

Maine Section 1332 Waiver Application:

*Pooling Individual & Small Group Markets and
Overlaying a Reinsurance Program*

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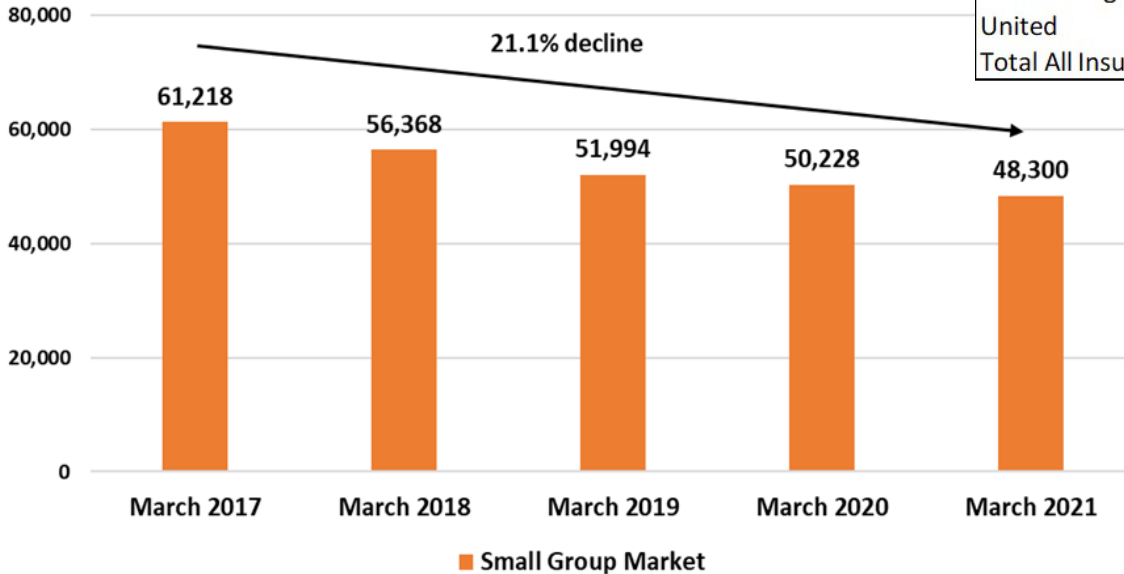


