MGARA

Maine Guaranteed Access Reinsurance Association

Comments Regarding
Maine Bureau of Insurance
L.D. 2007 (P.L. 2019, ch. 653)

Steps for Implementing the Pooled Market (24-A M.R.S. § 2792)
and
Section 1332 Waiver (24-A M.R.S. §§ 2792 and 2781)

September 3, 2020

Overview MGARA Comments

Introductions and Scope:

- Chris Howard – Conveying Board Perspectives
- Dave Williams – Milliman Actuarial Analysis

Preface to Board Perspectives:

- Recognition that this Policy Initiative is the Superintendent's Decision – the Board is offering its observations and perspectives to aid in decision-making
- MGARA Board stands ready to implement whichever decision the Superintendent makes to the best of its ability

MGARA Perspectives – Analysis Context

- Board appreciated the opportunity for consulting actuaries for both the Bureau and MGARA to provide independent (but coordinated) analyses
- Gorman and Milliman applied different methodologies in their analysis, they came to relatively similar results, <u>but there are some notable differences</u>.
- Gorman analysis focuses (quite appropriately) on the year 2022, which is the measuring stick for LD 2007 decision-making criterion
- Board tasked Milliman with a slightly different job - evaluate the overall impact on MGARA and its effectiveness.

Fundamental Concern

- Merger will provide some modest relief to the Small Group Market, however at the cost of significantly reducing MGARA's ability to deliver benefit to the Individual Market by a margin of approximately 30% to 50% .
- That reduction is in large part due to:
  - a reduction in Section 1332 pass-through payments, which Milliman is projecting at $5.4 million vs. Gorman's projection of $23.9 million,
  - a significant draw down of surplus (estimated at $18.5 million in year one of operations) and
  - a significant increase in attachment points from the current level of $65,000/$95,000 to an estimated $350,000 in the first year following the merger, and in the range of $485,000 in our second year of operation, which would also be indicative of future years' attachment points.

Resulting Volatility = Less MGARA Value to Carriers

- MGARA will be heavily reliant on increases in attachment points in order to operate on an actuarially sound basis
- This will introduce year-to-year volatility into MGARA’s operations that we believe is likely to reduce the “value” attributed to MGARA by the member insurers
- The value that carriers place on MGARA’s program is a critical element in maximizing the Section 1332 pass-through payments from the federal government
- As attachment points fluctuate - could be serious downward pressure on the value of the program and pass-through payments

MGARA Value Per Life Per Month

MGARA value per life per month

	$65K/$95K 2020	$65K/$95K 2021	$350K 2022
Revenue			
Regular Assessment	22.4	22.2	22.2
Premiums	37.9	39.3	0
Grant Revenue	26.3	28.3	5.4
Total Revenue	86.6	89.8	27.6
Expenditures			
Claims Incurred	80.9	80.9	45.5
Fees	0.6	0.6	0.6
Total Expenditures	81.5	81.5	46.1
Revenue Less Expenditures	5.1	8.3	(18.5)
Beginning Surplus	29.9	35.0	43.3
Ending Surplus	35.0	43.3	24.8
RBC Ratio	530%	776%	528%
Ceded Lives	5,290	5,280	0
Average Individual Market-Wide Premium	$847	$689	$756
MGARA Value to Market	$40.1	$38.7	$40.3
Market Lives	60,000	59,800	108,900
MGARA Value Per Life Per Month	$56	$54	$31

MGARA value per life per month

$56	$54	$31
2020	2021	2022

Factors Driving this Result

The key drivers of this result are a combination of factors, not any single factor:

- Increase in MGARA lives 64,000+/- to over 100,000
- Fixed assessment at $4 PMPM which was established to address a 2012 environment and continues to degrade
- Reductions in 1332 Grant revenue
- Elimination of ceding premium - which serves as an important <u>stabilizing factor</u> by helping to keep attachment points at a lower, more effective level
- Individual market’s loss of a material percentage of its most subsidized lives to Medicaid
- No APTC from small group lives added to the program

