

MGARA SUSPENSION FAQs

Why is MGARA being suspended?

The MGARA reinsurance program conflicts with the federal transitional reinsurance program established under the ACA and Department of Health and Human Services (“HHS”) rules (the “Federal Program”). Both programs provide reinsurance targeting the individual health insurance market. The programs are markedly different in the reinsurance benefits offered, but they both serve the same basic function, and are funded from similar market-based assessments.

What are the similarities and differences between MGARA and the Federal Programs?

MGARA currently provides reinsurance coverage for 90% of claims between \$7,500 and \$32,500 and 100% of claims for over \$32,500 (without a cap) to the identified high-risk segment of its individual insurance market. This program is funded by a \$4 per person per month assessment across Maine’s health insurance market, plus reinsurance premiums from ceding insurers.

The Federal Program provides a significantly narrower band of reinsurance across a broader segment of the market (80% coverage for claims between \$60,000-\$250,000), funded by a larger market assessment of \$5.25.

Both programs project similar rate impacts. However, only MGARA’s program will direct all proceeds to the benefit of Maine residents. The Federal Program distributes reinsurance payments across all states, with no assurance that the full amount of assessments collected from Maine payors be spent on reinsurance benefiting Maine people.

How did the suspension come about?

Despite substantial efforts by the Maine Superintendent of Insurance to obtain an exception for MGARA and/or states with existing reinsurance programs, HHS insisted in implementing a uniform program across all 50 states. This resulted in redundant program costs for Maine, which would have essentially been funding two parallel, but different, programs.

With MGARA’s recommendation, the Legislature adopted PL Chapter 273 mandating the suspension of MGARA’s Program during the pendency of the Federal Program in order to avoid imposing redundant costs on the Maine market.

When will the suspension be effective?

MGARA’s operations will be suspended when the Federal Program starts in Maine – anticipated as of January 1, 2014.

What is MGARA’s plan for winding down operations?

MGARA is required to submit an amended Plan of Operation to the Superintendent of Insurance for his approval within six months following the implementation of the federal Transitional Reinsurance Program in Maine – anticipated submission date of June 30, 2014.

MGARA will continue the following operations in the 2014 calendar year:

- Payment of claims – pay eligible claims incurred prior to January 1, 2014.
- Assessments – although regular assessments will be terminated, special assessments to fund any net losses for the Association may be made, to the extent necessary, up to a statutory limit of \$2 per member/per month.
- Nominal administration.

When do MGARA assessments terminate?

As a result of this suspension, MGARA’s final regular assessment will be its assessment for the fourth quarter of calendar 2013. This assessment is due on or before October 30, 2013.

What happens if MGARA’s current funding levels are inadequate to cover wind down and claims?

MGARA will continue to have the right to make deficit assessments at a rate of up to \$2 per member/per month. Deficit assessments would only be made in the event MGARA’s funding level proves inadequate to support payment of claims and wind down of its operations. It is premature, at this time, to provide any guidance regarding whether or not deficit assessments may be required.

What happens if implementation of the Federal Program is delayed?

In the event the implementation of the Federal Program is delayed beyond January 1, 2014, MGARA is required to continue its operation until such time as the Federal Program has commenced. The current guidance from HHS is that the transitional reinsurance program will take effect January 1, 2014. If that is not the case, we will provide you with prompt notification, together with an explanation of our plans for any continuation of regular assessments to support the MGARA program.