

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
April 9, 2019

A regularly scheduled quarterly meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association (“MGARA” or the “Association”) was held at 254 Commercial Street, Portland, Maine 04101 at 3:00 p.m. Attendance is reflected in the record of attendance set forth below:

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| Joel Allumbaugh | Jim Lyon |
| Dr. David Howes | Bruce Nicholson (absent) |
| Jolan F. Ippolito, Chair | Katherine Pelletreau (absent) |
| Dana Kempton | Dan Rachfalski** |
| Kevin Lewis | William M. Whitmore |
| Marybeth Liang | <i>**Mr. Rachfalski joined the meeting following the vote to elect him to the Board as set forth herein.</i> |

Also in attendance were Laren Walker (administrator), Chris Howard and Emily Cooke of Pierce Atwood LLP (counsel to the Association), and Dave Williams, Tom Murkowski, and Sean Hilton, all of Milliman, Inc. (actuary to the Association).

1. Public Session

The Public Session of the Board was opened. There being no members of the public present, the Board concluded the Public Session without comment.

2. Report and Consideration - Candidate for Board Vacancy

Jolan Ippolito reported favorably on her conversation with Dan Rachfalski, Vice President and Chief Actuary at Harvard Pilgrim Health Care, a candidate to fill the Board seat vacated when Ed Kane resigned. The candidate filling this seat will serve out the remainder of the term, until April 1, 2020. Following this report and a brief discussion, on a motion duly made and seconded, it was

RESOLVED: To appoint Dan Rachfalski to the seat vacated by Ed Kane’s resignation, which seat has one year remaining on the term expiring April 1, 2020, or until his successor is duly appointed and qualified.

3. Conflict of Interest Disclosure Statement

The Board reviewed the Association’s Conflict of Interest Annual Disclosure Statement. Board members were requested to execute and return the Conflict of Interest Annual Disclosure Statement to counsel.

4. Approval of Minutes

The Board reviewed the minutes of the March 25, 2019 Board meeting (the “Minutes”). On motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented.

5. Report re Board Roster

Mr. Howard reminded the Board that David Howes and Bruce Nicholson are due for reappointment by the Maine Bureau of Insurance (the “Bureau”). No Board action is required; Mr. Howard will continue to remind the Bureau that reappointments are in order.

6. Monthly Operations Report

Mr. Walker presented the monthly operations report.

Ceding & Claims Update

He reported that limited activity is anticipated in the months of January, February, and March, in part due to the 120-day window for discretionary cedes. Thus far, MGARA has received 178 mandatory cedes, and 73 discretionary cedes. One carrier has submitted no cedes to date; River 9 has followed up with this carrier and confirmed that this is not the result of any operational problems. Mr. Walker further reported that he expects that MGARA will have received the majority of 2019 discretionary cedes by the end of May, and expressed skepticism that the volume of discretionary cedes will reach the numbers originally projected, though Mr. Lewis suggested it was premature to draw a conclusion about this.

Board members discussed the data on discretionary ceding presented by Mr. Walker, and expressed surprise at the large size of one particular claim. It was generally agreed that, given the size of that claim (especially relative to the short coverage period represented), River 9 should conduct a financial review of the claim – specifically, was the invoice appropriately prorated; does the claim represent services only on or after 1/1/2019; etc. Mr. Walker agreed to do so. Mr. Walker further encouraged the Board to develop a policy governing the examination of unusual or outsized claims, to provide a uniform basis on which to review such claims. It was agreed that counsel would develop a proposed policy for review of certain categories of claim. In response to participants’ questions regarding past practice, it was noted that prior to MGARA’s suspension, a claims audit was conducted covering the 2012 year of operations. Participants further commented that there seems to have been an increase in high-cost claims in the market generally over the last several years, so claims of “extraordinary” size may become more common.

Mr. Rachfalski inquired as to what guardrails exist to prevent carriers from treating ceded policies differently than non-ceded policies. Mr. Howard indicated that both MGARA's authorizing statute and the Plan of Operation contain provisions requiring carriers to exercise the same diligence and effort in administering claims and containing costs with respect to ceded policies as they do with respect to all other policies.

Assessment Update

Mr. Walker next reported on the status of assessments. The first assessment due date is May 15. Thus far, River 9 has sent some 938 assessment communications, which direct recipients to the MGARA website for further information and assessment forms. River 9 has fielded numerous calls and inquiries regarding assessment applicability and related matters. A total of one assessment, in the amount of \$95, has been paid.

