MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
January 27, 2020

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
Dana Kempton	Dan Rachfalski
Kevin Lewis	

Also in attendance were Laren Walker 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. Remarks Regarding LD 2007, An Act to Enact the Made for Maine Health Coverage Act and Improve Health Choices in Maine

The Board welcomed Eric Cioppa, Superintendent of Insurance, and Jeanne Lambrew, Commissioner of Department of Health and Human Services ("DHHS"), who joined the meeting to discuss with the Board the pending Maine bill, LD 2007, An Act to Enact the Made for Maine Health Coverage Act and Improve Health Choices in Maine.

The Superintendent thanked the Board for accepting the request to speak with the Board about LD 2007. He outlined the legislation's principal reforms: institution of a state-based health insurance exchange using the federal platform, in 2021, with the potential of shifting to a state-based platform in the future; streamlining of the offerings available to consumers choosing among insurance plans; merging the small-group and individual markets; extending MGARA's reinsurance coverage to the merged market, and shifting MGARA's reinsurance model from a prospective to a retrospective one; and instituting a mechanism for reporting providers that charge more than 200% of the applicable Medicare reimbursement rate for certain high-cost services. The Superintendent emphasized Governor Mills's desire to support small businesses in the state of Maine, noting that health reinsurance is one of the few levers available to do so. He explained that the proposed shift to a retrospective model is seen as a simplifying change, and that a prospective model would be difficult to apply to the merged market. He added his high confidence in the Board's ability to implement the proposed reforms affecting MGARA.

The Commissioner offered some additional comments on LD 2007, noting the proposed legislation's provision for returning MGARA surplus above actuarial requirements to the market; and the anticipated benefits of merging the markets, given the small-group market's demographic and geographic advantages. She added that the Governor's office sends appreciation to the Board for its efforts and attention.

Mr. Howard thanked the Superintendent and the Commissioner for their time and remarks, adding that the Board has not yet had an opportunity to discuss LD 2007 together, but plans to do so, and today's remarks will provide valuable context. He then invited questions and discussion.

A brief discussion ensued, during which time Board members posed questions regarding the details of the proposed legislation and received feedback from the Superintendent and the Commissioner. Mr. Howard and members of the Board emphasized that the actuarial analysis of the proposed LD 2007 reforms – by both Milliman and the Bureau's actuary – is in process, and will be essential to a final analysis of their feasibility. The Superintendent and the Commissioner offered the view that LD 2007 intentionally incorporates various inflection points and opportunities to consult and respond along the way.

The Board thanked the Superintendent and the Commissioner for their participation.

At 3:50 p.m., the Superintendent and the Commissioner left the meeting.

3. Approval of Minutes

The Board reviewed the minutes of the December 16, 2019 Board meeting, which incorporated a revision previously submitted by Mr. Lewis (the "Minutes"). On a motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented.

4. Monthly Operations Report

Mr. Walker provided the monthly operations report as of November 30, 2019. He noted that his presentation would be unusually brief, as much of the data is incorporated into Milliman's updated analysis that will be presented next.

Ceding: As of December 20, 1,174 additional lives have been ceded in response to MGARA's recent ceding guidance to carriers, for a total number of ceded lives of 4,053. While this remains approximately 1,500 lower than initial projections, Mr. Walker noted that the number of total *unique lives enrolled* since 1/1/2019 does very closely track initial projections, raising the possibility that terminations were not fully accounted for in the projections.

Mr. Walker reminded the Board that late-year cedes resulting from the recent ceding guidance generate a full year of premium, since premium is retroactive to January 1.

Claims: Claims in November totaled approximately $12MM, consistent with expectations. December claims are anticipated to come in at the same level, which will bring MGARA's total claims as of 12/31/19 to $90MM (before accounting for IBNR).

Mr. Lewis inquired about the timing of 1332 Waiver revenue recording. Mr. Walker explained that historically, MGARA has recognizes 1332 Waiver revenue on a cash basis, but that River 9 is in discussions with MGARA's auditors about the possibility of recognizing this revenue on an accrual basis going forward in order to more appropriately reflect the periods to which the revenue relates. This is also true for assessment revenue, which is also currently recognized on a cash basis and is the subject of discussions with MGARA's auditors.

