physician and clinical services), sources of funding for those services (e.g., private health insurance, Medicare, Medicaid) and by sponsor (e.g., businesses, households, governments). NHE data is produced by CMS.

Per Member Per Month (PMPM) – The average cost of services or health insurance premiums per individual per month.

Premium – An amount, commonly established on a monthly basis, charged by a health insurer for coverage under a health insurance plan.

Premium Tax Credit (PTC) – The tax credit an individual or family is eligible to receive from the federal government to help lower the cost of health insurance. In contrast with APTC, the premium tax credit (PTC) is determined after the calendar year to which the PTC applies based on the actual annual income of an individual or family.

Qualified Health Plan (QHP) – a health insurance plan that is certified by the Health Insurance Marketplace that provides coverage of essential health benefits, follows established limits on cost-sharing, and meets other requirements of the ACA. All QHPs meet the ACA requirement for having health coverage, known as "minimum essential coverage."

Risk Pool – in the context of health insurance, a risk pool is a group of individuals whose medical costs are combined to calculate premiums. Pooling risks together allows the

higher costs of the less healthy to be offset by the relatively lower costs of the healthy. In general, the larger the risk pools the more predictable and stable the premiums.

Small Group Market – In the context of health insurance, small group market means the market for health insurance coverage offered to employers with 50 or fewer eligible employees. Insurers offering coverage in the small group market establish a single risk pool that includes all small group members.

Second Lowest Cost Silver Plan (SLCSP) – The SLCSP is the second-lowest priced health insurance plan sold through the Marketplace to individuals. The premium for the SLCSP is used to determine an individual's premium tax credit.