MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
February 26, 2016

A special meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association ("MGARA" or the "Association") was held at 3:00 p.m. on February 26, 2016 by telephone conference call. Attendance is reflected in the record of attendance set forth below:

Jennifer Juke (absent)	Edward J. Kane
Katherine Pelletreau	Christopher T. Roach (absent)
William M. Whitmore	Jolan F. Ippolito, Chair
Joel Allumbaugh	Dana Kempton
	Dr. David Howes (absent)

Also in attendance were Chris Howard, counsel, and Laren Walker, administrator.

The sole item on the agenda was discussion of MGARA's response to the Insurance and Financial Services Committee's Majority Report on LD 1545. Mr. Howard provided background on the current status of LD 1545. On February 23, 2016, the IFS Committee reconsidered LD 1545 and the Democrat members of the Committee voted as a block to amend LD 1545 to restart MGARA effective 1/1/17, allow it to run for a year and then return it to suspension, as well as add an insurance industry director from a Maine domestic nonprofit insurer and require insurance industry directors whose insurance affiliation are no longer offering health plans to be automatically disqualified from the Board. The vote was strictly along party lines, 7-6. This results in a Majority Report, as discussed above, and a Minority Report supporting the Whitmore amendment to LD 1545, which would extend suspension for one year until 1/1/18.

As the bill is currently positioned, whether or not the LD is eventually enacted, MGARA will be required to restart operations on 1/1/17.

Mr. Howard indicated that he is seeking guidance as to how aggressively the Board would like to oppose the Majority Report, and advocate for the Minority Report. Extensive discussion ensued regarding the procedural positioning of LD 1545, the reasoning behind the Board's position and the appropriateness of aggressively advocating for the Board's position. The consensus that emerged from the discussion was that Mr. Howard should continue to educate the IFS Committee and legislative leadership with respect to the rationale for the Board's request for continued suspension through 1/1/18 for the following reasons:

1. Although MGARA-type reinsurance program could result in a reduction in rates in the individual market, due to the structure of the ACA federal subsidies, the net effect of any rate reduction would be a significant reduction in federal subsidies to members of the individual market that qualify for subsidies (members with household income less than 400% of the federal poverty level – which is approximately 78% of the

individual market). In effect, every $1 of MGARA assessment would result in approximately a $.70 to $.80 reduction in federal subsidies, making the MGARA program a highly inefficient program, from an economic perspective.

2. There is little question that rates will increase when the federal transitional reinsurance program terminates, but 78% of members in the individual market will not experience that "rate shock" because their federal subsidy will increase. The level of premium paid by subsidized members is determined principally based on household income, so most of the rate increase will be borne by the federal government through subsidies. If Maine substitutes MGARA subsidy for federal subsidy, then that just shifts the economic burden of rate increases from the federal government to assessments on Mainers health insurance.

3. Because the MGARA assessment is capped at the 2012 level of $4 PMPM, the impact of the MGARA program on today's individual market, which is more than three times the size of the market in 2012, would be substantially reduced. As a result, not only would the MGARA program be economically inefficient due to its relationship to federal subsidy, but would also be far less effective due to the changes in the size of the individual market, ultimately resulting in less benefit to that market.

4. Because CMS regulations require carriers to file their 2017 rates in early May 2016, there is no possibility that MGARA could provide any meaningful guidance to carriers regarding the shape of its program for 2017. This means that 2018 would be the first year in which MGARA could have any influence on rates. Restarting for the 2017 year would, therefore, be meaningless from a rate relief perspective.

There being no further business to come before the board, the meeting was adjourned.

Duly Authorized Officer

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