

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
October 26, 2020

A regular meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association (“MGARA” or the “Association”) was held via videoconference 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	Ellen Schneider
Kevin Lewis	Bill Whitmore

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. Board Candidate - Bill Whitmore

Ms. Ippolito reported favorably on her conversation with Board candidate Bill Whitmore.

On a motion duly made, it was

RESOLVED: To appoint Bill Whitmore to the seat vacated by Dan Rachfalski’s resignation, which seat has a remaining term expiring April 1, 2023, or until his successor is duly appointed and qualified.

At this time, Mr. Whitmore joined the meeting and the Board enthusiastically welcomed him back to the MGARA Board.

2. Approval of Minutes

The Board reviewed the minutes of the Board’s September 28, 2020 meeting (the “Minutes”). On a motion duly made, it was

RESOLVED: To approve the Minutes as presented.

3. Monthly Operations Report

Mr. Walker presented the monthly operations report as of August 31, 2020. In summary, he noted that performance is in line with projections. Assessments are running slightly ahead of projections. MGARA has now exhausted the 2020 funding from its federal Section 1332 grant as projected, and going forward will draw on its non-grant cash. Mr. Walker added that mandatory cedes continue to lag behind projections, and noted that this is on the agenda for further discussion. Finally, he observed that professional fees have materially exceeded projections, due in large part to the extra actuarial work associated with the market merger initiative.

Ms. Pelletreau inquired about oversight and review of professional fees. Mr. Howard explained that Milliman and Pierce Atwood both provide monthly invoices, detailed on an hourly basis. Currently, Pierce Atwood’s invoices go to Ms. Ippolito and River 9, while Milliman’s invoices go to Mr. Howard and River

9. Following brief further discussion, it was agreed that Mr. Kempton would join Mr. Howard in reviewing Milliman's invoices going forward.

4. Mandatory Ceding Analysis

Mr. Howard reminded participants that the Board had previously requested additional information regarding the continuing discrepancy among carriers with respect to mandatory ceding, with the data adjusted for carriers' relative market share. To that end, the meeting materials include an updated snapshot of mandatory ceding as of August 31 that controls for carriers' relative market shares as of March 31. Ms. Schneider observed that the adjusted data continues to reflect unexplained discrepancies, and inquired about the significance of mandatory ceding discrepancies prior to the guidance issued by MGARA in late 2020; Mr. Howard confirmed that the discrepancies prior to implementation of the guidance were more severe.

A brief discussion ensued as to possible causes of the continuing discrepancies, and options to respond. It was generally agreed that MGARA would issue a communication to carriers as a reminder of the ceding guidance issued in late 2020; and that if these differentials persist, the Board will consider a more formal examination of the issue.

5. Discussion of Covid-19 Impact Analysis

The Board turned to a consideration whether and when to undertake an analysis of expected impacts of the Covid-19 pandemic on MGARA's future performance. A brief discussion ensued, in which there was broad agreement that any attempt to project Covid-19 effects would be premature, given that the pandemic remains underway, too many unknown variables remain, and past comparable experience is scant. It was agreed not to pursue a detailed actuarial projection exercise at this time, and to revisit the topic in late 2020 or early 2021.

Participants discussed whether it would be useful for carriers to begin flagging ceded claims that have a Covid-19 nexus, as this data may have utility as the frequency of such claim increases. It was agreed that MGARA would request carriers to do so on a go-forward basis.

6. Revised Procurement Policy

Mr. Howard presented a proposed revised Procurement Policy. He explained that the principal changes are designed, per prior Board input, to stagger the terms of MGARA's professional service providers (legal, actuarial, and administrative), placing the non-administrative services on a staggered 5-year cycle that accommodates the statutory 3-year cycle for administrative services while avoiding multiple significant renewals in a single year. Following brief discussion, on a motion duly made and seconded, it was

RESOLVED: To adopt the revised Procurement Policy of the Association as presented.

