

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
September 23, 2019

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

Joel Allumbaugh	Marybeth Liang
Dr. David Howes	Jim Lyon
Jolan F. Ippolito, Chair (<i>absent</i>)	Bruce Nicholson (<i>absent</i>)
Dana Kempton	Katherine Pelletreau
Kevin Lewis	Dan Rachfalski

Also in attendance were Laren Walker and Diane Kopecky of River 9 (administrator), and Chris Howard and Emily Cooke of Pierce Atwood LLP (counsel to the Association).

1. Approval of Minutes

The Board reviewed the minutes of the July 22, 2019 Board meeting (the “Minutes”). Ms. Pelletreau requested the addition, in the discussion of Board fiduciary responsibilities, of a reference to Board members’ obligation to educate themselves on the issues under Board consideration. On motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented, with the addition requested by Ms. Pelletreau.

2. Reporting to CMS

Mr. Howard provided a brief update on MGARA’s ongoing reporting obligations pursuant to the terms of the federal Section 1332 Grant (the “Grant”), rules of the federal Payment Management System (“PMS”), and other operational requirements. In short, he reported that MGARA continues to be responsive to the various schedule requirements and MGARA’s commitments thereunder, which are captured in a master calendar maintained by counsel. The next required deliverable is the Section 1332 Pass-Through Funding Report, due on September 15, a draft of which was included in the meeting materials. Mr. Kempton noted that the draft report identifies a total savings to the federal government of approximately \$36MM, well below the amount of MGARA’s 2019 Grant, and inquired whether this could have adverse consequences, such as a true-up requirement. Mr. Howard responded that the 1332 Waiver program design does not include a true-up mechanism, although the calculation of pass-through payments can be expected to evolve over time.

3. October Quarterly Meeting Agenda

Mr. Howard proposed some potential topics of interest and discussion areas for MGARA’s next in-person Board meeting, in the interest of maximizing the Board’s in-person time together. Possible topics include:

- Normal Reports and Review
- MBOI Discretionary Ceding Concerns

- Merger of Small Group into Individual Market 2022
- Impact of “0” Bronze Plans on Pass-Through Funding
- Review Board Fiduciary Responsibilities

Mr. Howard noted that the middle three topics were proposed by the Bureau of Insurance (the “MBOI”). A discussion ensued.

MBOI Discretionary Ceding Concerns

He explained that the MBOI has raised questions about the efficiency of carriers’ discretionary ceding, given the change, as of MGARA’s resumption of operations, from a 60-day discretionary ceding window to a 120-day window. This change, together with anecdotal reports of discretionary ceding not tied to underlying conditions, has led the MBOI to inquire about the role of discretionary ceding in the MGARA operational model.

A brief discussion ensued. It was clarified that the MBOI’s concern is not with the ceding of high-cost claims generally, but rather about maintaining consistency with the prospective nature of MGARA’s model (versus a retrospective model that uses claims history as the basis for ceding decisions).

Mr. Allumbaugh noted that this is a problem for MGARA only if it results in higher-than-anticipated costs to the program, and inquired whether MGARA is capturing the data needed to assess this question. Mr. Lewis noted that carriers no longer receive health risk assessments (“Health Statements”) upon enrollment, and this change was a principal driver of the extension of the discretionary ceding period. Mr. Howard affirmed that the MBOI understands the changed landscape with respect to Health Statements. Ultimately, the MBOI’s question is whether MGARA should consider adopting a tighter window for discretionary ceding for the in-force book of business. It was agreed that this should be discussed at the October Board meeting.

Merger of Small Group into Individual Market 2022

Mr. Howard stated that the MBOI and the Governor’s office have been discussing the possibility of merging Maine’s Small Group market into its Individual market, a change that, if adopted, would take effect in 2022. The underlying rationale for this possible change is that merging the markets would result in an increase in Section 1332 pass-through funding; it is perceived that MGARA may have the ability to absorb the resulting additional lives without an additional assessment. Mr. Howard emphasized that any such change would require new legislation and a new Section 1332 application. He reiterated that, at this time, the possibility remains in the discussion stages between the MBOI and the Governor’s office, with the MBOI having engaged Gorman Actuarial to provide modeling support.

