

MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION
Minutes of the Board of Directors
April 12, 2022

A regular meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association (“MGARA” or the “Association”) was held at 254 Commercial Street, Portland, Maine and 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 Schneider
Dana Kempton	Bill Whitmore
Kevin Lewis	

Also in attendance were Laren Walker and Diane Kopecky of River 9 (administrator), Chris Howard and Emily Cooke of Pierce Atwood LLP (counsel to the Association), and Dave Williams, Jeremy Siborg and Sean Hilton of Milliman, Inc. (actuary to the Association). Also in attendance Marti Hooper, Life and Health Actuary with the Maine Bureau of Insurance (the “Bureau”), and Ben Yardley, Senior Attorney with the Bureau. Jodi Daugherty and Jason Lindstrom of Eide Bally, MGARA’s auditor, joined the meeting as reflected below.

1. Public Session

The Public Session of the Board was opened. There being no members of the public present, the Board concluded the Public Session without comment.

2. Welcome New Board Members

The Board recognized the dedicated service of Joel Allumbaugh and Dana Kempton, whose tenure on the Board will end at the completion of this meeting. The Board welcomed two incoming members, Eric Jermyn, President of Cross Insurance Employee Benefits, and Terry Brann, CFO of MaineGeneral Health, whose terms will commence at the end of the meeting and are in attendance at this meeting as guests of the Board. Messrs. Brann and Jermyn briefly introduced themselves and expressed their enthusiasm for joining the Board.

3. 2021 Audited Financial Statements

Jodi Daugherty and Jason Lindstrom of Eide Bailly, MGARA’s auditor, joined the meeting and presented the Association’s 2021 audited financial statements (the “2021 Audited Financials”), which include the Schedule of Expenditures of Federal Awards in accordance with the Government Accounting Standards and the Uniform Guidance for federal awards. They noted that, as in past years, the audit identifies that the Association does not have an

internal control system designed to provide for the preparation of the financial statements and related disclosures being audited, and as such, MGARA relies on Eide Bailly to prepare its financial statements and related disclosures. Following brief additional discussion, on a motion duly made and seconded, it was

RESOLVED: To accept the 2021 Audited Financials as presented.

At this time, the representatives of Eide Bailly left the meeting.

3. Board Vacancy

Ms. Ippolito reminded the Board that Geoffrey Shannon has departed Aetna. It was agreed that the Board would follow its typical practice of receiving the carrier's recommendation for a candidate to fill the resulting vacancy and having Ms. Ippolito meet with the proposed candidate and report to the Board for full Board approval.

4. Election of Officers

Ms. Ippolito presented the slate of officers for election. On a motion duly made and seconded, it was

RESOLVED: To elect the following slate of officers:

Jolan Ippolito – Chair and President
Bill Whitmore – Treasurer
Chris Howard – Secretary

5. Conflict of Interest Disclosure Statement

Mr. Howard reminded Board members (including the incoming members) to review, execute and return the Conflict of Interest Annual Disclosure Statement, and to contact Mr. Howard with any questions.

6. Approval of Minutes

The Board reviewed the minutes of the February 28, 2022 Board meeting (the "Minutes"). With the correction of two typographical errors noted by Ms. Schneider, on a motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented.

7. Monthly Operations Report

Mr. Walker provided the monthly operations report for February 2022. He reminded the Board that MGARA's prospective model ended as of December 31, other than runout claims. He added that there is no incoming claims activity to present, because under the new retrospective model, the first claims are not due to be submitted until April 20. He

noted that the Operations Report shows an investment loss YTD of approximately \$1MM, adding that this of course reflects current market volatility and will remain unrecognized until and unless investments are liquidated.

Mr. Walker noted that Notes 5 and 6 have been added to the monthly financials (Reduction in IBNR for Prospective Program Premiums/Claims) as potentially helpful during the runout of the prospective program.

Finally, Mr. Walker confirmed that thus far, operations under the retrospective model appear to be running smoothly, and that the first claims deadline of April 20 will be the next salient benchmark in the rollout of the retrospective program.

8. Report re 1332 Amendment Application Status

Mr. Howard reported that the Bureau received a confirmation of application completeness from the federal Centers for Medicare and Medicaid Services (CMS) on March 28, and inquired of the Bureau representatives whether the Bureau had received any more recent updates. Mr. Yardley responded that there were no recent updates, but that communication with CMS staff continues to be positive and constructive, recognizing that CMS sees the need to move deliberately given that the proposed market merger would represent something novel.

Ms. Pelletreau inquired about the recent posting of additional data on the Bureau's website in connection with the 1332 Waiver application. The Bureau representatives indicated that this was in response to CMS's request for additional information regarding estimated impact of the market merger versus rates absent the market merger.

Mr. Howard commented that time is now of the essence, given the necessity to the rate-setting process of having clarity about the potential market merger.

9. Milliman Report and Discussion regarding 2023 Planning

Mr. Williams presented Milliman's 2022 and 2023 modelling and 2023 reinsurance thresholds. He emphasized at the outset that the presentation is preliminary and thus not to be shared outside the Board pending finalization. He explained the various key dynamics, assumptions, and variables, including the interface among claims, grant revenue, and surplus targets. A lengthy discussion ensued, in which participants discussed the appropriate balance between promoting certainty in the model while planning around longer-term uncertainty occasioned by pending developments in the insurance market (such as the proposed market merger) and larger global volatility.

Board members agreed that, in order to make a final determination of 2023 reinsurance thresholds, Milliman's analysis should be updated to reflect both a merged and un-merged market in 2023. It was agreed that Milliman would prepare this update and the Board would reconvene the following week to confer.

10. Discussion re High Cost Items and Services Statutory Regime

Mr. Howard summarized the key components of the “high cost items and services” provisions of the Maine Insurance Code that was implemented through LD 2007. These provisions require 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” (HCIS) that “contribute to Association costs and offer an opportunity for savings,” (2) limit reinsurance coverage to 200% of the Medicare allowable charges for the listed HCIS, and (3) compile from carriers and publish a list of each HCIS for which a carrier’s payment exceeded 200% of the Medicare fee schedule, together with the name of the providers receiving such payments.

Mr. Howard noted that preliminary discussions with Milliman and River 9 have highlighted significant uncertainty and complexity associated with the implementation of the HCIS regime, including as to the calculation of Medicare allowable charges, the identification of items and services that offer the opportunity for genuine savings, and the implementation of reimbursement limits across policies. Some of that complexity could significantly increase MGARA’s administrative burden, with potentially limited benefit to the insurance market. A discussion ensued, in which Board members exchanged views on the intent and purpose of the HCIS regime and the appropriate MGARA response to the various identified complexities and ambiguities in the law. Participants also acknowledged that the statute expressly contemplates consultation with the Department of Health and Human Services and the Maine Health Data Organization, and expressed uncertainty how or when that consultative process is meant to commence.

By way of next steps, the Board requested that Milliman prepare an illustrative analysis of how the HCIS provisions could be implemented, whether savings could be realized and the impact on MGARA, the market, provider and insurer behavior and 1332 pass-through funding, and agreed that the Board would reconvene the following week to consider the results of this analysis and determine a path forward.

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



Duly Authorized Officer