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Background

Small Group Market Enrollment and Rate Change

Maine Small Group Enrollment



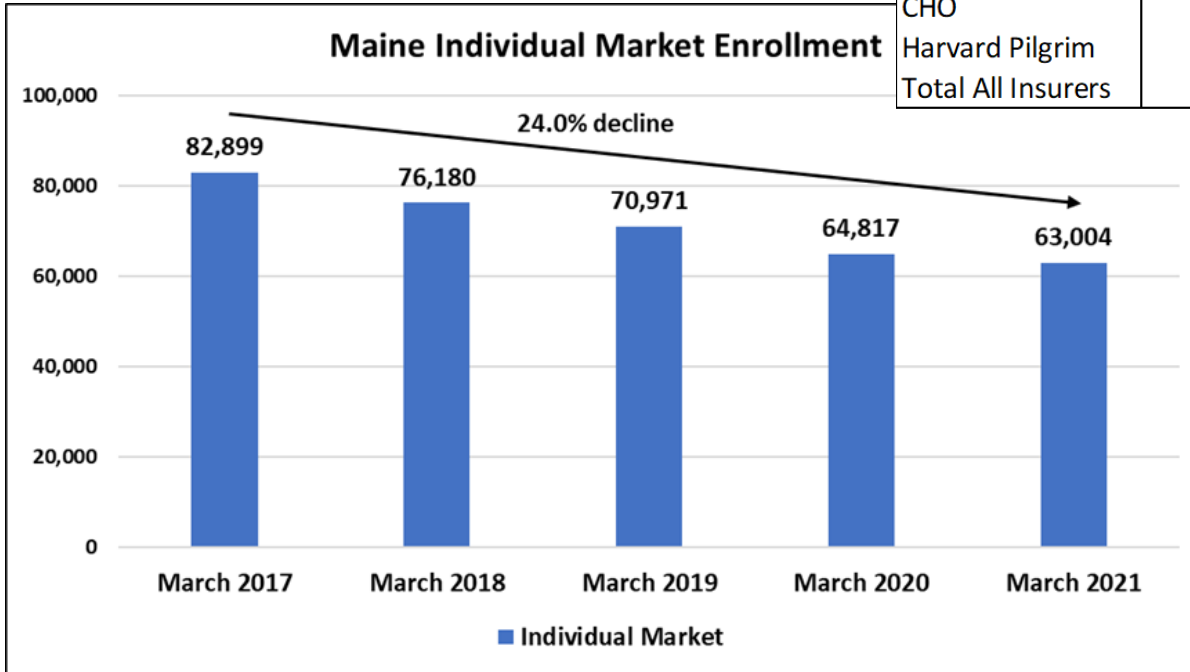
Small Group Market Average Rate Changes

	2019	2020	2021	2022
Aetna	8.4%	19.9%	7.6%	-10.1%
Anthem	10.9%	8.1%	4.9%	2.4%
CHO	7.2%	9.7%	3.6%	2.1%
Harvard Pilgrim	14.7%	8.2%	7.2%	2.8%
United	<u>3.6%</u>	<u>12.1%</u>	<u>-4.7%</u>	<u>11.3%</u>
Total All Insurers	11.0%	8.8%	5.5%	3.2%

- 21% decline in small group market enrollment between March 2017 and March 2021
- Cumulative average rate change of 31% between 2019 and 2022
- 18.3% increase in claim costs between 2017 and 2019



Individual Market Enrollment and Rate Changes



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

- 24% decline in individual market enrollment between March 2017 and March 2021 (some of this due to MaineCare expansion)
- Cumulative average rate change of -14% between 2019 and 2022
- 5.5% increase in claim costs between 2017 and 2019

