

# Maine Individual and Small Group Market Modeling September 3, 2020

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# Background

## **Maine small group market**

- 18% decline in membership between March 2017 and March 2020
- 18.3% increase in claims costs between 2017 and 2019
- Cumulative average rate change of 24% between 2019 and 2021

## **Maine individual market**

- 22% decline in membership between March 2017 and March 2020 (some of this decline due to MaineCare Expansion)
- 5.5% increase in claim costs between 2017 and 2019
- Cumulative average rate change of -15% between 2019 and 2021
- Individual market assisted by the MGARA reinsurance

# Background

## **Maine individual and small group market sizes are small**

- 65K in the individual market and 50K in the small group market
- Market stability a potential concern

*ME BOI engaged Gorman Actuarial (GA) to model impact of pooling individual and small group markets and overlay retrospective reinsurance program onto the pooled market*

<https://www.maine.gov/pfr/insurance/news-public-notice/other-news-and-updates/merged-markets-options>

# Data and Methodology

## Data Sources

- Insurer Data, Rate Filings, CMS Reports, BOI 940 and 945 Reports
- Discussions with insurer actuaries

## Methodology

- Analyzed the impact of pooling markets
- Developed a “bottom up” model to estimate APTC and federal pass through savings from pooling the markets and a reinsurance program
- The federal pass through savings calculated above along with the \$4 PMPM assessment provides the funding for the policy
- Modeling was an iterative process
- Performed scenario testing on results

# Modeling Approach

A. Individual Market Premiums and SLCS with no reinsurance => APTC

B. Individual Market Premiums and SLCS with proposed policy (pooled market & reinsurance) => APTC

$C = A - B$   
Federal Funding through a 1332 Waiver  
\$23.9 million from Table 3

D. \$4 PMPM Assessment  
\$22 million Table 3

$E = C + D$   
Total Value of Proposed Reinsurance Program  
\$45.9 million from Table 3 = 5.6% of Projected Premium in 2022

## KEY POINTS:

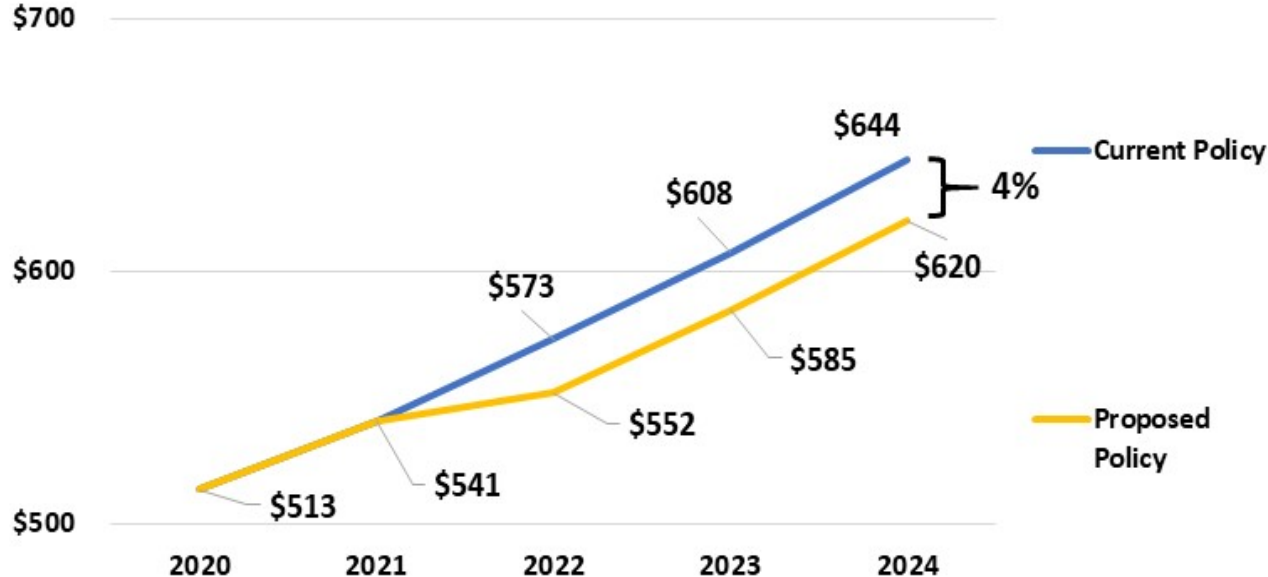
- Iterative or circular process: Change reinsurance assumption so that total value of the reinsurance program (E) equals the value of the pass through funding plus the assessment (C + D)
- GA modeling approach is to maximize federal funding
- The more the individual market premiums decrease in B, the more federal pass through funding