Dan Rachfalski observed that this possibility involves questions that reach beyond MGARA’s purview. Mr. Howard agreed, but noted that it will be in MGARA’s interest to form an informed position, early on in the process, regarding the premise that no additional assessment would be needed to accommodate a merger of the markets. David Howes noted that the high-risk nature of the market will present modeling challenges.

Mr. Howard recommended that, as a next step, MGARA engage Milliman, Inc. to evaluate potential risks to MGARA of a merger of the markets, in advance of the October Board meeting. There was a general consensus to do so.

Mr. Lewis recommended that any modeling should factor in the advent of individual coverage HRAs, given the possibility that participants in such arrangements would be ineligible for advance premium tax credits (APTCs), thus affecting the amount of pass-through funding available for the combined pool.

Impact of “0” Bronze Plans on Pass-Through Funding

Mr. Howard commented that the impact of “0” Bronze Plans on pass-through funding is an area in which the MBOI has expressed interest. Following brief discussion, there was a general consensus that, absent additional developments, there is not a pressing need for Board discussion of this topic.

Review of Board Fiduciary Responsibilities

Mr. Howard noted that the Board fiduciary responsibility topic is part of an ongoing discussion around managing and handling the natural conflicts of interest that arise from time to time due to the structure of MGARA’s Board. Mr. Allumbaugh affirmed that it seems like a good topic to return to from time to time as a Board. Dr. Howes noted that he serves on another Board that engages in discussion around “dualities of interest” versus conflicts of interest, and how to appropriately prioritize one’s responsibilities as a Board member within that context. It was generally agreed that this is an appropriate agenda item for an upcoming meeting.

Other Potential Topics

Mr. Walker reminded participants that MGARA’s most recent Brokerage Statement was included in the meeting materials. He offered the recommendation that Key Banc personnel address the Board at an upcoming meeting.

Mr. Allumbaugh noted that many items are being batted around for Maine’s next legislative session, many of which could have significant potential impacts for MGARA. Mr. Howard commented that the MBOI and the Superintendent of Insurance view MGARA as a resource, and would welcome MGARA’s perspective on any nascent ideas and initiatives. It was agreed that this would be a useful area for further discussion.

4. Monthly Operations Report for July 2019

Mr. Walker provided the Monthly Operations Report for July 2019, in largely highlight form as time was short.

Cash position: Mr. Walker noted that MGARA’s cash position continues to grow as operational revenue comes in but current operations are funded by Grant disbursements. Mr. Kempton inquired about the current 1332 Grant balance. Mr. Walker stated that, based on the July 31 balance minus the approximate draws for August and September, the balance is approximately \$30MM. Mr. Kempton observed that, at the current run rate, MGARA will not dip into non-federal funds. He requested that the monthly operational reports include the current Grant balance going forward.

Dr. Howes noted that MGARA should pay close attention to seasonal shifts in claims activity. Mr. Walker agreed, and further noted that MGARA may see mandatory ceding diagnoses come in during the fourth quarter.

Assessments: Mr. Walker noted that the first 2019 assessment is now complete. Based on that, full-year total assessments are projected to be \$22.9MM, on-track with the \$23MM Milliman had originally projected.

Claims: Claims as of the end of July were \$41,921,084.

Supplemental Information: Mr. Walker reviewed the supplemental information included in the financial packet. He noted that, in light of the continuing differential among levels of mandatory ceding among the carriers, River 9 has posed some follow-up inquiries to one carrier. This carrier is looking into these inquiries and River 9 will report further to the Board as appropriate. Mr. Lewis inquired to what extent the number of mandatory cedes per specified condition tracks MGARA's pre-suspension experience. This data was not immediately available but will be reviewed.

5. Board Meeting Schedule Confirmation

Mr. Howard confirmed the Board's regularly scheduled in-person quarterly meetings on the following dates: October 21, 2019; January 27, 2020, April 14, 2020, and July 13, 2020.

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

A handwritten signature in black ink, appearing to be 'J. Howard', written over a horizontal line.

Duly Authorized Officer