

**MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION**  
**Minutes of the Board of Directors**  
**February 28, 2022**

A regularly scheduled monthly update 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 ( <i>absent</i> )
Dr. David Howes	Bruce Nicholson
Jolan F. Ippolito, Chair	Katherine Pelletreau
Ben Johnston	Ellen Schneiter
Dana Kempton	Geoff Shannon
Kevin Lewis	Bill Whitmore

Also in attendance were Eric Cioppa, Superintendent of Insurance and Marti Hooper, Life and Health Actuary with the Maine Bureau of Insurance (the “Bureau”); Laren Walker of River 9 (administrator); Dave Williams, Sean Hilton, and Jeremy Siborg of Milliman, Inc. (actuary); and Chris Howard and Emily Cooke of Pierce Atwood LLP (counsel to the Association).

**1. Meeting with Superintendent**

To open the meeting, Superintendent Cioppa addressed the Board. Noting his upcoming retirement, he expressed his thanks to the MGARA Board for its years of dedicated service to the State of Maine, including in the face of various ups and downs over time. He added that he feels optimistic about the potential benefits a market merger can bring to Maine, given the challenges faced by the small-group market and the significance of reinsurance as one of the few levers available to engender positive change.

The Superintendent added his acknowledgement of MGARA’s longest-running Board members who have served since the Association’s inception, and his thanks to Mr. Howard for his longstanding service to MGARA.

Mr. Howard expressed the Board’s thanks for the Superintendent’s support of MGARA and the reassurance that came with having him at the helm.

At this time, Superintendent Cioppa left the meeting, as did Ms. Ippolito due to a scheduling conflict.

**2. Approval of Minutes**

The Board reviewed the minutes of the Board meeting of January 24, 2022 (the “Minutes”). On a motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented.

**3. Milliman 2022 Work Plan**

Mr. Williams presented Milliman’s draft 2022 MGARA work plan, key components of which include the recently-distributed 2021 IBNR report; the 2023 reinsurance thresholds development; support to the Board regarding the calculation and confirmation of pass-through funding from the federal Centers for Medicare and Medicaid Services (CMS); monitoring and reacting to 2022 experience; and year-end financials and surplus projections. It was generally agreed that the work plan looked appropriate and comprehensive, recognizing that unexpected variables will arise and require adjustment.

Mr. Howard noted that a key factor in planning will be CMS’s feedback on the draft 1332 Waiver application, the timing of which is currently unknown.

Ms. Pelletreau inquired as to whether Milliman will be involved in implementing MGARA’s statutory responsibilities with respect to high-priced items and services. Mr. Williams suggested revisiting this once the Board digs further into this topic to understand what’s needed.

**4. Report re Status of Section 1332 Amendment Application**

Mr. Howard reported that the Bureau recently submitted a draft 1332 Waiver Amendment Application to CMS. While the expected timing of CMS’s response is uncertain, Mr. Howard noted that the statutory timelines themselves are quite long, so a shorter-than-required turnaround from CMS is to be hoped for to avoid adverse impacts on the overall process.

At this time, Mr. Walker joined the meeting.

Mr. Lewis inquired about the status of the calendar year rating requirements that were proposed in Rule 856, noting that the relevant language appears to have been removed from the final rule. Ms. Hooper agreed that the final version of the rule omits the original language and leaves the point open, and commented that the Bureau’s attorneys continue to work with CMS and others on this item. Mr. Howard agreed to follow up with the Bureau’s legal staff for further information.

**5. 2022 RFP Process**

Mr. Howard reminded the Board that MGARA’s actuarial and legal services provider engagements are up for renewal, and the Board needs to decide on the sequence and timing of these. On a motion duly made and seconded, it was

RESOLVED: To conduct the following Requests for Proposals, on the following timeline: (i) for legal services for the Association,

in 2022; and (ii) for actuarial services for the Association, in 2023.

## **6. Implementation of §3958 High-Priced Items and Services Process**

The Board reviewed MGARA’s reporting obligations under the “high-priced items and services” regime, which was implemented through LD 2007. This requires MGARA to, among other things, (1) in consultation with the Department of Health and Human Services and the Maine Health Data Organization, develop a list of “high-priced items or services” that “contribute[ ] to Association costs and offer an opportunity for savings” and (2) compile from carriers and publish a list of each such high-priced item or service for which a carrier’s payment exceeded 200% of the Medicare fee schedule, together with the name of the providers receiving such payments. A robust discussion ensued, in which participants expressed questions and concerns about MGARA’s expected role in implementing this requirement. It was agreed that, as a next step, Ms. Schneider would reach out to the Maine Health Data Organization about its consultative role, and counsel would drill down on the §3958 statutory requirements and report back to the Board.

## **7. Monthly Operations Report**

Mr. Walker provided the monthly operations report on program operations and financial results as of December 31, 2021. He reminded participants that all reported year-end data is unaudited and, as such, subject to audit adjustments.

As of December 31 (all figures are approximate):

Cash and investments were reported at \$99.5 million. Assessments were reported at \$26.9 million. Premiums were reported at \$34.3 million, down from 2020, consistent with the lower number of covered lives in the program in 2021. Section 1332 grant revenue was reported at \$39.3 million. A change in IBNR of -\$1.0 million was reported. A loss on investments in the amount of \$3.1 million was reported, but Mr. Walker noted that this is an unrealized loss due to investments being “marked-to-market” due to GAAP accounting standards, and he reminded the Board that MGARA holds its fixed income investments to maturity, which makes their interim market value largely irrelevant. Claims were reported at \$73.4 million, lower than the projected \$86 million. Mr. Walker added that MGARA is presently keeping more funds in cash to meet runout demands, and to manage MGARA’s cash flow during the first quarter of 2022 (before Section 1332 grant funds are received).

Mr. Walker noted that the audit is scheduled to be completed in time for Board review and acceptance at MGARA’s annual meeting in April. MGARA’s auditor, Eide Bailly, will be in touch with carriers regarding its claims audit.

Mr. Walker reminded participants that the shift to a retrospective model has now taken place, adding that, thus far, MGARA has not received complaints or concerns from carriers regarding implementation of their retrospective reporting obligations. He commented that the 2021 IBNR numbers will be watched very closely, as under the new model MGARA

will no longer receive premium revenue to offset higher-than-expected IBNR. Mr. Howard affirmed that it will be important to keep a close eye on MGARA's fund balance, and to be prepared to react and respond where needed, as operations progress under the new model.

Mr. Whitmore emphasized the importance of balancing necessary prudence with avoiding over-conservatism, and noted the significance of the reinsurance thresholds in striking this balance.

**8. Executive Session**

No Executive Session was required.

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 'D' and a final flourish.

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Duly Authorized Officer