

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
September 13, 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:

Joel Allumbaugh	Jim Lyon (absent)
Dr. David Howes	Bruce Nicholson
Jolan F. Ippolito, Chair	Katherine Pelletreau
Ben Johnston	Ellen Schneiter
Dana Kempton (absent)	Geoff Shannon
Kevin Lewis	Bill Whitmore

Also in attendance were Laren Walker 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 meeting of July 26, 2021 (the “Minutes”). On a motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented.

2. Monthly Operations Report

Mr. Walker provided the July monthly operations report. Overall, he noted, the report contains nothing particularly unusual or out of the ordinary.

As of July 31 (all figures are approximate): Cash and investments stood at \$84MM. This figure is comparatively high in part because MGARA has been drawing on 1332 Waiver grant revenue to date, which will shortly change as that revenue source is exhausted for the year. Assessment revenue appears low year-to-date, largely because the next assessment due date was August 15, and thus was not reflected in the July 31 numbers. Expenses stand at 42% of projections; while this is not alarming, given that claims expenses are always back-loaded in the year, the Administrator will continue to watch this line item. Professional fees are running high relative to projections, due to the market merger-related work.

Mr. Lewis inquired why investment income seems low. Mr. Walker explained that MGARA’s conservative investment strategy results in comparatively low returns; there is also some timing effect based on when this particular financial snapshot was taken. Still, Mr. Lewis noted, MGARA should be targeting a two percent return in any case. Mr. Walker noted that the returns are in the 1.5-2% range, but added that it can be difficult to

remain precisely within the target parameters, given MGARA's need for flexibility and liquidity. He added that he would encourage KeyBanc's continued focus on achieving returns within those parameters.

Mr. Walker walked the Board through the rest of the financial highlights. Ms. Schneiter inquired about MGARA's options if receipt of the expected additional 1332 Waiver grant revenue, discussed in greater detail below, is delayed. Mr. Howard and Mr. Walker confirmed that delayed funds would simply be utilized once received, and there is no need for other operational adjustment in the event of such a delay.

3. Discussion of ARPA Adjustment to Pass-Through Payments

Mr. Howard reminded the Board that, pursuant to the September 7, 2021 letter from the federal Centers for Medicare & Medicaid Services to the Maine Bureau of Insurance (the "Bureau"), the State of Maine will receive additional 2021 pass-through funding to adjust for the impact of the American Rescue Plan Act ("ARPA"). The ARPA temporarily expanded the Affordable Care Act's ("ACA") premium tax credit ("PTC"), increasing the levels of PTC for those who were already eligible under the ACA and making PTCs available to individuals with incomes above 400 percent of the federal poverty level for the first time. As a result, MGARA will receive \$8,562,238 more in 2021 pass-through funding than previously calculated, resulting in total pass-through funding for calendar year 2021 of \$39,315,869.

Mr. Allumbaugh inquired whether, based on the underlying basis for this change, MGARA could expect a similar adjustment in 2022. Mr. Williams responded that Milliman will conduct that analysis now that it has adequate data to do so. In response to an inquiry from Ms. Ippolito, Mr. Howard confirmed that the September 7 letter does constitute a final determination, but does not indicate expected timing of the additional grant funds.

4. Amended and Restated Plan of Operation - Conversion to Retrospective Program

Mr. Howard explained that the meeting materials include the updated draft Amended and Restated Plan of Operation, reflecting the Board's input at its previous meeting. He highlighted several remaining open items for the Board's input. A brief discussion ensued, following which it was agreed that the timelines for final claims reporting and final adjudication of losses would be extended in order to balance the carriers' operational needs with MGARA's need to close out the claims cycle in a given year.

5. Amendment to Articles of Incorporation

Mr. Howard noted the need for an amendment to MGARA's Articles of Incorporation to reflect the addition of a consumer member Board seat. That change was previously effectuated by statute, so this proposed amendment would be a conforming cleanup. On a motion duly made and seconded, it was

RESOLVED: To approve the amendment to the Association’s Articles of Incorporation as presented, to authorize, direct, and empower Mr. Howard, on behalf and in the name of the Association, to present such amendment to the Association’s Articles of Incorporation for approval to the superintendent of insurance in accordance with 24-A M.R.S. §3953(3), and to ratify, confirm, and approve all related actions heretofore taken by the Board, member, officer, or other authorized representative of the Association in all respects.