5. Milliman Report

Updated 2020 Projections

Mr. Williams explained that, per the Board's instructions, Milliman has updated its 2020 projections to incorporate MGARA's most current November 2019 data and CMS's calculation of the 1332 Waiver grant funds. The updated projections reflect MGARA results for 2019 at Total Revenue of $127.2 Million, Total Expenditures of $110.9 Million and Ending Surplus of $21 Million, which is significantly above MGARA's targeted solvency margin of 10% of revenue; however, this results entirely from the large 2019 Section 1332 pass-through revenues received, which will not repeat itself in 2020. Mr. Lewis inquired as to the reason for the apparent large swing in discretionary cedes; Mr. Williams explained that this is attributable to several factors, including that the projections reflect the most conservative (i.e., highest) discretionary ceding levels in the model. In response to participants' questions, Mr. Williams noted that in response to application of the new mandatory ceding guidance, the projected loss ratio improved, but remained negative.

2020 Attachment Points

The Milliman team turned next to MGARA's attachment points for 2020. Mr. Williams explained that, as reflected in the meeting materials, leaving attachment points and reinsurance rates at 2019 levels for 2020 would result in a projected $18.5 Millin loss, leaving surplus of $2.5 Million, well below targeted surplus levels. Updating the attachment points from 2019 levels to attachment point and reinsurance rates of 90% for $77,000-$95,000 and 100% for > $95,000 improves the 2020 projected ending surplus to $12.5MM, or 15.3%, higher than MGARA's historical surplus target of 10%.

Mr. Howard asked the Milliman team for an overall sense of confidence/stability of the projections. Mr. Williams explained that several factors generate increased confidence in the 2020 projections versus the original 2019 projections, including the ability to draw on actual 2019 experience and the expectation of comparative operational stability in 2020.

Participants observed that, even with higher confidence, projections necessarily involve a degree of speculation, and that various factors put pressure on MGARA's 2020 surplus levels. A motion was then duly made and seconded to accept the proposed 2020 attachment points. A discussion of the appropriate attachment points and surplus level targets ensued.

Mr. Rachfalski inquired about the history of MGARA's surplus levels and targets. Mr. Howard explained that the existing approach of targeting a 10% surplus level originated at MGARA's inception, based on an analysis of market stability (and volatility) and related factors. In response to a question, Mr. Williams indicated that the projections incorporate the conservative end of the data range – meaning that the model already incorporates a measure of conservatism. He added that Milliman is not specifically recommending a particular level of surplus, but rather reporting the surplus level that results from the most recent calculations. Mr. Rachfalski advocated that the Board determine a desired surplus level and then determine the related attachment points. Participants inquired about expected impact of increased attachment points on voluntary cedes; Mr. Williams indicated that while these would indeed put pressure on carriers' voluntary ceding determinations, the extent of the impact is unclear. Several participants noted the importance of maximizing MGARA's impact on rates, while others cited an unavoidable need for continued conservatism in the current climate.

Voluntary Ceding Methods

Mr. Williams reminded the Board of its previous request for information regarding the actuarial effect of a reduction in MGARA's discretionary ceding window. The prepared materials presented the results of a Milliman study of completion factors used to reach ultimate risk scores using Milliman's Advanced Risk Adjusters v.3. The differentials between completion of risk scores at 120 days and 0 days were minimal – 88% at 120 days vs. 77% at 60 days. This was generally viewed as a minimal impact in light of the cost to carriers of shrinking the window. In response to a question from Mr. Rachfalski, it as clarified that carriers continue to have the right to alter discretionary ceding determinations, subject to the freeze-out rules set forth in MGARA's Plan of Operation.

At this time, a modification to the pending motion was offered, and it was

RESOLVED: To set MGARA's 2020 attachment points and reinsurance rates at the recommended level of 90% for $77,000-$95,000 and 100% for > $95,000, and to extend the period during which carriers may remove policies from discretionary ceding to the end of February in order to enable the carriers to account for these changes in attachment points.

6. LD 2007

The Board next turned to the subject of LD 2007. Mr. Howard noted that the committee hearing on the bill will take place the following week, consistent with the legislation's highly accelerated timeline overall. A discussion ensued, in which it was universally observed that more data – namely, the completion of the two pending actuarial analyses -- is required in order to determine whether the proposed market merger and operational changes to MGARA will have the desired effect. Several participants also observed that, despite some of the messaging regarding the legislation's mechanics, the change from a prospective to a retrospective model is not, under the current version of the bill, conditional. All participants agreed on the goal of helping the small-group market; the question is how to accomplish that. It was agreed that MGARA would testify "neither for nor against" LD 2007 pending the completion of Milliman's actuarial analysis.

7. Board Meeting Schedule Confirmation

Mr. Howard confirmed the Board's regularly scheduled in-person quarterly meetings on the following dates: 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, and additional Board conference calls to be scheduled on an as-needed basis.

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

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Duly Authorized Officer