1332 Waiver
Actuarial and Economic Report

Prepared for the Maine Bureau of Insurance

February 26, 2021

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1. Executive Summary

This report addresses section 45 CFR 155.1308(f)(4)(i)-(iii) of the "Checklist for Section 1332 State Relief and Empowerment Waivers, updated July 2019." 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 Maine Department of Health and Human Services. The report is part of Mane'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 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 broader group of Maine residents and small employers. Combining the individual and small group markets into a single risk pool should provide greater stability to the market, and may increase the number of insurers offering health plans to individuals. The result should also slow the decline in membership that has recently occurred in the individual and small group markets.

If this waiver application is approved by CMS, the state would transition the current individual market reinsurance program into a claims cost-based 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.

Pooling the Markets

As of March 2020, roughly 64,800 residents obtained health insurance through Maine's individual market, a decrease of 18,000 or 22% from March 2017. The small group market in Maine has also experienced significant reductions in membership over the past three years due in part to high medical cost trends and the associated premium increases. Enrollment fell from 61,200 in March 2017 to 50,200 in March 2020, an 18% reduction.

Both the individual and small group markets are relatively small, with a combined membership of approximately 115,000 as of March 2020. 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.[1] In addition, the smaller the size of the risk pool the less predictable and less stable premiums will be for that pool.[2, 3] 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 and risk adjustment purposes. Pooling the markets 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.[4] The reduction in individual market rates would lower federal spending for Premium Tax Credits (PTC), which represents the difference 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.[5] As Silver plan premiums decline, PTCs fall, which lowers federal spending.

Reinsurance Program Design

Under the second part of the waiver application, Maine would establish a reinsurance program applicable to the pooled individual and small group markets effective January 1, 2022. 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.

Pooling the markets and applying a retrospective reinsurance program is expected to lower the average individual market premium by 6.6% compared to the baseline. In the small group market, the average premium is projected to decrease 4.2% compared to the baseline.

The net reduction in federal spending from lower PTCs will be used to fund the retrospective reinsurance program. Note that in our federal savings estimates, we

[1] "Anatomy of a Slow-Motion Health Insurance Death Spiral," H.E. French III and Michael P. Smith, North American Actuarial Journal, 2015.
[2] "Risk Pooling: How Health Insurance in the Individual Market Works", American Academy of Actuaries. Accessed on December 7, 2020. https://www.actuary.org/content/risk-pooling-how-health-insurance-individual-market-works-0
[3] "Health Insurance Markets 101", The Sycamore Institute. Accessed on December 7, 2020. https://www.sycamoreinstitutetn.org/about-us/
[4] For the purpose of this actuarial analysis, based on the checklist for Section 1332 waiver applications issued by CMS, 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.
[5] 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.

account for the reduction in federal exchange user fees that will occur as premiums are reduced.[6]

The retrospective reinsurance program was initially modeled to be structured to reimburse insurers 50% of claims costs between $90,000 and $250,000, with the portion of claims exceeding $250,000 the full responsibility of the health insurer.[7] Based on actual revenues received from the state assessment and federal savings generated from lower PTCs, these parameters may be adjusted to ensure reinsurance reimbursements to insurers do not exceed available funding. On an annual basis, Maine will reassess the reinsurance program's parameters to reflect funding available to maintain the financial solvency of the program.

Funding

In addition to the use of federal funds generated from the reduction in PTCs, Maine proposes 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 retrospective reinsurance program.[8]

With an assessment base of approximately 503,000 covered lives, the $4.00 PMPM assessment is expected to generate $24.1 million in revenue in the first year of the waiver (CY 2022)[9]. A portion of the funds – estimated to be $300,000 annually – will be used to administer the reinsurance program. Premiums in the individual market are estimated to decline 6.6% compared to the baseline, which would generate $21.6 million in net federal savings in 2022. These savings would be combined with the state assessment to fund the reinsurance program. In 2022, a total of $45.4 million would be available to fund the reinsurance program.

[6] Exchange user fees are based on a percentage of premiums for health insurance purchased through the marketplace. Based on the 2022 Proposed Benefit and Payment Parameters released by CMS on November 25, 2020, the user fee percentage is 2.25% for 2022.
[7] The Maine Guaranteed Access Reinsurance Association (MGARA) Board will make the final determination of the attachment points with Maine Bureau of Insurance (BOI) approval.
[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] Gorman Actuarial received 2019 and YTD 2020 assessment collections from MGARA. GA estimates for YE 20 an assessment base of 518 thousand covered lives with an assessment collection of $24.9M. GA has reduced this estimate by 3% to account for the estimated reduction in covered lives from 2020 to 2022.

Reinsurance Program Funding 2022 - 2026					
	2022	2023	2024	2025	2026
Net Federal Funding	$21,567,533	$21,985,527	$22,395,154	$22,794,646	$23,182,083
State Funding	$23,825,575	$23,825,575	$23,825,575	$23,825,575	$23,825,575
Total Reinsurance	$45,393,108	$45,811,101	$46,220,729	$46,620,220	$47,007,658

Table 1: Reinsurance Program Funding – 2022 through 2026

Meeting the Section 1332 Waiver Guardrails

In order for a Section 1332 waiver to be accepted, the waiver must demonstrate that the changes will meet four guardrails pertaining to comprehensiveness, affordability, scope, and deficit neutrality. As discussed 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.
3. At least as many residents will be covered under the waiver as would be covered without the waiver.
4. The proposed waiver will not increase 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 the Centers for Medicare and Medicaid Services (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 basic protections of the ACA. Beginning in 2017, State Innovation Waivers allowed states to implement programs to provide residents with access to health care that is at least as comprehensive and affordable as would be provided absent the

waiver, provides coverage to a comparable number of residents of the state as would be provided coverage absent a waiver, and does not increase the federal deficit.[10]

As of September 2020, CMS had approved waivers in 13 states,[11] including Maine. All of these states, with the exception of Hawaii, 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, which allows the states to implement state-based reinsurance programs.[12]

While each state's reinsurance program varies, ten states[13] 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 Maine currently uses a hybrid conditions and claims cost-based model. Maine is seeking approval for a new waiver that would permit the state to combine the individual and small group market risk pools and establish a retrospective claims cost-based reinsurance program for the newly pooled market.

Guardrails

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

Comprehensiveness – a 1332 waiver must demonstrate that it will provide coverage of benefits that is at least as comprehensive as the coverage provided absent the waiver;

Affordability – the state must demonstrate that the waiver will not result in changes in coverage, premiums, and cost-sharing protections that reduce the affordability of health plans;

Scope – the waiver must provide coverage to at least as many residents as would be covered without the waiver; and

[10] Centers for Medicare and Medicaid Services, Programs and Initiatives, State Innovation Waivers.
[11] Kaiser Family Foundation, "Tracking Section 1332 State Innovation Waivers," accessed October 22, 2020 (https://www.kff.org/health-reform/fact-sheet/tracking-section-1332-state-innovation-waivers/).
[12] Centers for Medicare and Medicaid Services, "State Relief and Empowerment Waivers: State-Based Reinsurance Programs," (https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/1332-Data-Brief-June2020.pdf)
[13] Colorado, Delaware, Maryland, Minnesota, Montana, New Jersey, North Dakota, Oregon, Rhode Island, and Wisconsin.

Deficit Neutrality – the waiver must not increase federal spending that would occur absent the waiver (i.e., baseline).

As noted in the CMS checklist, for waivers that impact the individual market, a state "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."[14] As described further in this report, the guardrails analysis uses this "no waiver plan in effect" scenario to establish the baseline against which coverage, affordability, scope, and deficit neutrality under the waiver is compared.

