

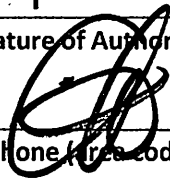
## Section 1332 of the Patient Protection and Affordable Care Act (PPACA) State Innovation Waivers – Reinsurance Waiver Annual Report

**Reporting Instructions:** Please capture data for annual 1332 waiver grant reporting in this template, which has been developed based on your specific terms and conditions (STC), and in accordance with 45 CFR 155.1324(b)-(c). For any items that are marked “if applicable,” please refer to the requirements in your STCs to determine whether you need to fill in those data fields. Draft annual reports are due within 90 days of the end of each calendar year that your waiver is in effect.

STATE: Maine

A. GRANTEE INFORMATION		
1. Reporting Period End Date <b>12/31/22</b>	2. Report Due Date <b>3/31/23</b>	3. Report Submitted On (Date) Initial: 3/28/23; Final: October 17, 2023
4. Federal Agency and Organization Element to Which Report is Submitted Consumer Information & Insurance Oversight		
5. Federal Grant Number Assigned by Federal Agency 1 SIWIW190005-01-00	6a. UEI Number <b>YMJKWKQM6XC6</b>	6b. EIN <b>016000001</b>
7. Recipient Organization Name <b>State of Maine - Maine Guaranteed Access Reinsurance Association</b>		
Address Line 1 <b>254 Commercial Street</b>		
Address Line 2 <b>5th Floor</b>		
Address Line 3 <b>Attn: C Howard</b>		
City <b>Portland</b>	State <b>ME</b>	ZIP Code <b>04101</b>
ZIP Extension	8. Grant Period Start Date <b>1/1/19</b>	9. Grant Period End Date 12/31/27 (Grant Period Extension 7/15/22)
10. Other Attachments (attach other documents as needed or as instructed by the awarding federal agency)		
Supplemental Material Q 12 - MGARA Q4 2021 Financial Report Supplemental Material Q 25 - Summary of Annual 2022 Post Award Public Forum Response to Department's Question re 2023 Reinsurance Thresholds (10/7/2023)		

## Reinsurance Waiver Annual Report

<b>B. REPORT CERTIFICATION</b>
<b>11. Certification:</b> I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.
<b>11a. Typed or printed name and title of Authorized Certifying Official</b> <b>Christopher E. Howard</b>
<b>11b. Signature of Authorized Certifying Official</b> 
<b>11c. Telephone (area code, number, and extension)</b> <b>207-791-1335</b>
<b>11d. Email address</b> <b>choward@pierceatwood.com</b>
<b>11e. Date report submitted (month/day/year)</b> <b>3/28/23</b>
<b>C. PROGRESS OF SECTION 1332 WAIVER – <u>General</u></b>
<b>12. Provide an update on progress made in implementing and/or operating the state's approved 1332 waiver program.</b> <p>The MGARA program is in its fourth year of full operation under the Section 1332 Grant and its first year operating based on a retrospective model. The program is functioning according to plan with no material implementation or operational issues. For the 12 months ended 12/31/22, total revenue was \$64,362,681, consisting of \$20,993,811 in assessment revenue, \$43,754,627 in grant revenue and unrealized gain/loss on investments of -\$2,611,975 due to market conditions and \$2,115,339 in interest income. Investments are marked to market and do not represent realized losses. All investments are held to maturity and are not expected to generate any realized losses. Claims incurred for the period totaled \$78,862,391, which together with operational expenses resulted in total expense of \$79,655,347. The MGARA monthly operations report dated September 30, 2022 is attached for reference. The loss generated through 2022 program operations of -\$15,292,666 is being funded through draw down of surplus. It is noteworthy that claims are running ahead of MGARA projections with claims totaling \$78,862,391 for the 12 months ended 12/31/22. MGARA commissioned a re-projection of claims costs by its actuary (Milliman) and in September 2022, and adjusted its claims cost estimate for 2022 to \$88,000,000 based on that study. As of year end, the level of claims slowed slightly compared to Q3 results; however, claims costs will continue to develop into Q1 2023. The 2022 year is MGARA's first year operating under the retrospective model and claims volatility was anticipated. The operating loss for 2022 will be funded through draw down of available surplus.</p> <p>The MGARA program received approval from the Departments by letter dated 7/15/22 that will allow the extension of the MGARA reinsurance program to a merged individual and small group market for plan years 2023 - 2027, as well as quarterly adjustments for small group plans that do not renew on a calendar year basis. The MGARA Plan of Operation has been amended and restated to give effect to this merged market with such changes to be operational 1/1/23.</p>
<b>13. Describe any implementation and/or operational challenges to meet the 1332 statutory guardrails, and plans for and results of associated corrective actions. After the first year, only report on changes and/or updates, as appropriate.</b>  None