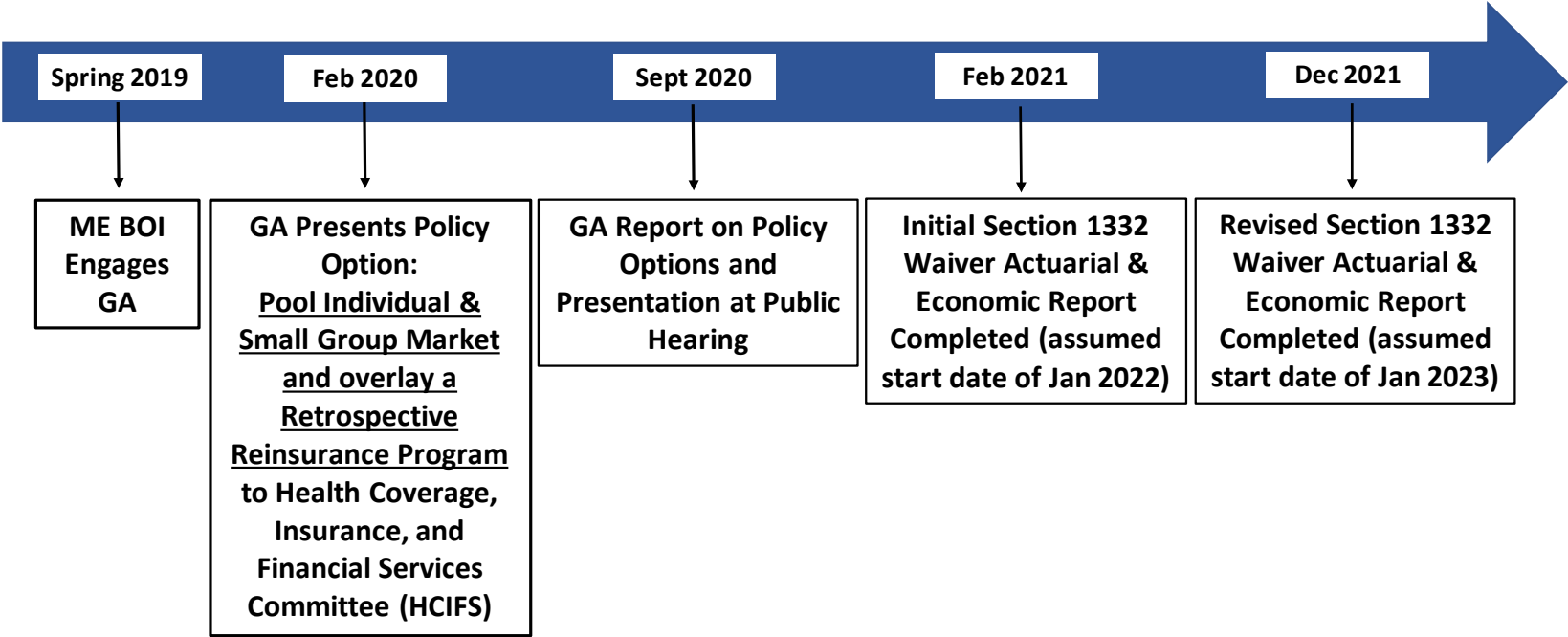


Background Summary

- Maine individual and small group market enrollment declining
- Both markets are small, which can lead to volatility in claims and premiums from year to year
- Small group market enrollment less than individual market with just under 50K enrollees compared to 63K in the individual market
- Claims costs for small group market increasing at a much higher rate than individual market
- Concerns that if the small group market continues to shrink this may lead to even higher premium increases and further reduction in membership.
- Individual market has been stabilized due to MaineCare expansion and the MGARA program

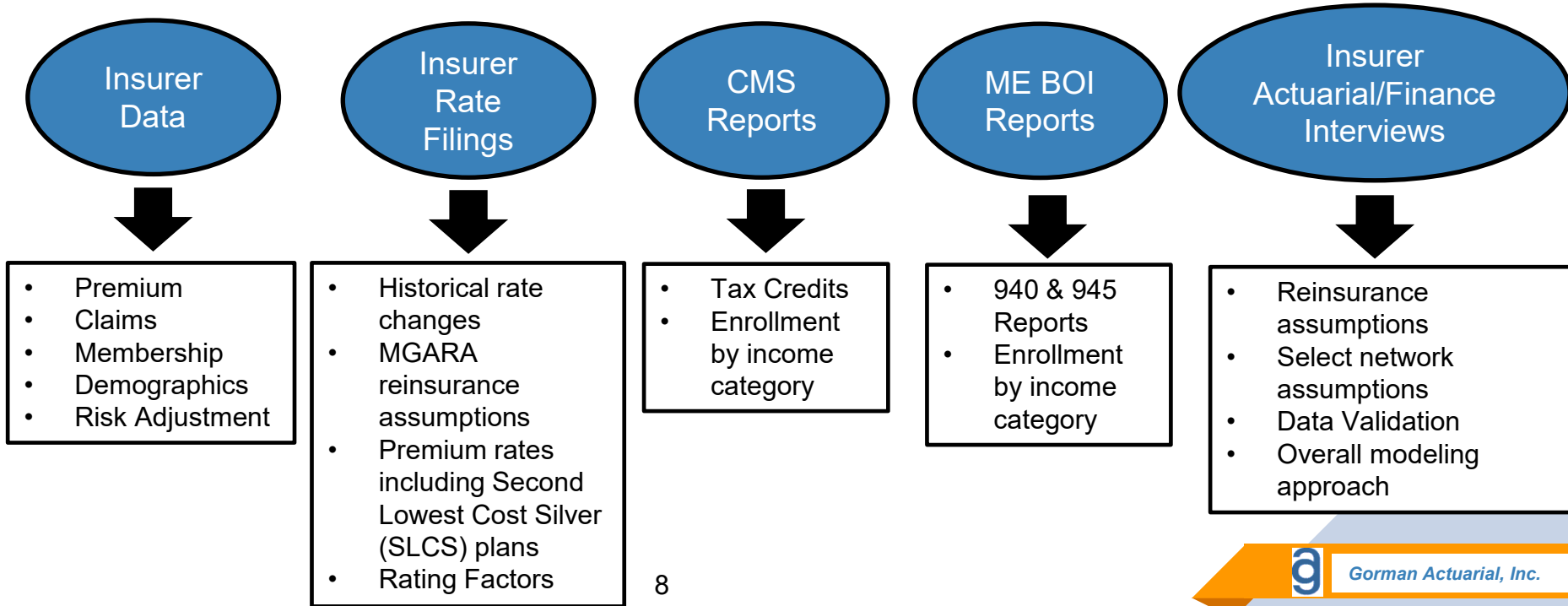
Spring 2019: Maine Bureau of Insurance (ME BOI) engaged Gorman Actuarial (GA) to explore policy options for both markets