Actuarial Certification

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

Maine Demographics

Maine's total population of 1.34 million as of July 2019[15] has remained generally stable since the 2010 census, while the United States population has increased by approximately 4.6%. Compared to the country, Maine residents are older – with a median age of 45.1 years versus 38.5 for the US as a whole. While over 21% of Mainers are age 65+, across the country roughly 15% of the population is 65 years and older. The table below provides a breakdown of Maine's age demographics.

[14] Centers for Medicare and Medicaid Services, "Checklist for Section1332 State Relief and Empowerment Waivers (also called section 1332 waiver of State Innovation Waivers) Applications," Updated July 2019.
[15] American Community Survey, Demographic and Housing Estimate, 2019.

Maine's Population by Age (2019 estimate)		
Under 20 Years	278,766	20.7%
20 to 24 years	74,294	5.5%
25 to 34 years	164,231	12.2%
35 to 44 years	153,615	11.4%
45 to 54 years	176,429	13.1%
55 to 64 years	210,899	15.7%
65 years and older	285,978	21.3%
Total	1,344,212	
Median Age	45.1	

Source: American Community Survey, 2019

Table 2: Maine Population

Median household income in Maine was estimated to be $58,924 in 2019, which was approximately 6% below the median household income for the United States ($65,712).[16] A breakdown of household income distribution for Maine in 2019 inflation-adjusted dollars is shown in the table below.

Maine Household Income (2019 estimate)		
Household Income Range	Number	Percentage
Less than $10,000	29,255	5.1%
$10,000 to $14,999	26,960	4.7%
$15,000 to $24,999	54,494	9.5%
$25,000 to $34,999	55,641	9.7%
$35,000 to $49,999	78,586	13.7%
$50,000 to $74,999	106,119	18.5%
$75,000 to $99,999	78,586	13.7%
$100,000 to $149,999	83,748	14.6%
$150,000 to $199,999	31,549	5.5%
$200,000 or more	29,828	5.2%
Median Household Income	$58,924	
Mean Household Income	$78,303	

Source: American Community Survey, 2019

Table 3: Maine Household Income

As is the case throughout the United States, slightly less than half of all Maine residents (46.5%) obtain health insurance through an employer, while six percent purchase

[16] American Community Survey, Selected Social Characteristics in the United States, 2019.

coverage in the individual market. Public health insurance programs cover 38% of Maine residents, split between Medicaid (20%) and Medicare (18%). Consistent with an older population, more Mainers are enrolled in Medicare (18%) than the rest of the country (14%). Approximately 8% of Maine residents are uninsured.[17] The chart below provides a breakdown of insurance status by coverage type for Maine in 2019.

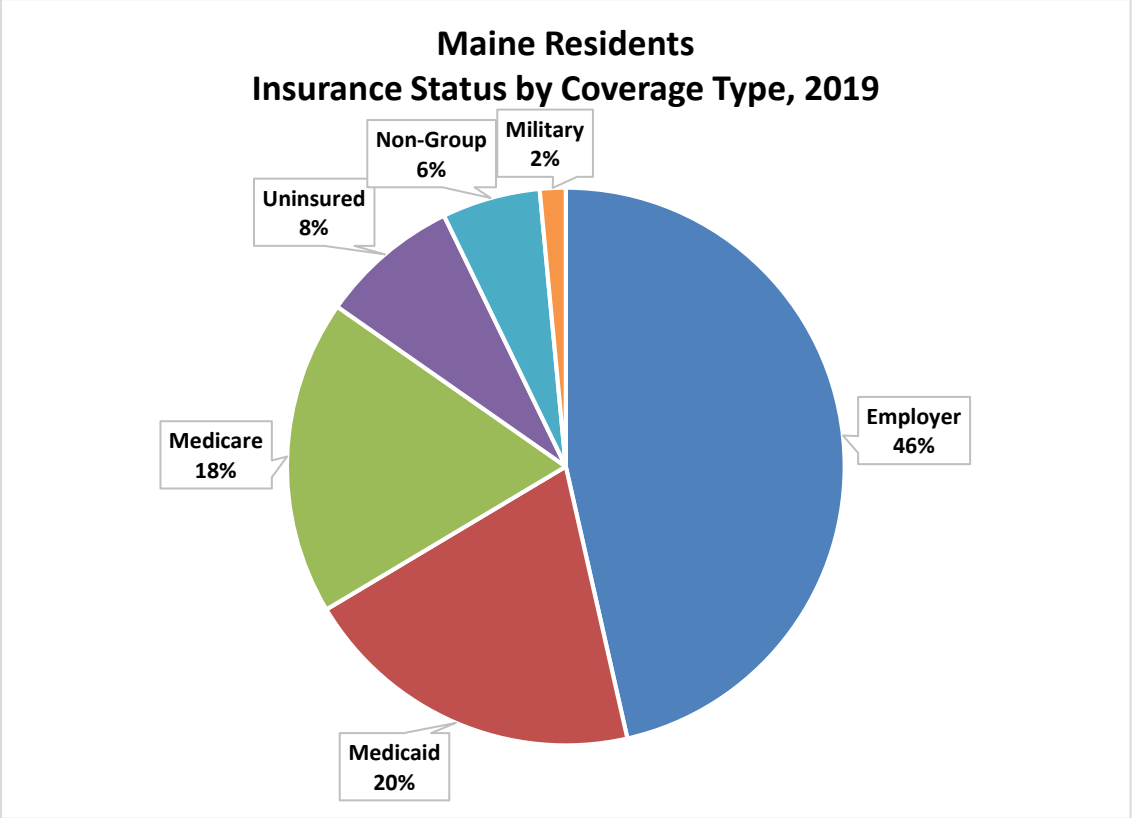


Figure 1: Maine Residents Insurance Status by Coverage Type

Maine and the Affordable Care Act

Over the past few years, Maine has taken a more proactive role in expanding health coverage to more residents. In November 2017, 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 completed during the individual market open enrollment for plan year 2020. As of October 2020, approximately 63,000 residents were covered through the MaineCare eligibility

[17] Kaiser Family Foundation, State Health Facts, 2019.

expansion, and a total of 266,000 Maine residents were receiving health coverage through the MaineCare program.[18]

Maine currently uses 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 has adopted the federal marketplace plan management model, which allows Maine officials to certify and oversee the QHPs that are sold on the exchange.

Legislation approved by the Maine Legislature and signed by the Governor during the 2020 legislative session[19], "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.

The state is in the process of developing the administrative apparatus and technical infrastructure to operate a state-based exchange. For the purpose of this report, however, we have assumed that the state will continue to use the federally-facilitated 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."[20] This includes, but is not limited to, a section 1332 waiver.

Individual Market

As of March 2020, approximately 64,800 residents obtained health insurance through Maine's individual market, a decrease of 18,000 or 22% from March 2017. With the expansion of MaineCare eligibility to adults with income up to 138% of the FPL in 2019,

[18] 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) during the current public health emergency. These rules have likely increased the number of residents covered by state Medicaid programs.
[19] Public Law Chapter 653, "An Act to Enact the Made for Mane Health Coverage Act and Improve Health Choices in Maine," approved by the Governor on March 18, 2020.
[20] 24-A Maine Revised Statutes Annotated (MRSA) chapter 34-A, "State-Federal Health Coverage Partnerships."

a number of adults that had previously obtained coverage in the individual market shifted to the MaineCare program. However, as noted in the chart below, the number of residents purchasing insurance in the individual market has steadily declined each of the past three years.