6. Discussion of Gorman Memo re MGARA Value

The Board turned to the August 6, 2021 Gorman Actuarial Memo to the Bureau, in which Gorman Actuarial, Inc., the Bureau’s third-party actuary, provided a critique of Milliman’s market rate projections and inputs to those calculations.

A discussion ensued, in which, among other things, participants recognized the importance of a collaborative approach among MGARA, the Bureau, and their respective actuaries, as well as the necessity of forming MGARA’s own independent perspective on actuarial matters and projections. It was also observed that the carriers’ own rate filings, which assign a range of credit to MGARA, demonstrate that the carriers themselves exercise independent judgment and reach their own conclusions in calculating rates.

7. Market Merger Status Report

Mr. Howard provided an update on the market merger rulemaking process. The Bureau’s Notice of Rulemaking, Proposed Rule, and accompanying Fact Sheet were published late in the day on September 10 and have been circulated to the Board for reference. A public hearing is scheduled for October 12. While the proposed rule is too recently published to hold a comprehensive Board discussion at this meeting, Mr. Howard briefly walked through the proposed Rule, noting that it generally tracks what had been expected.

Several participants noted that the proposed rule would place all small-group plans on a calendar year (January 1) cycle, which represents a highly significant and potentially worrisome change for the market.

8. Award - Administrative Services RFP

At this time, Mr. Walker and Mr. Williams departed the meeting. Mr. Howard reminded the Board that the Administrative Services RFP documentation was distributed to approximately 30 accounting and actuarial firms, insurance industry consultants, and other entities with salient experience. In response, MGARA received three expressions of interest and two formal submissions, from River 9 Consulting (MGARA’s current administrator) and from Pool Administrators Inc. To assist the Board in its deliberations, Mr. Howard and his team has populated the RFP Score Sheet with a comparative analysis of each respondent’s submission and prepared a breakdown of the respondents’ pricing

proposals, each of which was included in the meeting materials for the Board's reference and consideration.

A discussion ensued. Participants reviewed the RFP Score Sheet and evaluation criteria, noting, among other things, the significant pricing differential between the two submissions (River 9's being substantially lower); the risks associated with changing administrators, including a shift to the unknown at a sensitive time for the Association; potential transition costs not reflected in the RFP submissions; River 9's strong performance from its earliest engagement with MGARA; and the critical importance of responsiveness from an administrator, an area in which the Board felt River 9 has been exemplary.

On a motion duly made and seconded, it was

RESOLVED: To select River 9 Consulting as MGARA's third-party administrator, based on the scores of the RFP respondents' respective qualifications and cost proposals set forth in the attached Exhibit A.

9. Any Other Business

Mr. Howard confirmed the meeting schedule going forward. The Board briefly discussed the October 12 public hearing relating to the market merger Notice of Proposed Rulemaking. It was generally agreed that MGARA's input and participation is integral to the substance of the rule, and that another Board discussion is necessary once participants have had an opportunity to review and digest the proposed rule.

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



**Administrative Services RFP
Score Sheet**

(September 2021)

Evaluation Criteria	Relative Weight (Maximum Point Score)	R9	PA	Comments
Responsiveness to this RFP	5	3	5	Pool Administrators Inc. ("PA") gave more comprehensive and professional presentation
Qualifications and experience of the respondent and the personnel to be assigned to the engagement with respect to providing Services to reinsurance programs similar to MGARA	20	20	15	River 9 Consulting ("R9") has more directly relevant experience in our specific space
Quality and appropriateness of the respondent's proposed method of delivering the Services, and the respondent's capabilities to deliver the Services in accordance with its proposal and the needs of MGARA	20	20	20	Both firms appear highly capable
Financial and operational stability of the respondent	5	2.5	5	PA is a larger better capitalized

Evaluation Criteria	Relative Weight (Maximum Point Score)	R9	PA	Comments
				organization
Estimated cost of the engagement based on MGARA 2022 Retrospective Model	30	25	12	R9 has a more creative approach that results in scaling cost to the program size and providing a cap on our exposure as well.
Qualifications, capabilities and pricing regarding the possible addition of small group health plans to MGARA's reinsurance plan through the Potential Small Group Expansion	10	10	7	Both providers seems to have significant experience with small group programs R9 provided a clear solution for pricing small group using the same model as the individual market. PA was not definitively responsive to post-merger pricing.
Any other criteria the Board deems relevant and appropriate in the fulfillment of the performance of its duties and the evaluation of the responses to this RFP, including the ability to work effectively with the Board and other professional service providers	10	10	7	We have an established track record with R9 and an excellent working relationship. Interactions with PA are professional.
Total Points	100	90.5	71	