History of Actuarial Analysis



Data Sources and Modeling

Data Sources



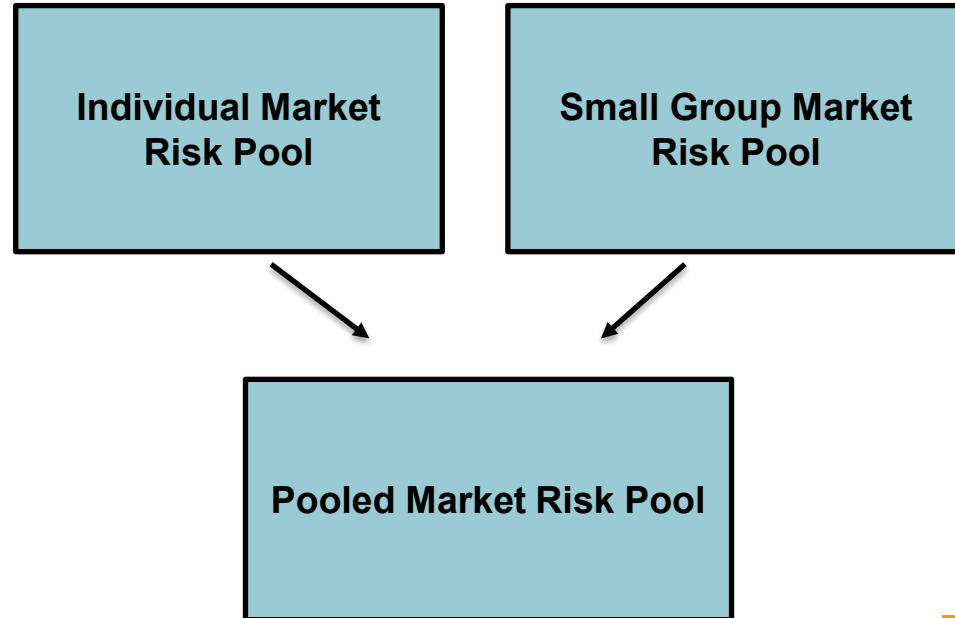
Modeling and Methodology: Pooling Markets

What is a risk pool?

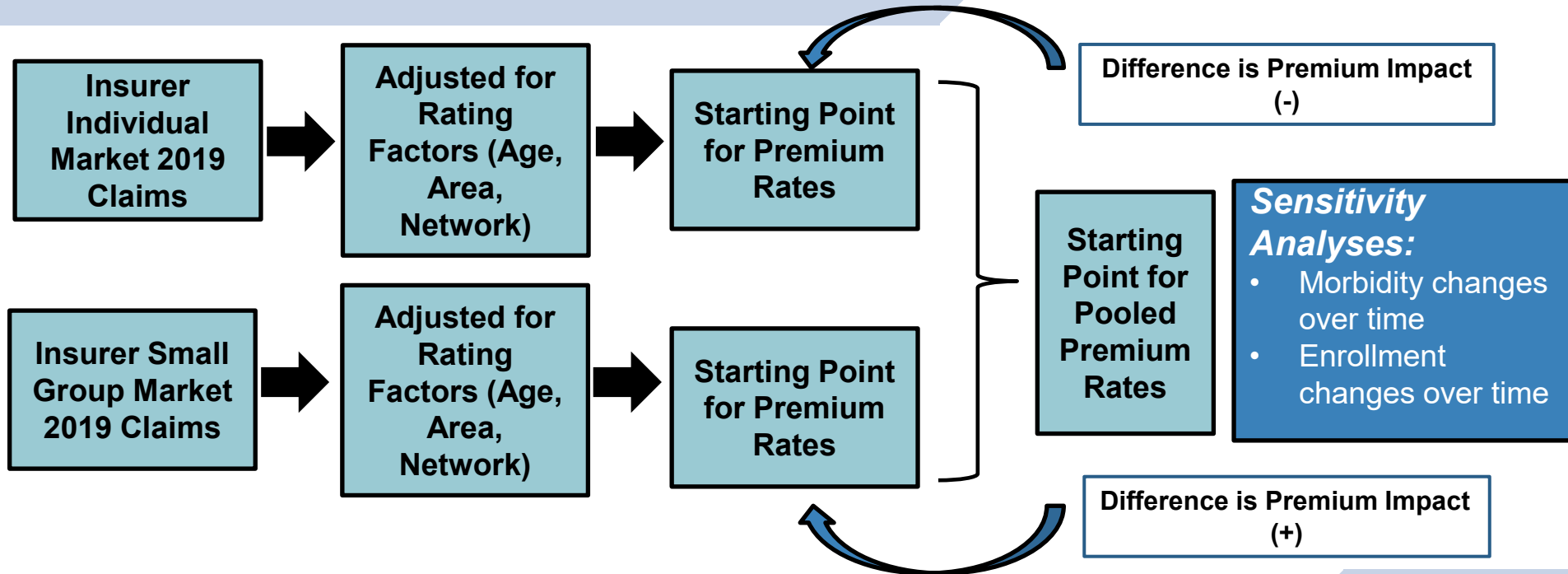
It is how insurers segregate their business when establishing premium rates.

