

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
February 22, 2021

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:

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| Joel Allumbaugh | Jim Lyon (<i>absent</i>) |
| Dr. David Howes | Bruce Nicholson |
| Jolan F. Ippolito, Chair | Katherine Pelletreau |
| Ben Johnston | Ellen Schneider |
| Dana Kempton | Bill Whitmore |
| Kevin Lewis | |

Also in attendance were Laren Walker and Diane Kopecky of River 9 (administrator), Dave Williams of Milliman, Inc. (actuary), 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 Board’s January 25, 2021 meeting (the “Minutes”). On a motion duly made, it was

RESOLVED: To approve the Minutes as presented.

2. Monthly Operations Report

Mr. Walker presented the monthly operations report as of December 31, 2020. He reminded the Board that the monthly report reflects unaudited data, pending the year-end audit and finalization of IBNR.

As of December 31, on a preliminary, unaudited basis:

Assessments totaled \$27MM for the year, \$6MM over projections. Milliman continues to examine potential reasons for the mismatch between projected and actual assessments, but has not yet identified specific drivers. Premiums totaled \$39MM for the year, exceeding projections. Claims totaled \$8.5MM for the year. Ceded lives remain low, at 69% of the projected total. A gap in ceded lives of this magnitude has significant implications for MGARA’s modelling. The ceded lives will be adjusted based on experience for purposes of the financial and actuarial modelling currently in process.

Overall, Mr. Walker summarized, MGARA ends 2020 in a financially sound position. A brief discussed ensued, in which the Board acknowledged the importance of and need for healthy levels of reserve, balanced against the interests of market participants, as MGARA and the Maine health insurance market enter the coming phase of regulatory and market uncertainty.

3. Board Vacancy – Marybeth Liang Resignation

Ms. Ippolito reported that Marybeth Liang has resigned from the Board due to her departure from Aetna. Board members reiterated their appreciation for Ms. Liang's service and contributions during her tenure.

Aetna has identified Geoffrey Shannon, currently the Plan Actuary for Aetna's commercial large group and small group business in the New England, as its nominee to replace Ms. Liang. The Board is not obligated to accept a member insurer's nominee, but historically the Board has done so. As has been the Board's approach with other candidates for Board seats, Ms. Ippolito as Chair will have a conversation with Aetna's proposed candidate about their experience and fit with the position and report back to the Board, which will then vote on that candidate.

4. Report re Status of Small-Group Market Merger

Mr. Howard reported that MGARA has not yet received a draft Section 1332 waiver amendment application from the Bureau of Insurance (the "Bureau"). MGARA's review and comment on the draft application will be a critical step in the 1332 waiver process associated with any market changes, because the application needs to align with and reflect MGARA's operational model as reflected in its Plan of Operation. Given the delay in the process, unfortunately, carriers will need to engage in planning for 2022 on two tracks (with and without market merger-related changes to MGARA's operations).

5. Report re LD 352

Mr. Howard reported on LD 352, An Act to Maintain the Integrity of the Individual and Small Group Health Insurance Markets. LD 352 would repeal the requirement, enacted in LD 2007 (P.L. 2019, ch. 653) (the "MMHCA"), that individual and small group health plans offered with effective dates of coverage on or after 1/1/2022 be offered through a pooled market. LD 352 is slated for committee hearing this coming week. Discussion ensued regarding MGARA's concerns with the small group merger and that MGARA has not had an opportunity to communicate those concerns to the HCIFS Committee directly, and support for the bill would provide not only an opportunity to briefly communicate those concerns at the public hearing, but also reinforce the Board's concerns by deviating from MGARA's more traditional positioning as a resource for the Committee and a neutral commentator.

Following that discussion, on a motion duly made and seconded, the following resolution was adopted on a 9 to 1 vote with Ms. Schneiter voting against:

RESOLVED: That MGARA support adoption of the proposed LD 352 and Mr. Howard be authorized to testify in favor of the bill at the HCIFS Committee Public Hearing on the bill based on the concerns the Board has identified in its various communications with the MBOI regarding the small group merger.

6. Status of 2022 Attachment Points

Mr. Williams reported that Milliman is just now obtaining the data required to update its model for 2022. Because updates to both the economic and actuarial models will be required, the process will be fairly involved. He further noted that the process will require a series of business decisions

by the Board, and proposed that the Milliman team plan to attend the next Board meeting to present and engage on these.

Milliman has prepared an Addendum to its existing engagement with MGARA to incorporate the expected work; Mr. Williams walked the Board through the anticipated workstream, which would be heavily weighted during the first half of 2021, and associated pricing estimates. Ms. Pelletreau noted the importance of incorporating salient federal regulatory changes that might emerge under the Biden administration, and Mr. Williams confirmed that Milliman expects to track such changes and adjust the model as appropriate. At this point, on a motion duly made and seconded, it was

RESOLVED: To approve the revised Milliman, Inc. 2021 Amended Work Plan, attached as Exhibit A to MGARA's existing professional services agreement with Milliman, Inc.

7. Operational Planning for Merged Market

Mr. Howard reminded the Board that it has previously recognized the need for MGARA to engage in “dual-track” planning for 2022. Included in the Board materials was a Board-level summary of that planning. Planning for “steady-state” operations in 2022 is reasonably straightforward: 2022 will be the Association's fourth year following its operational restart; carriers generally understand MGARA's operational parameters, and the program's operations are relatively stable. That said, even steady-state requires some planning, including an IBNR review, a decision on 2022 attachment points, and some changes to accommodate statutory developments irrespective of the potential market merger.

With respect to the merged market retrospective model, Mr. Walker offered his perspectives on operating a retrospective model versus a prospective model, based on his experience in Montana, where his firm is in the first year of implementation of a retrospective program. The operation of a retrospective model is dramatically different from MGARA's existing model in that the retrospective model involves a single annual submission of claims at the conclusion of each plan year and reimbursement for reinsured losses. This results in most of each year being inactive and a concentration of activity in a single relatively short period based on insurer claims. The Board would have very limited information and insight into the market during the course of each year, as there are very limited operations. Mr. Williams provided some commentary regarding the retrospective model reiterating the results of their modelling associated with the small group merger.

Mr. Howard further noted that under the changes enacted by the MMHCA, MGARA has authority to convert to a retrospective reinsurance model, regardless of whether the market merger occurs. There was a general consensus that any change from a prospective to a retrospective model would require further study and a 1332 waiver amendment application. Several participants commented that now is not the time to add an additional material change to MGARA's operations, given the many other changes and areas of uncertainty with which MGARA must contend, and the current objective should be successfully navigating the pending MMHCA changes and 1332 waiver amendment process.

The Board briefly discussed the 200% Medicare reporting requirement contained in the MMHCA. Participants observed that it is not clear that MGARA is the appropriate vehicle to serve this function, and expressed the desire for more information about the requirement and its intended implementation. Mr. Howard noted that MGARA's role is fairly limited from an operational point of view because the burden is on member insurers to report for each plan year the name of each high-priced item or service for which its payment exceeded the amount allowed for eligible claims together with the name of the provider that received these payments. MGARA's responsibility is limited to annually compiling and publishing a list of all reported names.

8. Confirmation of Board Meeting Schedule

It was agreed that Board members should keep open Mondays at 3pm to meet as developments require.

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 smaller, less distinct mark.

Duly Authorized Officer