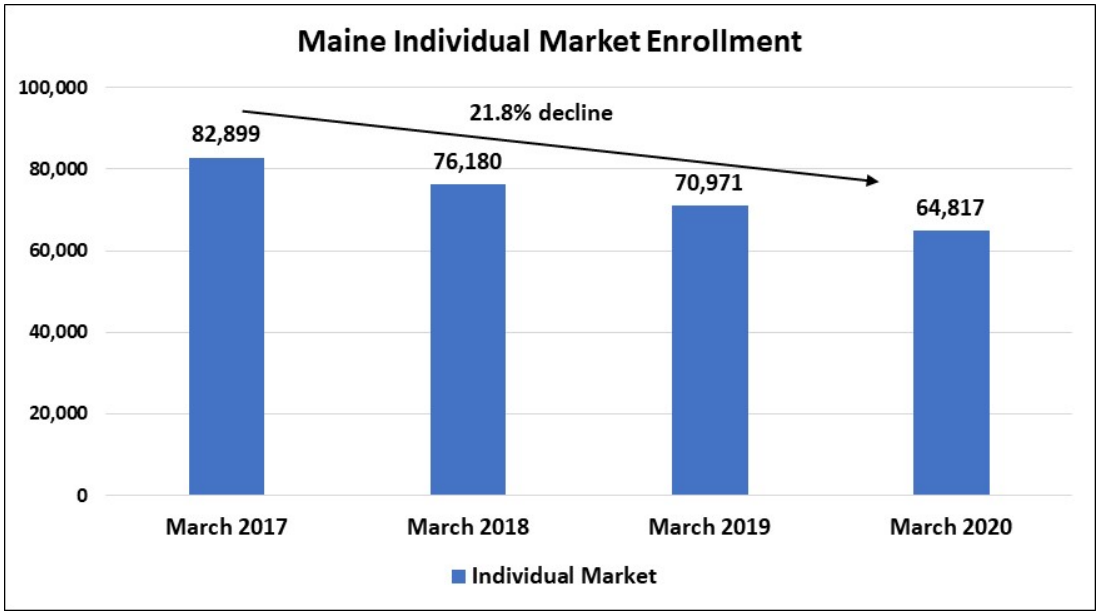


Figure 2: Maine Individual Market Enrollment

More recently, the individual market has been helped by the Maine Guaranteed Access Reinsurance Association (MGARA) reinsurance program, which was reactivated in 2019. This program is 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 2020, the program will cover 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 will cover the net amount of claims not otherwise covered by the federal high-cost risk adjustment program.

The MGARA program is funded in three ways: (1) a $4.00 PMPM assessment that applies across Maine's fully insured and self-insured commercial health insurance markets; (2) premiums from insurers that cede members to the program; and (3) federal 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 in 2021 will decline (-12.5%), based on insurers' rate filings, which follows only small changes in rates in 2019 (1.1%) and 2020 (-0.5%).[21] The rate decrease 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 is 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.[22] The tables below show annual membership for CY 2017 through CY 2019 and average rate changes for 2019, 2020 and 2021.

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

Table 4: Individual Market Average Members by Year and Insurer[23]

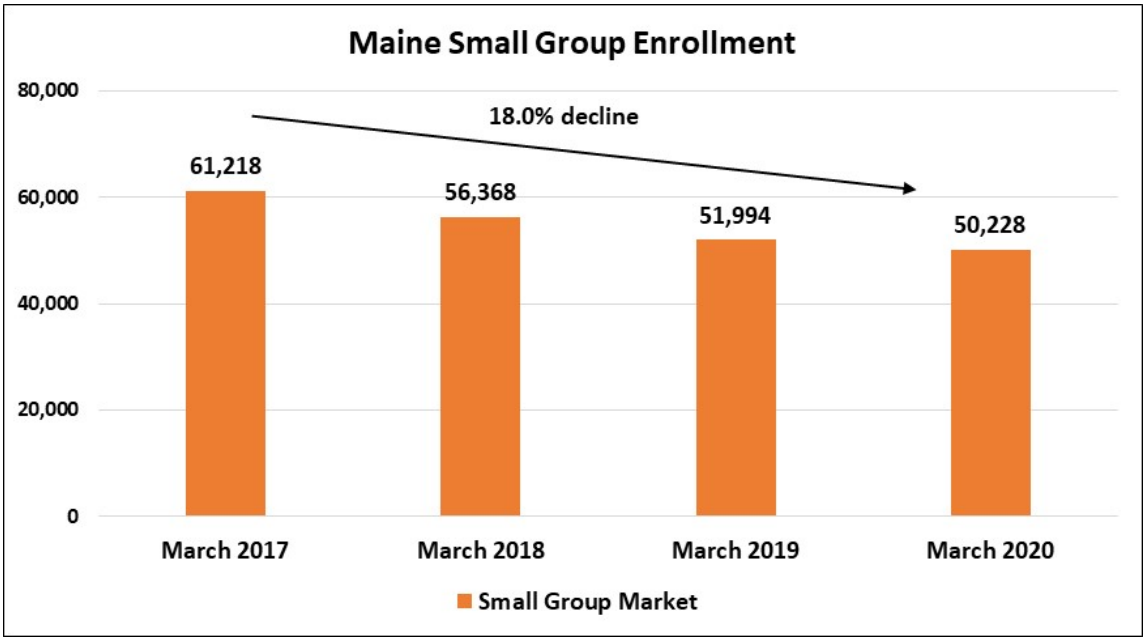
[21] This based on a weighted average of renewing plan rate changes weighted by experience period or current enrollment from Worksheet 2 of the URRTs. Includes both on and off exchange plans.
[22] Aetna Health, Inc.(AHI) offered non-exchange coverage in the Maine individual market in 2017, but exited in 2018. AHI had 11,170 member months in 2017 which are not shown in the table above.
[23] Average members is equal to member months divided by 12.

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

Table 5: Individual Market Average Rate Changes by Year and Insurer[24]

Small Group Market

The small group market in Maine has also experienced significant reductions in membership over the past three 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 50,200 in March 2020, an 18% reduction. From 2017 to 2019, medical costs increased 18%; and the average annual rate increase in the small group market was 11.0% in 2019, 8.8% in 2020, and is projected to be 5.5% in 2021, representing a cumulative increase of 27%.[25]



[24] This based on a weighted average of renewing plan rate changes weighted by experience period or current enrollment from Worksheet 2 of the URRTs. Includes both on and off exchange plans.
[25] Ibid.

Figure 3: Maine Small Group Market Enrollment

Five insurers participate in the small group market – Aetna[26], Anthem, Community Health Options, Harvard Pilgrim Health Care[27], and United Healthcare. The tables below show annual membership for CY 2017 through CY 2019 and average rate changes for 2019, 2020 and 2021.

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

Table 6: Small Group Market Historical Membership by Insurer

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

Table 7: Small Group Market Average Rate Changes by Year and Insurer[28]

[26] There are two Aetna companies operating in the Maine small group market, Aetna Life Insurance Company and Aetna Health, Inc. For purposes of this application, the information provided for Aetna is combined across both companies.
[27] 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 application, the information provided is combined across both companies.
[28] This based on a weighted average of renewing plan rate changes weighted by experience period or current enrollment from Worksheet 2 of the URRTs.

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

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.[29] In addition, the smaller the size of the risk pool the less predictable and less stable premiums will be for that pool.[30, 31] 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 is now experiencing a loss of membership and increasing premiums, which had previously occurred in the individual market, prior to MaineCare Expansion and the implementation of the section 1332 waiver.

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. As described below, Maine proposes combining the individual and small group markets for rate setting and risk adjustment purposes, and layering on top a retrospective claims cost-based reinsurance program.