Pooled market base rates are based on **each insurer's** combined individual/small group pool

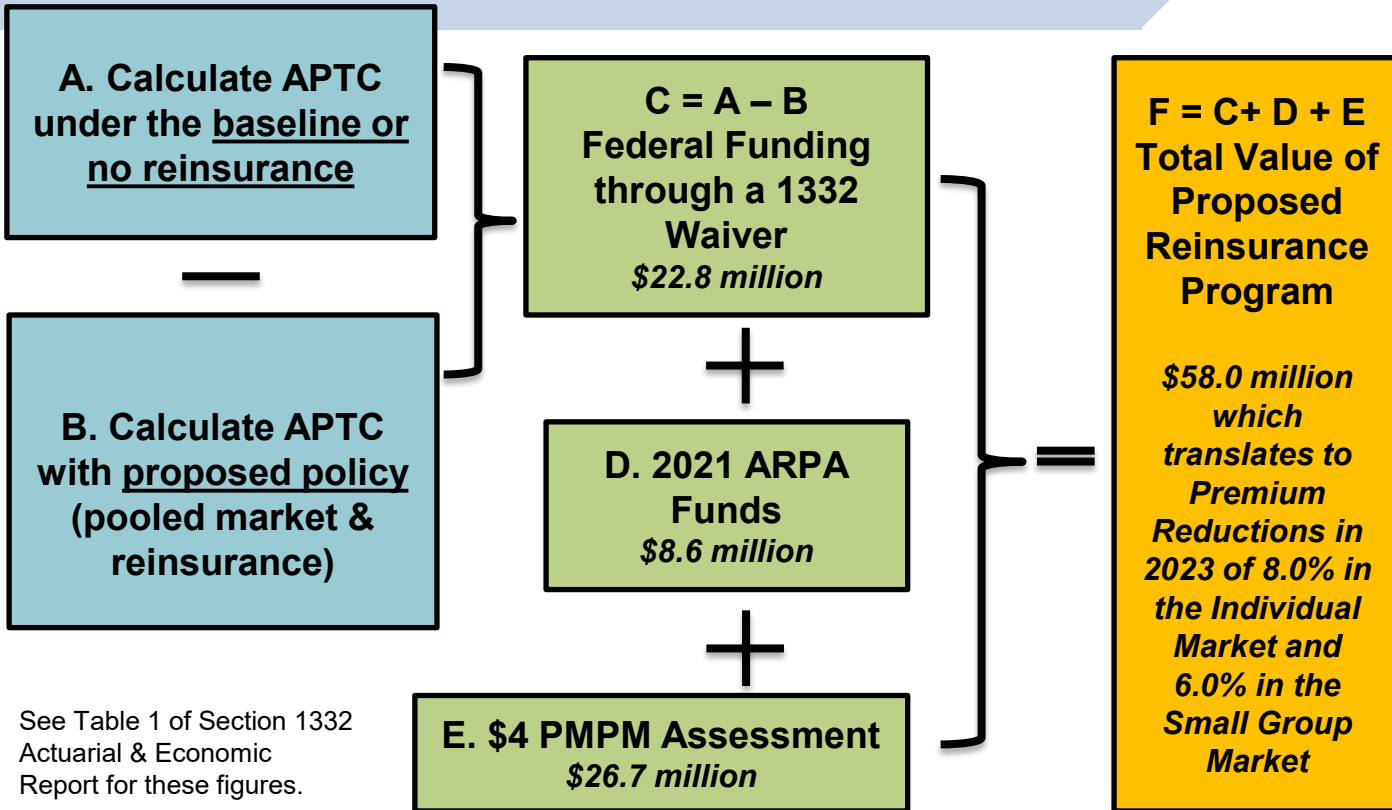
Insurer A



Modeling and Methodology: Pooling Markets



2023 Reinsurance Modeling Approach

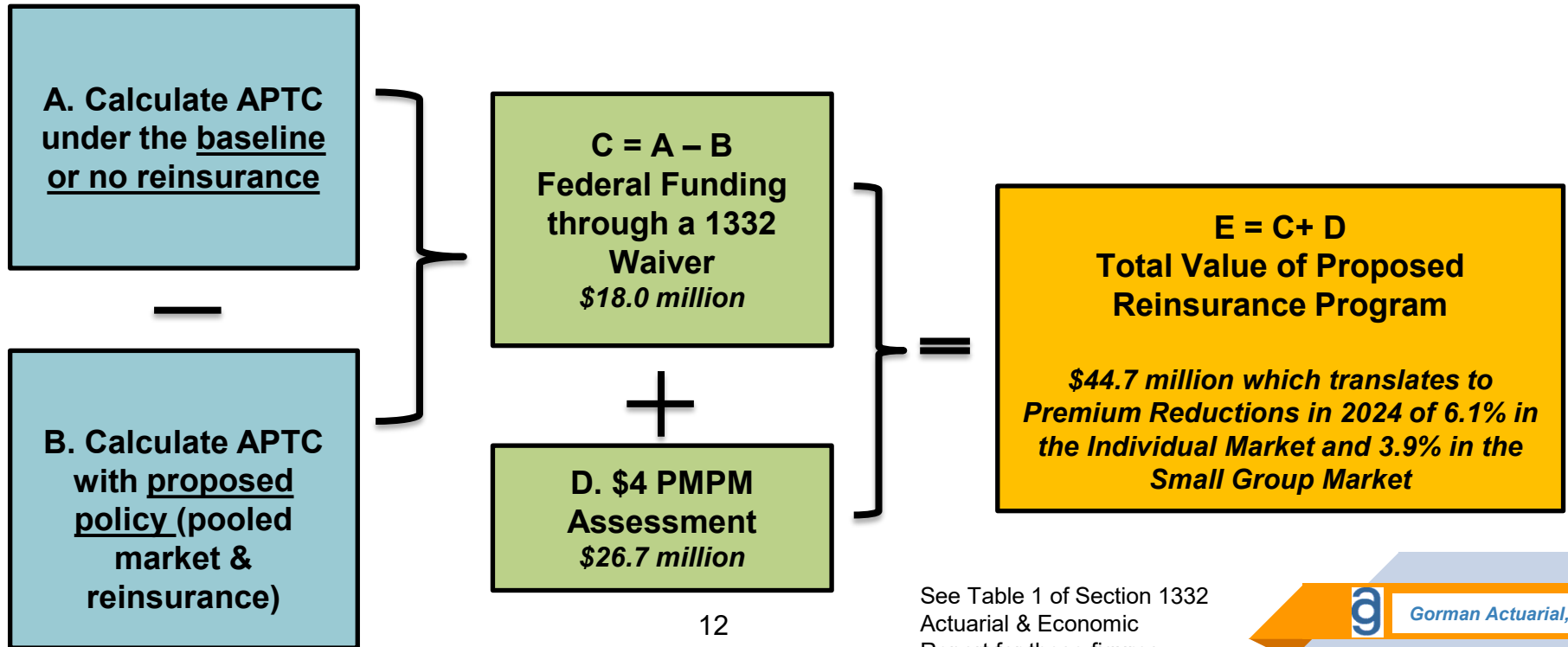


- Iterative process: Target the reinsurance assumption so that total value of the reinsurance program (F) equals the value of the pass through funding plus ARPA funds plus the assessment (C + D + E)
 - GA modeling approach is to maximize federal funding
 - The more the individual market premiums decrease in B, the more federal pass through funding
- SLCS = second lowest cost silver plan**
APTC = advanced premium tax credits

See Table 1 of Section 1332 Actuarial & Economic Report for these figures.