**SLCS = second lowest cost silver plan**  
**APTC = advanced premium tax credits**



# Small Group Market Premium Results

## Small Group Market Projected Premiums

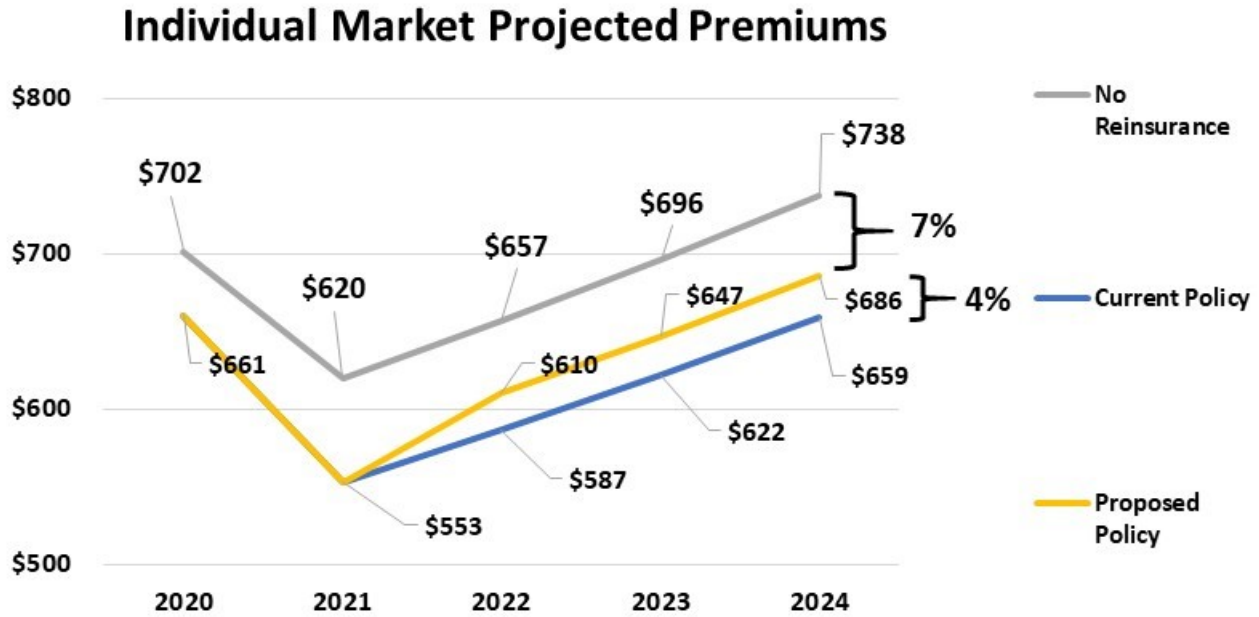


- Blue line: Small Group Market with no intervention (Current Policy)
- Yellow line: Small Group Market with policy changes (Proposed Policy) which combines individual and small group markets into one rating pool and overlays a retrospective reinsurance
- GA's best estimate projects a 4% decrease in the small group market rates as a result of the proposed policy compared to status quo beginning in 2022 (year the policy would take effect)

Assumed a 6% underlying premium trend from 2022 to 2024. The \$4 .00 PMPM assessment is included in all premiums. Premium have been rounded to the nearest dollar in this chart and measure the average per-member, per-month premium.



# Individual Market Premium Results



- Gray Line: Individual Market with no MGARA program or pooled market in place.
- Blue line: Individual Market rates with MGARA (Current Policy)
- Yellow line: Individual Market with policy changes (Proposed Policy) which combines individual and small group markets into one rating pool and overlays a retrospective reinsurance
- GA's best estimate projects a 7% decrease in the individual market rates compared to a scenario with no MGARA in place and a 4% increase in rates compared to the current policy

Assumed a 6% underlying premium trend from 2022 to 2024. The \$4 .00 PMPM assessment is included in all premiums. Premium have been rounded to the nearest dollar in this chart and measure the average per-member, per-month premium.

# Comparison of Current MGARA Program to Proposed Policy

	Current MGARA Program	Proposed Policy
Assessment on Fully Insured and Self Insured Commercial Markets	\$4.00 PMPM	\$4.00 PMPM
Premium Relief for which Markets?	Individual	Pooled Individual & Small Group Markets
Federal Funding	Yes	Yes
Premium Charge to Insurers for Reinsured Members	Yes	No
Type of Reinsurance Program	Prospective	Retrospective
Individual Market Premium Reduction	11%	7%
Small Group Market Premium Reduction	None	4%



# Disclosures and Limitations



# Limitations and Data Reliance

Gorman Actuarial prepared this presentation for use by the Maine BOI. While we understand that this document may be distributed to third parties, Gorman Actuarial assumes no duty or liability to any third parties who receive the information herein. This report should only be distributed in its entirety.

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.

Analysis in this report was based on data provided by the Maine BOI, insurers in the Maine health insurance markets, and other public sources. Gorman Actuarial has not audited this information for accuracy. We have 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.

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.

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 August 2020. If subsequent changes are made, these statements may not appropriately represent the expected future state.

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.





# Qualifications

This study includes results based on actuarial analyses conducted by Jennifer Smagula and Bela Gorman, 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.