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 and risk adjustment purposes, and to overlay a retrospective

[29] "Anatomy of a Slow-Motion Health Insurance Death Spiral," H.E. French III and Michael P. Smith, North American Actuarial Journal, 2015.
[30] "Risk Pooling: How Health Insurance in the Individual Market Works", American Academy of Actuaries. Accessed on December 7, 2020. https://www.actuary.org/content/risk-pooling-how-health-insurance-individual-market-works-0
[31] "Health Insurance Markets 101", The Sycamore Institute. Accessed on December 7, 2020. https://www.sycamoreinstitutetn.org/about-us/

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, which assumes there is no section 1332 waiver in effect.[32] The reduction in individual market rates would lower federal spending for Premium Tax Credits (PTC), which generally represents the difference 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 are reduced, premium subsidies provided by the federal government in the form of PTCs decline.

Pooling the markets and applying a retrospective reinsurance program is expected to lower the average individual market premium by 6.6% compared to the baseline. In the small group market, the average premium is projected to decrease 4.2% compared to the baseline.

The net reduction in federal spending from lower PTCs will be used to fund the retrospective reinsurance program. Note that in our federal savings estimates, we account for the reduction in federal exchange user fees that will occur as premiums are reduced.[33]

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

[32] For the purpose of this actuarial analysis, based on the checklist for Section 1332 waiver applications issued by CMS, 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.
[33] Exchange user fees are based on a percentage of premiums for health insurance purchased through the marketplace. Based on the 2022 proposed Notice of Benefit and Payment Parameters released by CMS on November 25, 2020, the user fee percentage is 2.25% for 2022.

With an assessment base of approximately 503,000 covered lives, the $4.00 PMPM assessment is expected to generate $24.1 million in revenue in the first year of the waiver (CY 2022)[34]. A portion of the funds – estimated to be $300,000 annually – will be used to administer the reinsurance program. Premiums in the individual market are estimated to decline 6.6% compared to the baseline, which would generate $21.6 million in net federal savings in 2022. These savings would be combined with the state assessment to fund the reinsurance program.

In 2022, a total of $45.4 million would be available to fund the reinsurance program. Based on current projections, the retrospective reinsurance program was modeled to be structured to reimburse insurers 50% of claims costs between $90,000 and $250,000, with the portion of claims exceeding $250,000 the full responsibility of the health insurer.[35] Based on actual revenues received from the assessment and federal savings generated from lower PTCs, these parameters may be adjusted to ensure reinsurance reimbursements to insurers do not exceed available funding. On an annual basis, Maine will reassess the reinsurance program's parameters to reflect funding available 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 back to the issuer 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 ceding claims 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 are designed to stabilize both the individual and small group markets. Larger insurance pools have less premium volatility from one year to the next, in part because large "shock" claims can be spread over a larger 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 115,000 as of March 2020, which can lead to premium volatility. Combing 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.

[34] Gorman Actuarial received 2019 and YTD 20 assessment collections from MGARA. GA estimates for YE 20 an assessment base of 518 thousand covered lives with an assessment collection of $24.9M. GA has reduced this estimate by 3% to account for the estimated reduction in covered lives from 2020 to 2022.
[35] The MGARA Board will make the final determination of the attachment points with ME BOI approval.

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[36] 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 in 2022; and (2) quantify the effect on premiums from the introduction of a retrospective reinsurance program to the newly pooled market. As noted above, if this section 1332 waiver application is approved by CMS, the current individual market reinsurance program administered by MGARA would be replaced by a combined individual and small group market reinsurance program.

The modeling approach is summarized in the 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 compared to reported 2020 APTC from the 2020 CMS open enrollment period public use files to ensure consistency.[37]

II. Project 2022 APTC assuming no MGARA reinsurance program in place for the individual market. This scenario is referred to as the "baseline." 2022 premium rates were projected by utilizing 2021 rates and rate filing assumptions. March 2020 was used as the starting point for all enrollment assumptions, as this point in time reflects the full impact of MaineCare expansion, which started to take effect in 2019.

III. Analyze the impact of pooling the individual and small group markets in 2022 for each insurer. CY 2019 claims data was used as a starting point with adjustments made to the individual market for morbidity changes resulting from the MaineCare expansion. Individual and small group market claims data were combined for each insurer and normalized for rating factors. This was considered to be the starting point or "base claims" for premium rate development for a pooled market. These results were compared to the base

[36] We utilized assumptions from rate filings submitted by the insurers and provided by the Maine BOI to GA as of August 4, 2020.
[37] CMS website accessed on August 14, 2020: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/2020-Marketplace-Open-Enrollment-Period-Public-Use-Files.

claims for each market separately to estimate the premium impact of pooling markets. These premium impacts were further adjusted for projected changes in risk adjustment.

IV. Project 2022 APTC assuming markets are pooled and a new retrospective reinsurance program is implemented, which would reduce the pooled market premium rates. 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 2022 APTC in the previous step to baseline results for 2022.

VI. Adjust the APTC savings to account for actual PTC. Using data provided by CMS, PTC is projected to be 96.8% of APTC.[38]

VII. Reduce PTC by the loss in exchange user fees. Based on the 2022 proposed Notice of Benefit and Payment Parameters released by CMS on November 25, 2020, the user fee percentage is expected to be 2.25% of premiums for 2022.

VIII. Include the $4.00 PMPM assessment in both the baseline premium rates and the rates with the program when determining the APTC savings.[39]

Enrollment Projections and Assumptions - Individual Market

Table 8 shows the March 2020 enrollment for the individual market. As stated earlier, March 2020 was used as the starting point for all enrollment assumptions, as this point in time reflects the full impact of MaineCare expansion, which started to take effect in early 2019. Data were provided by insurer, income category, age category, metal level and region. In addition, GA incorporated information from CMS open enrollment reports on federal poverty levels. Table 9 shows March 2020 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.

[38] https://www.cms.gov/files/document/summary-2020-pass-through-components-states-3320-update.xlsx.
[39] PL 653 (LD 2007) changed the $4.00 PMPM assessment so that it is no longer contingent on the Section 1332 Innovation Waiver.

Individual Market Enrollment		
		March 2020
On Exchange		
	Members w/APTC	49,457
	Members w/out APTC	8,607
	Total On Exchange	58,064
Off Exchange	Total Off Exchange	6,753
Total On & Off Exchange		64,817

Table 8: Maine Individual Market Enrollment March 2020

Individual Market Enrollment	
	March 2020
On Exchange- Members with APTC	
138% FPL to 150% FPL	8,181
>150% to ≤200% of FPL	15,976
>200% to ≤250% of FPL	11,442
>250% to ≤300% of FPL	6,548
>300%- ≤400% of FPL	7,311
Total	49,457

Table 9: Maine APTC Individual Market Enrollment by FPL March 2020

Based on historical data, normal attrition typically happens during the course of year in the individual market, therefore GA applied a 5% reduction to the March 2020 membership to determine the average enrollment expected over the course of the full calendar year.[40]

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

[40] This is based on reviewing historical enrollment patterns for March 2019 and November 2019.

Individuals that obtain coverage through the ACA marketplace and receive premium subsidies are partially shielded from rate changes – either positive or negative – due to the way APTCs are structured. 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 most likely to retain coverage regardless of changes in premiums.

MaineCare expansion started to take effect in early 2019 and shifted some lower-income adult residents from the individual market to the state's Medicaid program. As of the 2020 open enrollment period for the individual market the vast majority of MaineCare expansion-eligible enrollees have shifted to that program, therefore the model does not anticipate any further impacts to membership in the individual market stemming from the eligibility expansion.