## Reinsurance Waiver Annual Report

<b>D. PROGRESS OF SECTION 1332 WAIVER – <u>State-Specific</u></b>		
<b>14. Metrics to assist evaluation of the waiver's compliance with statutory requirements in Section 1332(b)(1)</b>		
	<b>Value</b>	<b>Comments (if applicable)</b>
a. Actual individual market enrollment on the Exchange in the state	62,157	From 940 Reports  As of Date: 3/31/2022
Actual individual market enrollment off the Exchange in the state	8,259	From 940 Reports  As of Date: 3/31/2022
b. Actual average individual market premium rate on the Exchange (i.e., total individual market premiums divided by total member months of all enrollees)	\$515.38	URRT PY 2022 Data: (Calibrated Plan Adjusted Index rate)* (Projected Member Months) on a plan level. Summed and divided by MM for "On" Plans.
Actual average individual market premium rate off the Exchange (i.e., total individual market premiums divided by total member months of all enrollees)	\$446.13	URRT PY 2022 Data: (Calibrated Plan Adjusted Index rate)* (Projected Member Months) on a plan level. Summed and divided by MM for "Off" Plans.
c. Actual Second-Lowest Cost Silver Plan (SLCSP) premium for Exchange plans under the waiver for a representative consumer (e.g., a 21-year-old non-smoker) in each rating area	Area 1: \$308.65 Area 2: \$328.95 Area 3N: \$341.35 Area 3S: \$343.29 Area 4: \$409.56	Source: 2022 2nd lowest silver w/ MGARA
Estimate of the SLCSP premium for Exchange plans as it would have been without the waiver for a representative consumer (e.g., a 21-year-old non-smoker) in each rating area	Area 1: \$348.33 Area 2: \$371.25 Area 3N: \$380.97 Area 3S: \$385.05 Area 4: \$457.10	Source: 2022 2nd lowest Silver W/out MGARA
d. <i>For states with State-based Exchanges</i> , actual amount of Advanced Premium Tax Credit (APTC) paid to issuers, by rating area for the plan year	Area 1: \$100,150,418.10 Area 2: \$59,217,439.93 Area 3N: \$38,363,455.75 Area 3S: \$31,848,015.77 Area 4: \$52,223,733.93	Retrieved from OHIM Submission SBE EXP-StatePremium-Pass-through-Calculations 2023 spreadsheet
e. <i>For states with State-based Exchanges</i> , actual number of APTC recipients for the plan year. This should be reported as number summed over all 12 months and divided by 12 to provide an annualized measure.	Area 1: 20,897.67 Area 2: 10,621.67 Area 3N: 6,257.67 Area 3S: 5,366.5 Area 4: 7,089.33	Retrieved from OHIM Submission SBE EXP-StatePremium-Pass-through-Calculations 2023 spreadsheet

## Reinsurance Waiver Annual Report

**15. Please confirm whether there was any impact of the waiver on the scope of benefits or Essential Health Benefit (EHB) benchmark.**

None

**16. Describe any changes to the state-operated reinsurance program, including changes to the funding level the program will be operating at for the next plan year, any changes to the approved payment parameters for reinsurance program reimbursement or changes to eligibility criteria for enrollees' claims to be reimbursed under the program.**

The MGARA program received approval from the Departments by letter dated 7/15/22 that will allow the extension of the MGARA reinsurance program to a merged individual and small group market for plan years 2023 - 2027, as well as quarterly adjustments for small group plans that do not renew on a calendar year basis. The MGARA Plan of Operation has been amended and restated to give effect to this merged market with such changes operational 1/1/23.

The State-based funding for the program will remain constant at a market-wide \$4 PMPM assessment.

Reinsurance thresholds for 2023 were adjusted from \$76,000/\$250,000 to \$90,000/\$275,000. An explanation of the reason for the change is attached hereto in response to the Department's question regarding this topic.

