

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
October 17, 2016

The Meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association (“MGARA” or the “Association”) was held by telephone conference call at 3:00 p.m. on October 17, 2016. Attendance is reflected in the record of attendance set forth below:

Jennifer Juke	Edward J. Kane
Katherine Pelletreau	Dr. David Howes
William M. Whitmore	Jolan F. Ippolito, Chair
Joel Allumbaugh	Dana Kempton
	Kevin Lewis

Also in attendance was Chris Howard, counsel, Bill Thompson from Milliman, and Laren Walker, Administrator.

Prior to the Board meeting materials were circulated in the form of a Memorandum from Pierce Atwood and Milliman, which addressed the scenarios for MGARA’s future presented by the Board at the conclusion of its September 26, 2016 meeting.

1. Termination of operations
2. Continued suspension of operations
3. Reactivation based on its existing prospective model
4. Reactivation based on a retrospective model

The meeting began with an analysis presented by Bill Thompson based on the assumption that a Section 1332 Waiver could be obtained. He walked the Board through Milliman’s analysis of the various scenarios applying the Milliman interactive model, and assuming a retrospective model would be adopted. A highly interactive session followed with discussion of many factors impacting the analysis. A number of key points emerged for the presentation and discussion, including:

- The “efficiency index” built into the Milliman analysis and model is a critical variable representing several unknown factors, including (i) how federal pass through payments will be structured, their amount, and whether CMS will make timely payment, (ii) the level of credit carriers will give the new MGARA program and the federal pass through payments in determining rates, (iii) the levels of operational/frictional costs associated with the program.

- The 51% of the market that is below 200% fo the FPL will not be economically effected by changes in premium due to the structure of the PTC subsidy.
- The real beneficiaries of the program would be the 49% of the market that is impacted by rate change, including most specifically the 22% that are paying full rate.
- The \$4 PMPM was fixed in 2012, and will have diminished effect over time as health spend continues to increase. The possibility of indexing the \$4 PMPM or making it a percentage of premium was discussed.
- There needs to be an analysis of the impact on the balance of the market that is paying assessments.
- There is concern with the small group market, and whether MGARA has a role there.
- There is a high level of general concern over the continued lack of stability in the market.
- Efficiency factors may well vary as among the different carriers.
- Idaho is suspending their program.

Following this broad ranging discussion, the Board made a tentative decision that if MGARA were to re-start the retrospective model seemed to be the most appropriate model.

The Board indicated that it would be helpful to discuss these questions with the Superintendent to gain his perspective and reconvene on October 24, 2016. The meeting was adjourned until October 24, 2016.

The meeting reconvened by conference call on October 24, 2016 at 3 PM. David Howes was unable to join the meeting. All other directors were in attendance, together with Chris Howard, Bill Thompson and Laren Walker.

Mr. Howard presented to the Board the results of his discussions with Superintendent Cioppa. The single most important issue discussed, and most of the discussion was on timing. Following discussion of the timing issues relating to a Section 1332 Waiver, including action at the state legislative level and at CMS/Treasury, it was clear to the Superintendent that MGAR A reactivation would not be reflected in 2018 rate filings. Other key take-aways from that discussion were:

- The Superintendent will need to work through the governor's office, and he does not have any visibility into the governor's views on these issues.

- If MGARA were to reactivate, a retrospective model seems to make the greatest sense due to its simplicity and higher level of predictability.
- His office shares some of the concerns regarding small group; however they believe a continued focus on the individual market is critical.
- He shares our concerns about the reliability of the federal pass-through payments, and the “efficiency factor” diminishing the effectiveness of the program.

Further discussion ensued regarding the four scenarios and it was determined that a report to the Superintendent should be prepared reflecting the results of the analysis performed to date, but without specific recommendation. Mr. Howard was directed to prepare the report for Board review.

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

Duly Authorized Officer