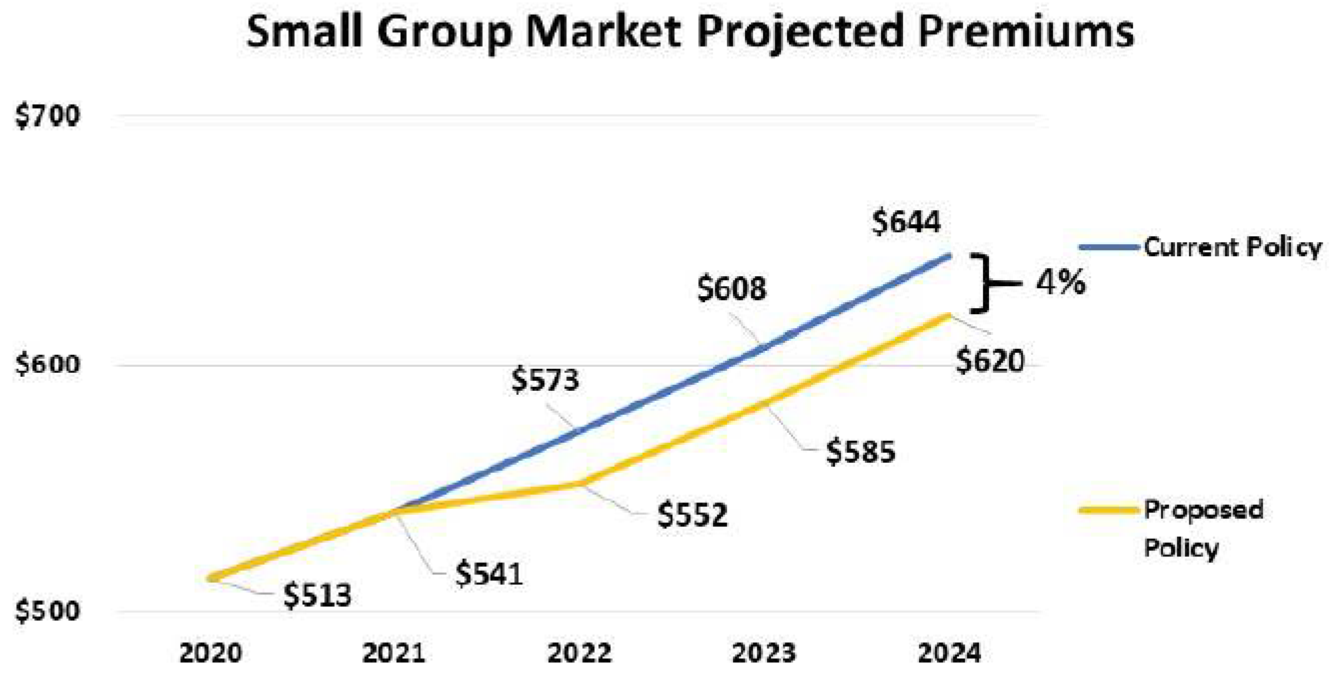
Trade-Offs for 1-Time Reset of SG Trendline

- There are trade-offs inherent in merging the markets
- The relative risk of the Individual Market and Small Group Market populations is converging, and we believe that trend will continue.
  - The Individual Market has become considerably more stable and rates have improved
  - The Small Group Market has experienced significant deterioration in both membership and rates
- Merger will provide a one-time benefit to the Small Group Market, re-setting this trend line in 2022.
- The trade-off for that one-time re-set of the trend line is a serious reduction in MGARA's impact on the Individual Market.
- These results are shown in Gorman Figures 1 & 2 below