2024 Reinsurance Modeling Approach



American Rescue Plan Act (ARPA)

American Rescue Plan Act Signed into Law March 2021



Temporarily Expands APTC's for 2021 and 2022



Sensitivity Analysis performed if ARPA were extended to 2023+: *0.3% to 0.7% additional premium reductions in 2023*



Maine receives an additional \$8.6 million in pass through funds as result of ARPA for 2021



Additional pass through funds in 2022 due to ARPA not used in modeling (unknown at this time)



\$8.6 million in funds are included in the modeling for 2023

2024 modeling results assumed no additional pass through funds due to ARPA

Modeled Reinsurance Parameters

2023 Parameters

55% of claim costs between \$90,000 and \$275,000

Insurer responsible for claims \$275,000+

2024+ Parameters

45% of claim costs between \$90,000 and \$240,000

Insurer responsible for claims \$240,000+

- MGARA in consultation with the ME BOI will establish final reinsurance parameters on an annual basis
- There are multiple coinsurance percentages and thresholds that can be established which would meet the total funding available

Summary of Differences from Section 1332 Report

	Report as of February 2021	Report as of December 2021
Program Start Date for Pooled Markets with Reinsurance Program	2022	2023
Data	Medical Claims: 2019 Premium Yields: 2019 Rate Filing Assumptions: 2021 Enrollment Data: 2020	Medical Claims: 2019 Premium Yields: 2020 Rate Filing Assumptions: 2022 Enrollment Data: 2021
Individual Market Premium Reduction (compared to Baseline- no reinsurance program)	2022: 6.6%	2023*: 8.0%; 2024: 6.1%
Small Group Market Premium Reduction	2022: 4.2%	2023*: 6.0%; 2024: 3.9%

**December 2021 report assumes \$8.6m in 2021 ARPA Funds will be used in addition to federal funding and \$4 PMPM assessment to fund 2023 reinsurance program*

Premium and Enrollment Changes

Small Group Market Premium PMPM Res

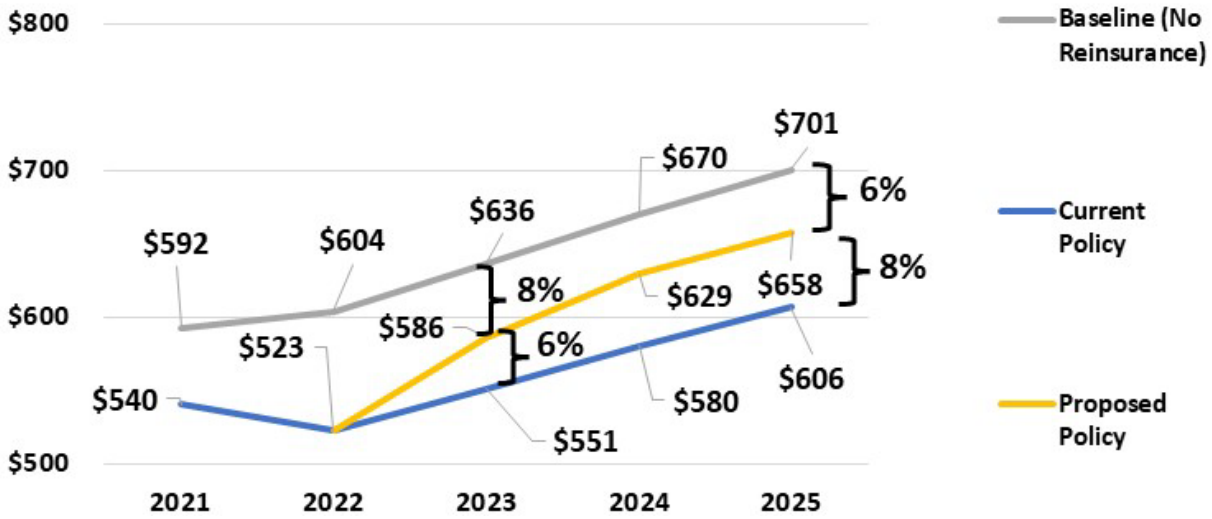
Small Group Market Projected Premiums



- 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 retrospective reinsurance program
- GA projects a 6% decrease in the small group market rates as a result of the proposed policy in 2023 and 4% in 2024 and beyond