For individuals that do not have access to premium subsidies, the model does not project any significant change in the number of people purchasing coverage on or off the marketplace. While a reduction in premiums resulting from the 1332 waiver could incent some people to enter the market, the model does not make any explicit assumptions about membership growth for non-subsidy eligible individuals. In addition, as noted above, Maine's total population has not changed in a material way over the past ten years. The model does not anticipate an increase in membership resulting from growth in the number of residents.

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.[41]

The combination of these factors suggests the individual market membership should stay relatively steady. While there may be some increase in membership as premiums hold steady and rate volatility is reduced, it is expected to be minimal and therefore the model does not project any near-term increase in membership.[42]

[41] 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.

[42] GA reviewed an elasticity by metal level function presented at a Society of Actuaries training session as well as a take up algorithm from a Council of Economic Advisor Issue Brief. Based on this review, GA is assuming no membership changes.

Premium Trends- Individual Market

The table below shows the CY 2019 average premiums PMPM for the individual market, which is used as the starting point for the overall individual market projections.

Individual Market Average Premium PMPM		
		CY 2019
On Exchange		
	Members w/APTC	
	Member Share of Premium	$98.45
	APTC Share of Premium	$588.83
	Gross Premiums	$687.28
	Members w/out APTC	$537.59
	Total On Exchange	$667.59
Off Exchange	Total Off Exchange	$602.78
Total On & Off Exchange		$660.74

Table 10: Maine Individual Market Average Premium PMPM CY 2019[43]

2022 individual market premiums are developed by starting with 2019 actual reported premiums by insurer. The reported 2019 MGARA reinsurance program impact is then backed out of the CY 2019 premium. A 1% downward adjustment was also made to account for expected improved morbidity in 2020 compared to 2019 due to the final migration of MaineCare expansion enrollees out of the individual market.[44] Premiums are then trended forward from 2019 to 2021 using average rate changes from the 2020 and 2021 rate filings, adjusted for any change in the current MGARA reinsurance program impact assumptions. 2021 premiums are then trended forward at 5.3% to develop the 2022 baseline premiums. The 5.3% is the average of the National Health

[43] APTC was collected from insurers through either YTD September 2019 or YTD November 2019. This was used to estimate CY 2019 APTC Share of Premium APTC PMPM. The member share of premium for members with APTC was estimated using the relationship between APTC and member share of premium for APTC members from the CMS open enrollment reports referenced previously.

[44] This was based on analyzing age adjusted CSR 94 allowed claims to the individual market excluding CSR 94 members and estimating the number of members who transitioned to MaineCare expansion from CY 2019 to CY 2020.

Expenditure's (NHE) projected spending per enrollee trends for employer-sponsor insurance and direct purchase.[45, 46]

For the remainder of the ten-year projection period (2023 through 2031), the model uses the average of the NHE's projected spending per enrollee trends for direct purchase and employer-sponsored insurance. 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.

CY	Individual Market Premium Trends
2020	-0.4%
2021	-8.9%
2022	5.3%
2023	5.3%
2024	5.2%
2025	4.5%
2026	4.6%
2027	4.6%
2028+	4.5%

Table 11: Individual Market Premium Trends[47, 48]

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

[45] Direct purchase includes those with Medicare supplemental coverage and individually-purchased plans, including coverage purchased through the marketplace. While it does include Medicare supplmental coverge, it also reflects individually-purchased plans and these are the trends used in other 1332 Waiver applications including New Hampshire, Oregon and Wisconsin. Since this Maine application is for a pooled individual and small group market, GA determined it is best to use an average of the employer-sponsored insurance and direct purchase trends. Starting around 2026, the NHE trends for the two segments converge and are identical by 2028.

[46] "Table 17, Health Insurance Enrollment and Enrollment Growth Rates," Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group (NHE Projections for 2019 – 2028).

[47] The 2020 and 2021 premium trends are based on the 2020 and 2021 rate filings excluding the impact of the MGARA reinsurance program.

[48] These trends were used to develop the projected premium and PTC estimates for 2031. The projections for the years between 2022 and 2031 were extrapolated based on the 2022 and 2031 estimates.

and rating region. A household's required premium contribution ranges from 3.1% of income for a family at 133% of the federal poverty level (FPL) to 9.8% of income for a family with income of 300% or more of the FPL.

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 GA model accounts for the lower APTC for these enrollees.

GA's model projects the 2022 SLCSP rate under the baseline scenario and under the waiver scenario. For the baseline, GA utilizes the 2021 SLCSP from the 2021 rate filing, removes the impact of the current MGARA program from the rate, and then projects the rate to 2022 using a 5.3% trend. For the waiver scenario, GA adjusts these projected 2022 SLCSP rates for the impact of pooling the markets and for the impact of a retrospective reinsurance program. The SLCSP rates under the baseline and under the waiver are adjusted for rating region distribution and age to calculate the Gross Premium for APTC eligible members. For 2022, the Gross Premum in the baseline is $647 PMPM and the Gross Premium in the waiver scenario is $605 PMPM, a 6.5% reduction.[49]

In 2020, the FPL (at 100%) is $12,760 for an individual and $4,800 for each additional member of the family. For the past ten years, the individual FPL amount has increased an average of 1.8% per year, while the average change for each additional member of the family has been 2.2%.

For 2022, the model assumes a 2.2% increase in FPL and 0.01% to 0.05% increase in the sliding scale percentages, which is based on the actual change over the past two years. For the period from 2023 through 2031, the model assumes 2.0% annual increase in the premium that an individual is expected to pay.

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 their taxes at the end of the year, their advance premium tax credit is then reconciled to their actual earnings. The tax filer receives a tax credit (if APTC is less than PTC) or a payment is due (if APTC is greater than PTC).

[49] This projected 2022 Gross Premiums is incorporated as part of the 2022 overall premium projections described earlier.

To determine PTC, the model makes an adjustment to account for differences between APTC and PTC. CMS reported that PTCs provided to Maine residents were 96.8% of APTCs.[50]

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 scenario – for individuals receiving subsidies through the marketplace is the amount the federal government will save that can then be used to fund the reinsurance program.

Exchange User Fee

To maintain budget neutrality, the federal savings from lower PTCs are adjusted to account for the loss of exchange user fees. These fees are based on a percentage of premiums (2.25% proposed for 2022) for insurance purchased through the marketplace in states that use the federal platform. As premiums are reduced, federal revenue is also reduced. The net federal savings equals the reduction in PTC less the reduction in exchange user fees.

State Assessment

The state's contribution to the reinsurance program will consist 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.[51] The assessment applies to all covered lives in the individual, small group, large group, and self-insured markets, excluding employees and dependents covered by state and federal government employers. Since the $4.00 PMPM is a fixed amount, the value of the state assessment will diminish over time as premiums are expected to continue to rise due to health care trend.

Claims Trend and Reinsurance Program

GA developed reinsurance parameters such that the total reinsurance amount and the resulting estimated average premium reductions across the pooled individual and small group market would equal the reinsurance funding amount ($45.4 million.)

GA collected member level annual incurred claims for CY 2019 for both the individual and small group market. This data was trended forward to 2022 based on a review of

[50] https://www.cms.gov/files/document/summary-2020-pass-through-components-states-3320-update.xlsx.
[51] PL 653 (LD 2007) changed the $4.00 PMPM assessment so that it is no longer contingent on the Section 1332 Innovation Waiver.

historical claims and premium trends. GA evaluated incurred and allowed claims trends for the past several years in Maine 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 5.0%. Projected premium trends from 2019 to 2022 for the combined individual and small group markets is 4.6% cumulative over these three years. GA evaluated this information and assumed a 6% overall trend to project the 2019 claims to 2022 in the reinsurance modeling.

GA applied the proposed reinsurance parameters to each member's annual claims to determine the estimated reinsurance amount in CY 2022.[52] The proposed parameters are 50% of claims costs between $90,000 and $250,000.