One-Time Reset

Average Premium Reduction due to MGARA

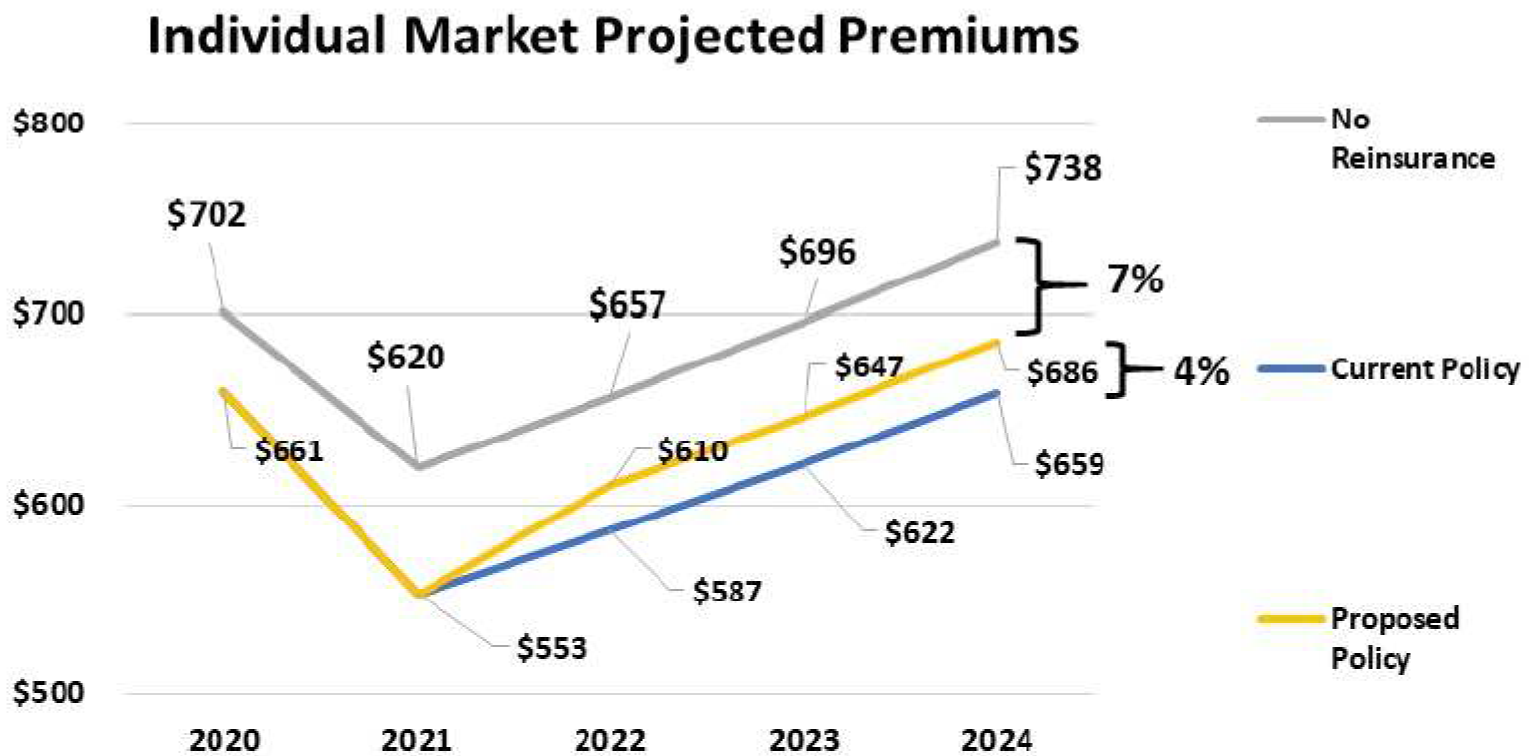
(Source: Gorman Report - Policy Option for Maine Individual and
Small Group Markets Prepared for the Maine Bureau of Insurance 8/25/20)



Reduction in MGARA Impact on Ind Mkt

Average Premium Reduction due to MGARA

(Source: Gorman Report - Policy Option for Maine Individual and
Small Group Markets Prepared for the Maine Bureau of Insurance 8/25/20)



Conclusion

- Board is not making a value judgment regarding the trade-off
- Sharing our view of the relevant considerations from MGARA’s perspective so that the Superintendent has that information in making his decision