7. RFP Process for Principal Service Providers

The Board turned to the draft Request for Proposal ("RFP") for MGARA's third-party administrator included in the meeting materials. At this time, Mr. Walker left the meeting.

Participants expressed concern about the timing of the proposed RFP. While it was acknowledged that MGARA's enabling legislation requires that the role of the administrator be put to a competitive bidding process every three years, participants also observed that MGARA's programmatic operations resumed (following suspension) only two years ago, on January 1, 2019. Given the critical nature of the administrative services, the short timeline to put in place a contract by January 1, 2021, and the importance

of conducting a robust solicitation process, it was proposed that the RFP solicitation be deferred to mid-2021 for a start date of January 1, 2022, which will be three years from MGARA's operational restart and would coincide with the proposed market merger effective date should it occur. Further discussion ensued and the Board concluded that the three year statutory cycle for administrator RFPs should be applied based on the MGARA re-start date (1/1/19) because the suspension of MGARA's operations was not contemplated when the 3-year cycle was adopted, and raised the need to determine how best to coordinate the statutory RFP requirement with the "start-stop" phenomenon generated by the suspension and migration to 1332 Waiver operations. From an operational point of view the uncertainty surrounding the implementation of the small group merger also makes a meaningful RFP unworkable at this time, and aligning the timing of the RFP with the potential transition to a merged market model is the only feasible approach to this process.

8. Discussion re Status of Small Group Merger Initiative

Mr. Howard reported on input from various regulatory bodies regarding the status of the Maine Small Group Merger Initiative. The federal Centers for Medicare and Medicaid Services ("CMS") has not to date endorsed the proposal, and appears to remain circumspect in light of the questions raised in public testimony and elsewhere. Superintendent Cioppa has expressed his willingness to meet with the MGARA Board to better understand its concerns regarding the initiative. Wakely Actuarial continues its analysis of the Milliman and Gorman findings, with results tentatively expected in mid-November. It was agreed that the next step for MGARA would be to meet with the Superintendent, once Wakely issues its report.

Toward the end of the meeting, the Board circled back to this subject. Several participants raised the question whether the Board should offer to suggest alternative ideas to achieve the intended objectives of the Small Group Merger Initiative. Mr. Allumbaugh suggested that it would be helpful to assemble a list of potential alternatives, to permit a more constructive dialogue around options and next steps if the Wakely report reflects continued shortcomings in the market merger outcomes. It was generally agreed that this would be helpful and constructive, and Mr. Howard agreed to circulate a list of ideas discussed to date. In that connection, it was also agreed that Mr. Howard would ask Milliman for a high-level sense of the "cost" to create a MGARA-like program for Maine's small-group market.

9. Discussion of CMS Conversation re Utilization and Cost Savings Incentives and MGARA's Potential Role/Programs

Mr. Howard reported that CMS recently inquired about MGARA's utilization and cost-savings (claims management) practices and incentives. CMS was informed that the protocols set forth in MGARA's Plan of Operation apply uniformly to all carriers. However, Mr. Howard expressed the expectation that this topic may come up again, and may require more attention and discussion if so. Ms. Pelletreau noted that this subject ties in with the non-market merger elements of LD 2007, including the "high-priced items or services" reporting regime.

10. Private Reinsurance – Discussion re Exploring Options

Mr. Howard reported that AON Reinsurance Solutions had contacted MGARA, offering to build a reinsurance product for MGARA. A discussion ensued. It was generally agreed that the potential benefits of such a program would be outweighed by the costs, particularly given the current uncertainties in the market. Participants also acknowledged that should MGARA ever wish to obtain such coverage, it should do so through an RFP process. The Board agreed not to pursue this opportunity at this time.

11. Confirmation of Board Meeting Schedule

The upcoming regular Board meeting schedule was confirmed, and it was agreed that, per the Board's usual practice, additional meetings would be scheduled on an as-needed basis.

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

A handwritten signature in black ink, consisting of a large, stylized initial 'A' followed by a cursive name.

Duly Authorized Officer