2022 Membership and Premium Projections- Individual Market

2022 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. The GA model accounts for the lower APTC for these enrollees.

[52] 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. GA was able to test the reinsurance paraemeters both including and excluding the CSR 94% population and deteremined there was no material impact. GA was also able to test parameters on other data sources.

2022 Individual Market Projections			
	Baseline- without waiver	With Pooled Market & Reinsurance - After Waiver	% Change
Average Annual Enrollment			
On Exchange			
Members w/APTC	46,928	46,928	0.0%
Members w/out APTC	8,177	8,177	0.0%
Total On Exchange	55,105	55,105	0.0%
Off Exchange Total Off Exchange	6,415	6,415	0.0%
Total On & Off Exchange	61,520	61,520	0.0%
Average Premium PMPM			
On Exchange			
Members w/APTC			
Member Share of Premium	$121.03	$119.78	-1.0%
APTC Share of Premium	$525.77	$485.07	-7.7%
Gross Premiums	$646.80	$604.85	-6.5%
Members w/out APTC	$527.26	$488.68	-7.3%
Total On Exchange	$629.06	$587.62	-6.6%
Off Exchange Total Off Exchange	$607.40	$565.31	-6.9%
Total On & Off Exchange	$626.80	$585.29	-6.6%
Total Annual Premium			
On Exchange			
Members w/APTC			
Member Share of Premium	$68,158,516	$67,453,986	-1.0%
APTC Share of Premium	$296,079,332	$273,161,769	-7.7%
Gross Premiums	$364,237,848	$340,615,755	-6.5%
Members w/out APTC	$51,734,408	$47,949,060	-7.3%
Total On Exchange	$415,972,256	$388,564,814	-6.6%
Off Exchange Total Off Exchange	$46,760,170	$43,520,263	-6.9%
Total On & Off Exchange	$462,732,425	$432,085,077	-6.6%

Table 12: Maine Indiviudal Market 2022 Projections- Baseline (No Waiver) and With Waiver[53]

[53] Note that the average member share of premium increases in 2022 compared to 2019 due to several factors: (1) trend of the FPL and sliding scale percentages; (2) a small number of lower income enrollees 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.

Small Group Market

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. As premiums in Maine's small group market have increased in recent years 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 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 QHPs 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 4.2% below the baseline in 2022 for the small group market. This rate reduction will help stabilize the market.

Table 13 shows small group market enrollment in Maine as of March 2020. Similar to the individual market projections, March 2020 is used as the starting pointing for the enrollment projections. Given the relatively small changes in premium projected, GA has assumed that the small group market membership should stay relatively steady and not decline like it has been doing over the past few years. While there may be some increase in membership as premiums hold steady and rate volatility is reduced, similar to the individual market it is expected to be minimal and therefore the model does not project any near-term increase in membership.[54]

Small Group Market	
	March 2020
Total Enrollment	50,228

Table 13: Maine Small Group Market Enrollment March 2020[55]

The table below shows the CY 2019 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 2019
Total	$484.42

Table 14: Maine Small Group Market Average Premium PMPM CY 2019[56]

2022 small group market premiums are developed by starting with 2019 actual reported premiums. Premiums are then trended forward from 2019 to 2021 using average rate changes from the 2020 and 2021 rate filings and adjusting for benefit buy down.[57] Consistent with the individual market, the 2021 premiums are then trended forward at 5.3% to develop the 2022 baseline premiums. The 5.3% is the average of the NHE's

[54] GA reviewed an elasticity by metal level function presented at a Society of Actuaries training session as well as a take up algorithm from a Council of Economic Advisor Issue Brief. Based on this review, GA is assuming no membership changes.
[55] In March 2020, approximately 0.4% of the Maine small group enrollment was on exchange therefore the small group on exchange population was not analyzed separately and is included as part of the small group analysis throughout this report.
[56] Note that the benchmark plan in the Small Group Market is 2021 is the Anthem Blue Choice Silver PPO plan (HIOS ID: 48396ME0780100) with a 2021calibrated plan adjusted index rate of $414.70.
[57] Benefit buy down was estimated by comparing 2019 average rate changes from the rate filings to actual 2019 premium yield.

projected spending per enrollee trends for employer-sponsor insurance and direct purchase.[58, 59] The remainder of the ten-year projection period (2023 through 2031) uses NHE trends as shown previously in Table 11. 2022 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).

2022 Small Group Market Projections			
	Baseline- without waiver	With Pooled Market & Reinsurance - After Waiver	% Change
Average Annual Enrollment	50,228	50,228	0.0%
Average Premium PMPM	$562.49	$538.89	-4.2%
Total Annual Premium	$339,031,290	$324,805,514	-4.2%

Table 15: Maine Small Group Market 2022 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 at least as comprehensive 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.

[58] Direct purchase includes those with Medicare supplemental coverage and individually-purchased plans, including coverage purchased through the marketplace. While it does include Medicare supplmental coverge, it also reflects individually-purchased plans and these are the trends used in other 1332 Waiver applications including New Hampshire, Oregon and Wisconsin. Since this Maine application is for a pooled individual and small group market, GA determined it is best to use an average of the employer-sponsored insurance and direct purchase trends. Starting around 2026, the NHE trends for the two segments converge and are identical by 2028.

[59] "Table 17, Health Insurance Enrollment and Enrollment Growth Rates," Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group (NHE Projections for 2019 – 2028).

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 premiums will decline 6.6% in the individual market and by 4.2% in the small group market. The waiver will not alter the ACA's cost-sharing protections.

By stabilizing premiums, the model projects that at least as many residents will be covered under the waiver as would be covered without the waiver (*Scope*). While the model conservatively projects membership will remain stable, lower premiums could increase the number of residents covered.

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 adjusted by reductions in federal exchange user fees. Premiums in the individual market will be 6.6% lower than premiums under the baseline scenario in 2022. The tables on the following pages demonstrate how the waiver proposal addresses the deficit neutrality requirement.

Budget Neutrality Projection, 2022-2026					
	2022	2023	2024	2025	2026
Baseline (without waiver)- Individual Market Total Annual Premium					
Members w/APTC					
Gross Premiums	$364,237,848	$381,274,445	$399,107,899	$417,775,483	$437,316,211
Member Share of Premium	$68,158,516	$68,977,040	$69,805,393	$70,643,694	$71,492,063
APTC Share of Premium	$296,079,332	$312,297,405	$329,302,506	$347,131,789	$365,824,148
Total PTC	$286,604,793	$302,303,888	$318,764,826	$336,023,571	$354,117,775
Total On & Off Exchange	$462,732,425	$484,375,937	$507,031,786	$530,747,323	$555,572,114
Baseline (without waiver)- Small Group Market Total Annual Premium					
Total	$339,031,290	$354,888,894	$371,488,210	$388,863,930	$407,052,370
After Waiver With Pooled Market & Reinsurance- Individual Market Total Annual Premium					
Members w/APTC					
Gross Premiums	$340,615,755	$357,174,968	$374,539,216	$392,747,637	$411,841,269
Member Share of Premium	$67,453,986	$68,239,966	$69,035,104	$69,839,508	$70,653,284
APTC Share of Premium	$273,161,769	$288,935,002	$305,504,112	$322,908,129	$341,187,985
Total PTC	$264,420,592	$279,689,082	$295,727,981	$312,575,069	$330,269,969
PTC Savings	$22,184,201	$22,614,806	$23,036,845	$23,448,502	$23,847,806
Exchange Fee Adjustment	$616,667	$629,279	$641,691	$653,857	$665,723
Net Federal Funding	$21,567,533	$21,985,527	$22,395,154	$22,794,646	$23,182,083
State Funding	$23,825,575	$23,825,575	$23,825,575	$23,825,575	$23,825,575
Total Reinsurance	$45,393,108	$45,811,101	$46,220,729	$46,620,220	$47,007,658
Total On & Off Exchange	$432,085,077	$453,099,025	$475,134,961	$498,242,590	$522,474,031
After Waiver With Pooled Market & Reinsurance- Small Group Market Total Annual Premium					
Total	$324,805,514	$340,675,763	$357,321,444	$374,780,447	$393,092,510

