

**MAINE GUARANTEED ACCESS REINSURANCE ASSOCIATION**  
**Minutes of the Board of Directors**  
**September 26, 2022**

A regular meeting of the Board of Directors of the Maine Guaranteed Access Reinsurance Association (“MGARA” or the “Association”) was held at 3:00 p.m. via videoconference. Attendance is reflected in the record of attendance set forth below:

Terry Brann ( <i>absent</i> )	Jim Lyon ( <i>absent</i> )
Dr. David Howes	Bruce Nicholson
Jolan F. Ippolito, Chair	Katherine Pelletreau
Eric Jermyn	Ellen Schneider
Ben Johnston	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), Dave Williams and Sean Hilton of Milliman, Inc. (actuary to the Association), and Ben Yardley and Marti Hooper of the Maine Bureau of Insurance (the “Bureau”).

**1. Approval of Minutes**

The Board reviewed the minutes of the August 22, 2022 Board meeting (the “Minutes”). On a motion duly made and seconded, it was

RESOLVED: To approve the Minutes as presented.

**2. Milliman 2022 – 2023 Model Update**

Mr. Williams presented Milliman’s 2023 Mid-Year Report to Estimate 2023 Pass-Through Funding. By way of background, he explained that analysis set forth in Milliman’s May 13, 2022, MGARA Reinsurance Program Threshold Report has now been updated to reflect carriers’ 2023 rate filings, updated claims data, MGARA experience YTD and ARPA subsidy extension. In the updated model, the reinsurance thresholds, coinsurance levels, grant revenue, and assumed reductions in market rates all remain the same as in the prior analysis. However, the updated analysis finds an increase in expected claims costs for both 2022 and 2023 based on updated public information, and an increase in expected 2023 1332 Waiver grant revenue based on a larger spread between the “with MGARA” versus “without MGARA” premiums as most recently approved by the Bureau. He added that the claims data reflects a spike in the beginning of 2022, rather than a low level of claims that grows over time – a trend that runs counter to Milliman’s original expectations. Mr. Lewis commented that this seems unsurprising given that one of three expected source of reinsurance claims is conditions that generate high costs from inception. Mr. Williams agreed with this, and noted that while Milliman does not have diagnosis codes, it is able to view claims at the individual level, and could extrapolate from that.

Mr. Williams further noted two dynamics driving the updates to the model: first is non-calendar year small-group renewals, which results in a first-year implementation period of ‘run-in’ claims

that will not mature to a full year's experience until 2024. The second is 2022's greater-than-expected losses, which result in a lower-than-expected projected 2022 surplus. This in turn generates a 543% level of risk-based capital, decidedly lower than the 940% projected in Milliman's previous analysis, but still within the Board's established guardrails.

In response to an inquiry from Mr. Whitmore, Mr. Williams explained that, in this analysis, 2022 claims projections increase more than those for 2023 due to differing dynamics in the small-group (and therefore, in 2023, merged) market.

Mr. Williams noted his expectation that in 2024 the thresholds will be smaller, resulting in lower 1332 grant revenue, and lower carrier credit to MGARA. This is the "whiplash" effect that has been noted in prior Milliman analyses and discussed by the Board. He added that Milliman and River 9 have discussed the need for adequate liquidity to manage MGARA's shifting needs. Mr. Walker commented that he feels comfortable on this score.

Mr. Howard inquired about the driver in increased loss ratios. Mr. Williams replied that Milliman has speculated that it may reflect an increase in claims coming out of the pandemic, and/or a greater-than-expected increase in hospital chargemasters. Ms. Schneiter expressed strong agreement with the latter observation. She added that these updates are distressing, but that it seems there's little that MGARA and the Board can do beyond wait and see how things unfold. Mr. Williams agreed with this, adding that Milliman and River 9 will continue to work closely to monitor developments and report to the Board. Mr. Walker added that these updates are based on a limited data set, the first two quarters of 2022. Third quarter data will be available by late October and should add more color.

A discussion ensued. Board members observed that these updates raise the specter of tightening reinsurance corridors, which in turn may give way to lower grant revenue in future years, ultimately destabilizing MGARA's ability to positively impact rates. Others pointed to the additional overlay of inflation and other challenging dynamics in the economy. Board members inquired how the Bureau is kept in the loop on these developments; Mr. Williams explained that Milliman's analysis is shared with both the Bureau and CMS, and the carriers are now aware by virtue of this report. Mr. Howard affirmed that this information is being shared on a realtime basis with those stakeholders (other than small-group carriers, who are not currently represented on the Board prior to the market merger). Several Board members noted the difficulty in making policy decisions without knowing whether these changes represent true trends or more of a blip, and it was generally agreed that the data reports that the next Board meeting would provide important directional guidance. To that end, it was agreed that the next meeting would be rescheduled from October 28 to November 7, to ensure adequate time for Milliman and River 9 to gather and incorporate updated information for the Board's consideration.

### **3. Update re Amended Plan of Operation**

Mr. Howard reviewed with the Board the Summary Outline of proposed amendments to the MGARA Plan of Operation. The Board reviewed the proposed changes on a section-by-section basis. Mr. Howard noted that the areas requiring the most significant work are addressing small-group plans on a non-calendar year cycle and adding a section addressing the high-cost items and

services (HCIS) regime. Discussion ensued regarding these changes. Mr. Howard recapped that December 31, 2022 is the target date for the revised Plan of Operation (with some flexibility), and indicated that as a next step, he expected to produce a draft revised Plan of Operation for the next quarterly in-person meeting scheduled for November 28<sup>th</sup>.

At this time, the Milliman and River 9 representatives departed the meeting and the Board entered Executive Session.

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 'A' followed by a cursive flourish.

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Duly Authorized Officer