Individual Market Premium PMPM Results

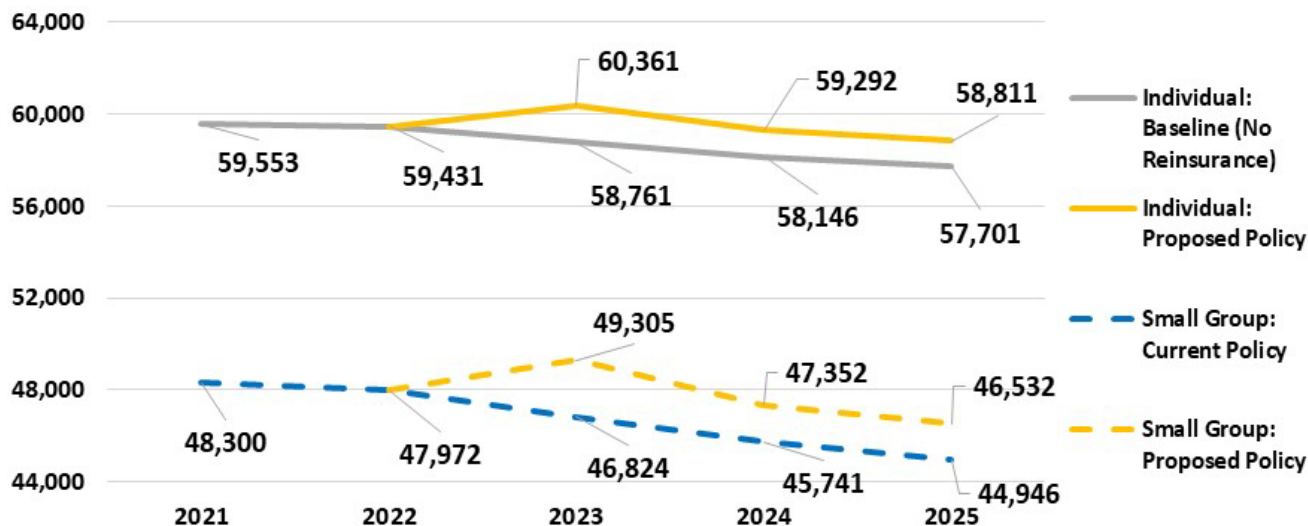
Individual Market Projected Premiums



- Gray Line: Individual Market with no MGARA program or pooled market in place.
- Blue line: Individual Market rates with current 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 retrospective reinsurance program
- GA projects an 8% decrease in the individual market rates as a result of the proposed policy compared to the baseline (no reinsurance) in 2023 and 6% in 2024 and beyond
- GA projects a 6% increase in rates compared to the current policy in 2023 and 8% in 2024 and beyond

Enrollment Projections

Individual and Small Group Market Enrollment Projections



- Using the projected premiums from the pooled market and reinsurance modeling, GA developed enrollment projections using three different models that generated a range of enrollment results for the individual non-subsidized and small group markets
- Average of the results used in projections
- Morbidity assumptions also developed from this modeling (assuming healthier enrollees will leave the market as premiums increase)

Section 1332 Waive Overall Results

- **Policy:** Pool the Individual and Small Group Markets and Overlay a Reinsurance Program on the Pooled Market starting in 2023
- **Funding Sources:** Federal Pass-through Funding and \$4 PMPM state assessment. In addition, for 2023 assumed the use of \$8.6 million in 2021 ARPA funds.
- **Premium Reductions:** In 2023, 8.0% in the individual market and 6.0% in the small group market compared to a baseline with no waiver (no reinsurance.) In 2024, 6.1% in the individual market and 3.9% in the small group market compared to a baseline with no waiver (no reinsurance.)
- **Enrollment:** With the waiver, individual market enrollment projected to be 2.7% higher and small group market enrollment 5.3% higher in 2023 compared to the no waiver scenario. In 2024, individual market enrollment will be 2.0% higher and small group market enrollment will be 3.5% higher.

Disclosures and Limitations

Limitations and Data Reliance

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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 January 2022. 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.