Budget Neutrality Projection, 2027-2031					
	2027	2028	2029	2030	2031
Baseline (without waiver)- Total Annual Premium					
Members w/APTC					
Gross Premiums	$457,770,922	$479,182,368	$501,595,297	$525,056,552	$549,615,166
Member Share of Premium	$72,350,620	$73,219,487	$74,098,789	$74,988,650	$75,889,197
APTC Share of Premium	$385,420,303	$405,962,881	$427,496,508	$450,067,902	$473,725,969
Total PTC	$373,086,853	$392,972,069	$413,816,620	$435,665,729	$458,566,738
Total On & Off Exchange	$581,558,041	$608,759,416	$637,233,088	$667,038,566	$698,238,145
Baseline (without waiver)- Total Annual Premium					
Total	$426,091,543	$446,021,240	$466,883,114	$488,720,767	$511,579,838
After Waiver With Pooled Market & Reinsurance- Total Annual Premium					
Members w/APTC					
Gross Premiums	$431,863,148	$452,858,402	$474,874,350	$497,960,616	$522,169,232
Member Share of Premium	$71,476,543	$72,309,394	$73,151,950	$74,004,324	$74,866,629
APTC Share of Premium	$360,386,605	$380,549,007	$401,722,400	$423,956,292	$447,302,603
Total PTC	$348,854,234	$368,371,439	$388,867,283	$410,389,691	$432,988,920
PTC Savings	$24,232,619	$24,600,629	$24,949,337	$25,276,038	$25,577,818
Exchange Fee Adjustment	$677,234	$688,328	$698,941	$709,001	$718,431
Net Federal Funding	$23,555,385	$23,912,301	$24,250,395	$24,567,037	$24,859,387
State Funding	$23,825,575	$23,825,575	$23,825,575	$23,825,575	$23,825,575
Total Reinsurance	$47,380,960	$47,737,876	$48,075,970	$48,392,612	$48,684,962
Total On & Off Exchange	$547,883,942	$574,529,634	$602,471,208	$631,771,690	$662,497,166
After Waiver With Pooled Market & Reinsurance- Small Group Market Total Annual Premium					
Total	$412,299,314	$432,444,578	$453,574,155	$475,736,140	$498,980,976

Table 16: Budget Neutrality Projection, 2022-2031[60]

6. Ten Year Projections

The tables below show the membership and premium projections for 2022 through 2031 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.

[60] Since GA assumed no future membership changes and the $4.00 PMPM state assessment is fixed, the total dollar amount of state funding does not change over time. The total value of the reinsurance program increases as at lower rate than trend given the fixed state assessment and the impact this has on the net federal funding.

2022-2026 Baseline (without Waiver)					
	2022	2023	2024	2025	2026
Individual Market Average Annual Enrollment					
On Exchange					
Members w/APTC	46,928	46,928	46,928	46,928	46,928
Members w/out APTC	8,177	8,177	8,177	8,177	8,177
Total On Exchange	55,105	55,105	55,105	55,105	55,105
Off Exchange Total Off Exchange	6,415	6,415	6,415	6,415	6,415
Total On & Off Exchange	61,520	61,520	61,520	61,520	61,520
Small Group Market Average Annual Enrollment	50,228	50,228	50,228	50,228	50,228
Individual Market Average Premium PMPM					
On Exchange					
Members w/APTC					
Member Share of Premium	$121.03	$122.49	$123.96	$125.45	$126.95
APTC Share of Premium	$525.77	$554.57	$584.76	$616.42	$649.62
Gross Premiums	$646.80	$677.05	$708.72	$741.87	$776.57
Members w/out APTC	$527.26	$551.92	$577.73	$604.76	$633.04
Total On Exchange	$629.06	$658.49	$689.29	$721.53	$755.27
Off Exchange Total Off Exchange	$607.40	$635.81	$665.55	$696.68	$729.26
Total On & Off Exchange	$626.80	$656.12	$686.81	$718.93	$752.56
Small Group Market Average Premium PMPM	$562.49	$588.80	$616.34	$645.16	$675.34
Individual Market Total Annual Premium					
On Exchange					
Members w/APTC					
Member Share of Premium	$68,158,516	$68,977,040	$69,805,393	$70,643,694	$71,492,063
APTC Share of Premium	$296,079,332	$312,297,405	$329,302,506	$347,131,789	$365,824,148
Gross Premiums	$364,237,848	$381,274,445	$399,107,899	$417,775,483	$437,316,211
Members w/out APTC	$51,734,408	$54,154,196	$56,687,165	$59,338,610	$62,114,071
Total On Exchange	$415,972,256	$435,428,641	$455,795,065	$477,114,093	$499,430,282
Off Exchange Total Off Exchange	$46,760,170	$48,947,296	$51,236,721	$53,633,230	$56,141,832
Total On & Off Exchange	$462,732,425	$484,375,937	$507,031,786	$530,747,323	$555,572,114
Small Group Market Total Annual Premium	$339,031,290	$354,888,894	$371,488,210	$388,863,930	$407,052,370

2027-2031 Baseline (without Waiver)					
	2027	2028	2029	2030	2031
Individual Market Average Annual Enrollment					
On Exchange					
Members w/APTC	46,928	46,928	46,928	46,928	46,928
Members w/out APTC	8,177	8,177	8,177	8,177	8,177
Total On Exchange	55,105	55,105	55,105	55,105	55,105
Off Exchange Total Off Exchange	6,415	6,415	6,415	6,415	6,415
Total On & Off Exchange	61,520	61,520	61,520	61,520	61,520
Small Group Market Average Annual Enrollment	50,228	50,228	50,228	50,228	50,228
Individual Market Average Premium PMPM					
On Exchange					
Members w/APTC					
Member Share of Premium	$128.48	$130.02	$131.58	$133.16	$134.76
APTC Share of Premium	$684.42	$720.90	$759.13	$799.22	$841.23
Gross Premiums	$812.89	$850.92	$890.72	$932.38	$975.99
Members w/out APTC	$662.65	$693.65	$726.09	$760.05	$795.60
Total On Exchange	$790.60	$827.58	$866.29	$906.81	$949.22
Off Exchange Total Off Exchange	$763.37	$799.08	$836.46	$875.58	$916.53
Total On & Off Exchange	$787.76	$824.61	$863.18	$903.55	$945.81
Small Group Market Average Premium PMPM	$706.93	$739.99	$774.61	$810.84	$848.76
Individual Market Total Annual Premium					
On Exchange					
Members w/APTC					
Member Share of Premium	$72,350,620	$73,219,487	$74,098,789	$74,988,650	$75,889,197
APTC Share of Premium	$385,420,303	$405,962,881	$427,496,508	$450,067,902	$473,725,969
Gross Premiums	$457,770,922	$479,182,368	$501,595,297	$525,056,552	$549,615,166
Members w/out APTC	$65,019,349	$68,060,517	$71,243,931	$74,576,242	$78,064,418
Total On Exchange	$522,790,272	$547,242,885	$572,839,227	$599,632,794	$627,679,584
Off Exchange Total Off Exchange	$58,767,770	$61,516,531	$64,393,860	$67,405,772	$70,558,561
Total On & Off Exchange	$581,558,041	$608,759,416	$637,233,088	$667,038,566	$698,238,145
Small Group Market Total Annual Premium	$426,091,543	$446,021,240	$466,883,114	$488,720,767	$511,579,838

