

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
December 16, 2019

A regular 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:

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

Also in attendance were Laren Walker and Diane Kopecky of River 9 (administrator), Chris Howard and Emily Cooke of Pierce Atwood LLP (counsel to the Association), and Dave Williams, Tom Murawski, and Donna Wix 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. Approval of Minutes

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

RESOLVED: To approve the Minutes.

3. Monthly Operations Report

Mr. Walker provided the monthly operations report as of October 31, 2019, noting that MGARA will need to closely watch its cash and investments over the next several months.

Assessments: Current 2019 projections anticipate an additional \$11.2MM in assessments and \$8MM in premiums for the year. Mr. Walker reminded the Board that MGARA’s quarterly assessment cycle doesn’t end until February of 2020, so the full amount of projected 2019 assessments will not be received until then (and current assessments amounts are accordingly at 50% of projections as of October 31).

Claims: October was a large month, with claims of \$10.4MM, higher than MGARA’s average monthly claims volume of approximately \$7MM.

1332 Funding: In December, MGARA has drawn the remaining \$10.5MM in 1332 grant funds to fund November’s operational costs. MGARA will now begin drawing on its (non-1332) operational funds.

Ceding: November saw a net increase of 105 ceded lives; total ceded lives remain below projections. Mr. Walker indicated that the results of the recent ceding guidance to carriers should be observable in January. MGARA will monitor closely whether those results lead actual cedes to catch up to projections.

4. Regulatory Update

Mr. Howard updated the Board on recent communications with the federal Centers for Medicare and Medicaid Services (“CMS”) and the Maine Bureau of Insurance (“MBOI” or the “Bureau”). He and representatives of CMS engaged in a robust discussion of Milliman’s 2020 analysis, including potential solutions and levers for addressing a projected shortfall. CMS representatives seemed appreciative of the information and indicated an expectation to provide at least some information this month regarding CMS’S 1332 Waiver pass-through funding calculation for 2020. However, given the late date and approaching holidays, it seems increasingly unlikely that MGARA will have this information before the end of the year.

Mr. Howard further reported that he has kept the Bureau updated on a consistent basis. He reported that the Bureau has articulated two specific concerns regarding MGARA.

First, the Bureau is concerned about what it perceives to be the “hyper-efficiency” of discretionary ceding; it is aware that MGARA both has taken steps to promote consistency across carriers and is internally deliberating about means to address over-efficient discretionary ceding going forward. The Bureau is supportive of a MGARA-based solution to this concern. Now under ACA law, however, policyholders are not obligated to submit Health Statements and the first inclination of a serious chronic condition could be the policyholder’s refill of a three-month prescription drug.”

Second, the Bureau is cognizant of the mandatory ceding inconsistencies MGARA has experienced and is looking to MGARA for a solution. They have been apprised of the guidance provided to carriers and are looking forward to results in January.

Maine DHHS and the MBOI continue to focus on the possibility of merging Maine’s individual and small-group markets. As previously reported, the Bureau has engaged Gorman Actuarial to conduct an actuarial analysis of this proposal, while encouraging MGARA to obtain its own independent analysis from Milliman, which is underway. This would of course have significant implications for MGARA. Discussion ensued regarding the implications including potential migration to a retrospective model, the

need to verify the financial feasibility of the pooled markets falling under MGARA and the architecture of the pooled market and MGARA.

5. Milliman Report

Mr. Howard reminded the Board of its requests that Milliman update its modeling for (1) the remainder of 2019 and (2) calendar year 2020, in each case using the best data available. Milliman has now done so. In the absence of the results of carriers' implementation of MGARA's mandatory ceding guidance and CMS'S 2020 pass-through funding calculation, Milliman has used estimates for those two key pieces of data.

Mr. Williams presented Milliman's updated projections. A robust discussion ensued, in which the Board examined the individual "levers" that comprise the design of MGARA's reinsurance program, including attachment points, premium, mandatory ceding conditions, and others. Mr. Williams emphasized that determining the effect of changes to any given lever is an iterative process, given their interdependency. It was generally acknowledged that timing pressures mean the Board will almost certainly have to make some decisions before MGARA has complete information.

In light of these competing tensions, it was agreed that the Board would, at its January 27, 2020 quarterly meeting, advance the discussion using the best data available at that time, including with respect to CMS'S 2020 pass-through funding calculation and the results of implementation of the mandatory ceding guidance. It was further agreed that, in light of operational and actuarial turnaround times following any Board determination, the Board would tentatively plan to reconvene on February 13 to finalize the 2020 attachment points in light of any update presented on January 27. In the meantime, carrier members will communicate to their respective organizations the provisional possibility that MGARA attachment points might be revised upward toward a \$65MM/\$95MM level.

Mr. Williams discussed the need to migrate MGARA's ICD 10 mapping to a more public platform using the CMS health conditions. This was a preliminary introduction of this issue for the Board to begin to gain familiarity with this process. More information and decision-making to follow.

6. Discussion of Discretionary Ceding Concerns and any 2020 Adjustments

Mr. Howard briefly reviewed the history of MGARA's discretionary ceding window (i.e., the time period during which a carrier is permitted to cede a covered life following policy inception). Under the pre-suspension Plan of Operation, the window was 60 days. For the post-suspension amended Plan of Operation, counsel originally recommended that the window be expanded to 90 days; ultimately, the adopted Amended and Restated Plan of Operation landed at 120 days. The rationale for an expanded discretionary ceding window is the fact that carriers have less health information about a policyholder at policy inception than they did in the pre-suspension era, when Health Statements were mandatory. Now under ACA law, however, policyholders are not obligated to submit

Health Statements and the first inclination of a serious chronic condition could be the policyholder's refill of a three-month prescription drug. Nevertheless, the perceived "hyper-efficiency" of carriers' discretionary ceding has generated some regulatory and political pressure to decrease the length of the window.

A lengthy discussion ensued. It was agreed to maintain the current window, while directing Milliman to analyze the impact of various lengths of discretionary ceding window (60 days/90 days/120 days) in order to permit the Board to take a data-based approach to any future change.

7. Board Meeting Schedule Confirmation

Mr. Howard confirmed the Board's regularly scheduled in-person quarterly meetings on the following dates: January 27, 2020, April 14, 2020, July 13, 2020, and October 26, 2020, with telephonic meetings on the fourth Monday of each month other than those in which a quarterly meeting is scheduled.

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

A handwritten signature in black ink, appearing to be a stylized 'A' or similar character, positioned above a horizontal line.

Duly Authorized Officer