Mr. Howard noted that the choice to institute longer timeframes for certain functions (e.g., discretionary ceding, assessment deadlines, etc.) means that MGARA's financial ramp-up period will be longer than in 2012. Overall, the operational data available thus far closely tracks the projections provided to the federal Center for Medicaid and Medicare Services (CMS), other than the volume of discretionary ceding, which is currently lower than projected.

Investment Update

Mr. Walker presented summary data regarding MGARA's investment portfolio for the Board's information.

7. Report re 1332 Grant Transfer and Funding

Mr. Howard explained that a flurry of activity is expected in the coming weeks pursuant to MGARA's Section 1332 Waiver. April 21 is the current target date for the formal award of the federal grant comprising the Section 1332 pass-through payments, to be followed by the transfer of the award from the State of Maine to MGARA and funding of the account within the federal Payment Management System ("PMS"). The final amount of federal funding will be determined based on enrollment, but given the starting figure, there appears to be ample room for downward adjustment before MGARA would experience adverse effects.

As previously discussed, MGARA is waiting to pay any expenses until the PMS account is funded, in order to efficiently utilize federal funds for operations. This approach will be reevaluated should it give rise to any problematic delays.

Mr. Lyon inquired whether the federal grant requirements have generated additional costs associated with River 9's administrator services. Mr. Walker noted that working with the federal government always means more work – but that has already been incorporated into MGARA's administrative budget. In addition, River 9 has taken certain steps to

make the claims administration process more secure, but those were important and necessary steps anyway.

8. 2020 Planning

Mr. Williams explained that in anticipation of 2020, MGARA's second full year of post-restart operation, Milliman has been examining whether – and to what extent – any adjustments are necessary or desirable to MGARA's operational model for 2020 (e.g., retention level, ceding conditions, premium amounts). Mr. Williams noted that these questions are asked with a bias toward stability, particularly given the dearth of MGARA-specific experience at this time. Mr. Howard reminded Board members that the many market changes since MGARA's original inception necessarily limit the market impact of a given dollar of assessment revenue.

Mr. Williams explained that MGARA is obligated to revisit the attachment points on an annual basis. To that end, Milliman has conducted a preliminary analysis of the key inputs to MGARA's attachment points, with the goals of (1) maintaining MGARA's solvency; (2) preserving a surplus at approximately 10% of revenue; and (3) maintaining stability of the financial model over time. This effort examined two alternative scenarios: no change in existing attachment points; and revised attachment points with no change to ceding efficiency. The Milliman staff presented these scenarios in detail, and a lengthy discussion ensued. Key themes included the following:

- Board members continue to perceive meaningful exposure associated with the volume of federal pass-through funding. Not knowing how this figure was generated and whether it is likely to be subject to subsequent downward adjustment creates uncertainty that is difficult to incorporate into projections for 2020.
- Assumptions about carriers' ceding efficiency may need to be adjusted to reflect greater efficiency, which may correlate to MGARA's higher attachment points (versus pre-suspension). Higher attachment points demand greater efficiency of discretionary ceding; in the context of higher attachment points, carriers are more likely to voluntarily cede only those risks that they are able to assess with high confidence.
- There is some urgency to finalize the 2020 model, in order to inform carriers' rate calculations, which in turn inform the calculation of federal pass-through payments. That said, there was a general consensus that no final determination should be made with respect to the 2020 model before the 2019 federal pass-through funds are received – but at that point the Board and Milliman should move quickly toward a final 2020 model.
- It was observed that lowering the amount of the market assessment is another available economic lever, though this is not currently under active consideration given the nascent stage of the post-suspension program.

9. Governmental Activity

Mr. Howard reported on a recent conversation between Mr. Howard (representing MGARA), the Superintendent of Insurance, and Maine’s Commissioner of the Department of Health and Human Services, Dr. Jeanne Lambrew. Mr. Howard reported that Dr. Lambrew appeared to be very familiar with MGARA’s model and generally supportive. Among other things, she inquired about protections to ensure ceded claims are treated no differently from non-ceded claims (see discussion of this question under *Ceding & Claims Update*, above). She also inquired whether the possibility had ever been explored to have MGARA reimburse carriers at Medicare reimbursement rates.

Mr. Howard further reported that no MGARA-specific legislation is currently pending in the Maine Legislature.

10. Board Meeting Schedule Confirmation

Mr. Howard confirmed the Board’s regularly scheduled in-person quarterly meetings on the following dates: July 22, 2019; October 21, 2019; January 27, 2020. Participants agreed to keep open the regular Monday 3pm slot for telephonic meetings on an as-needed basis.

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



Duly Authorized Officer