Table 17: 2022-2031 Projections Baseline (without Waiver)

2022-2026 After Waiver With Pooled Market & Reinsurance						
		2022	2023	2024	2025	2026
Individual Market Average Annual Enrollment						
On Exchange						
	Members w/APTC	46,928	46,928	46,928	46,928	46,928
	Members w/out APTC	8,177	8,177	8,177	8,177	8,177
	Total On Exchange	55,105	55,105	55,105	55,105	55,105
Off Exchange	Total Off Exchange	6,415	6,415	6,415	6,415	6,415
Total On & Off Exchange		61,520	61,520	61,520	61,520	61,520
Small Group Market Average Annual Enrollment		50,228	50,228	50,228	50,228	50,228
Individual Market Average Premium PMPM						
On Exchange						
	Members w/APTC					
	Member Share of Premium	$119.78	$121.18	$122.59	$124.02	$125.46
	APTC Share of Premium	$485.07	$513.08	$542.50	$573.41	$605.87
	Gross Premiums	$604.85	$634.26	$665.09	$697.43	$731.33
	Members w/out APTC	$488.68	$512.49	$537.47	$563.66	$591.13
	Total On Exchange	$587.62	$616.19	$646.16	$677.58	$710.53
Off Exchange	Total Off Exchange	$565.31	$592.83	$621.68	$651.94	$683.67
Total On & Off Exchange		$585.29	$613.75	$643.60	$674.90	$707.73
Small Group Market Average Premium PMPM		$538.89	$565.22	$592.83	$621.80	$652.18
Individual Market Total Annual Premium						
On Exchange						
	Members w/APTC					
	Member Share of Premium	$67,453,986	$68,239,966	$69,035,104	$69,839,508	$70,653,284
	APTC Share of Premium	$273,161,769	$288,935,002	$305,504,112	$322,908,129	$341,187,985
	Gross Premiums	$340,615,755	$357,174,968	$374,539,216	$392,747,637	$411,841,269
	Members w/out APTC	$47,949,060	$50,285,708	$52,736,226	$55,306,162	$58,001,336
	Total On Exchange	$388,564,814	$407,460,676	$427,275,442	$448,053,799	$469,842,605
Off Exchange	Total Off Exchange	$43,520,263	$45,638,348	$47,859,519	$50,188,791	$52,631,427
Total On & Off Exchange		$432,085,077	$453,099,025	$475,134,961	$498,242,590	$522,474,031
Small Group Market Total Annual Premium		$324,805,514	$340,675,763	$357,321,444	$374,780,447	$393,092,510

2027-2031 After Waiver With Pooled Market & Reinsurance					
	2027	2028	2029	2030	2031
Individual Market Average Annual Enrollment					
On Exchange					
Members w/APTC	46,928	46,928	46,928	46,928	46,928
Members w/out APTC	8,177	8,177	8,177	8,177	8,177
Total On Exchange	55,105	55,105	55,105	55,105	55,105
Off Exchange Total Off Exchange	6,415	6,415	6,415	6,415	6,415
Total On & Off Exchange	61,520	61,520	61,520	61,520	61,520
Small Group Market Average Annual Enrollment	50,228	50,228	50,228	50,228	50,228
Individual Market Average Premium PMPM					
On Exchange					
Members w/APTC					
Member Share of Premium	$126.93	$128.40	$129.90	$131.41	$132.95
APTC Share of Premium	$639.96	$675.77	$713.37	$752.85	$794.30
Gross Premiums	$766.89	$804.17	$843.27	$884.26	$927.25
Members w/out APTC	$619.93	$650.15	$681.83	$715.05	$749.90
Total On Exchange	$745.08	$781.32	$819.31	$859.15	$900.93
Off Exchange Total Off Exchange	$716.94	$751.83	$788.42	$826.79	$867.03
Total On & Off Exchange	$742.15	$778.24	$816.09	$855.78	$897.40
Small Group Market Average Premium PMPM	$684.05	$717.47	$752.53	$789.29	$827.86
Individual Market Total Annual Premium					
On Exchange					
Members w/APTC					
Member Share of Premium	$71,476,543	$72,309,394	$73,151,950	$74,004,324	$74,866,629
APTC Share of Premium	$360,386,605	$380,549,007	$401,722,400	$423,956,292	$447,302,603
Gross Premiums	$431,863,148	$452,858,402	$474,874,350	$497,960,616	$522,169,232
Members w/out APTC	$60,827,851	$63,792,107	$66,900,817	$70,161,020	$73,580,099
Total On Exchange	$492,690,999	$516,650,508	$541,775,167	$568,121,636	$595,749,331
Off Exchange Total Off Exchange	$55,192,943	$57,879,125	$60,696,041	$63,650,054	$66,747,835
Total On & Off Exchange	$547,883,942	$574,529,634	$602,471,208	$631,771,690	$662,497,166
Small Group Market Total Annual Premium	$412,299,314	$432,444,578	$453,574,155	$475,736,140	$498,980,976

Table 18: 2022-2031 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 assumptons 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 2022 developed rates may also vary from what was assumed.

8. Actuarial Certification

Reliance

In the analysis described in this report, GA relied on information provided by the Maine health insurers, the ME 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 effective 2022 in the Maine indiviudal and small group markets. This initiative would mandate and standardize plan designs in both markets. 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 specific plan 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 and proposed regulatory environment as of Februry 2021. 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 Maine 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

Membership Shifts and Scenario Testing

As mentioned earlier, the individual and small group markets in Maine are relatively small. Any shifts or changes in membership could lead to different results, especially in light of the economic disruption and uncertainty caused by the COVID-19 pandemic. Due to this dynamic environment, GA tested several different possible scenarios and describes two of the scenarios below. Scenario A was intended to reflect potential changes in the economy due to COVID-19 and Scenario B was intended to reflect a "worst case scenario" for the individual market. The table below summarizes the assumptions underlying the two scenarios. Assumptions were made around market size and the health status of enrollees exiting the small group market. Under Scenario A, GA has assumed that those enrollees who lose small group coverage are less healthy than those who remain. GA has assumed that all of these individuals enroll in coverage through the individual market with the assistance of federally-funded APTC. Under Scenario B, a significant number of small employers leave the fully-insured market for other alternatives; as a result, those enrollees who leave the small group market are healthier on average than those who remain, and they do not transition into the commercially-insured individual market. In both Scenario A and Scenario B, GA has assumed that the effects of the current MGARA program remain the same in 2022 as the insurers assumed in the 2021 rate filings.

	Scenario A	Scenario B
Change in Small Group Market Size	Decrease 5%	Decrease 15%
Health Status of the Small Group Enrollees who EXIT the market	50% less healthy than average	20% healthier than average
Change in Individual Market Size	Increase 5%	No Change
Health Status of the Individual Enrollees who ENTER the market	Equivalent to the Small Group Market Enrollees who exited	No Change
Advance Premium Tax Credit (APTC)	All New Individual Market Enrollees Eligible for APTC	N/A

Table 19: Scenario Testing Assumptions

Based on these assumptions, for Scenario A, the individual market rates would decrease by higher percentage in 2022 compared to the estimates provided in this application. Under Scenario B, the individual rates would decrease by a lower percentage in 2022 compared to the estimates provided in this application. A key finding is that in all scenarios tested, the premium rates with the wavier for the individual market are lower than rates in the baseline.

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.

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.