**17. Describe any changes in state law that might impact the waiver and the date(s) these change occurred or are expected to occur.**

None

**18. Report on spending:**

	Value	Comments (if applicable)
a. Amount of federal pass-through funding spent on individual claim payments to issuers from the reinsurance program	\$43,754,627	The reported amount is as of 12/31/22  The full Grant amount - \$45,821,025 was expended as of 2/28/23.
b. Amount of federal pass-through funding spent on operation of the reinsurance program	\$0	
c. Amount of any unspent balance of federal pass-through funding for the reporting year	\$2,066,398	This amount was fully expended as of 2/28/23 in payment of claims
d. Amount of state funding contribution to fully fund the program for the reporting year	\$27,000,000 (est)	

## Reinsurance Waiver Annual Report

**19. If applicable, provide a claims breakout at an aggregate level for the top five conditions or cost drivers of the five conditions, including settings of care in the individual market.**

No longer applicable to MGARA's retrospective model. Claims are paid based on amount within our reinsurance thresholds, regardless of condition so this information is no longer collected.

**20. If applicable, report on any incentives for providers, enrollees, and plan issuers to continue managing health care cost and utilization for individuals eligible for reinsurance.**

The MGARA Plan of Operation requires claim management of reinsured and non-reinsured claims on an undifferentiated basis, reinforced by MGARA's annual audit function.

The implementation of the High Cost Items and Services program has been pushed out to 1/1/24 due to delays in the identification of the high cost items and services to be targeted by the program.

**21. If applicable, report of any reconciliation of reinsurance payments that the state wishes to make for any duplicative reimbursement through the state reinsurance program for the same high-cost claims reimbursed through the Department of Health and Human Services (HHS)-operated high-cost risk adjustment program.**

	Value	Comments (if applicable)
a. Reinsurance payment (before reconciliation) for high-cost claims to issuers who also receive payment through the HHS risk adjustment program under the high-cost risk pool	N/A	No reconciliations to report. MGARA reinsurance thresholds are set at levels designed to avoid duplicative reimbursement.
b. Risk adjustment amount paid by HHS for those claims	N/A	N/A
c. Reinsurance reconciliation (or true-up) amount applied	N/A	N/A

### E. POST-AWARD FORUM

**22. Was the date, time, and location of the Post-Award Forum advertised 30 days in advance?**

- Yes  
 No

**23. State website address where Post-Award Forum was advertised**

The notice was published on two websites: [www.mgara.org](http://www.mgara.org) and [www.maine.gov/pfr/insurance](http://www.maine.gov/pfr/insurance)

## Reinsurance Waiver Annual Report

<p>24. Date Post-Award Forum took place</p> <p>June 7, 2022</p>
<p>25. Summary of Post-Award Forum, held in accordance with §155.1320(c), including all public comments received and actions taken in response to concerns or comments.</p> <p>See attached - Summary of Annual 2022 Post Award Public Forum</p>
<p>26. Other Attachments (attach other documents as needed pertaining to Post-Award Form)</p> <p>None</p>
<p><b>F. STATE INTERNAL IMPLEMENTATION REVIEW – ATTESTATION</b></p>
<p>27. Attestation: The state attests that periodic implementation reviews related to the implementation of the waiver have been conducted in accordance with 31 CFR 33.120(b) and 45 CFR 155.1320(b).</p> <p><input checked="" type="radio"/> Yes</p> <p><input type="radio"/> No</p>
<p>28. Describe the state's implementation review process.</p> <p>During 2022 the MGARA Board met with the program administrators and managers monthly for a 1-2 hour meeting to receive reports on, and review, all aspects of program implementation. Follow up reports and meetings are held as required.</p>

**MGARA**  
Balance Sheet  
as of 12/31/2022

	2022	2021
<b>Assets</b>		
Cash/Investments (Note 1)	\$100,157,373	\$99,592,171
Assessment Receivable	-	7,740,576
Accrued Investment Interest Receivable	462,085	634,283
Allowance for Bad Debts	-	-
Premium Receivable	16,419	2,609,600
Grant Receivable	-	-
Claims Receivable	-	-
IBNR Premiums	0	812,000
Prepaid Expenses	0	0
<b>Total Assets</b>	<b>\$100,656,777</b>	<b>\$111,387,710</b>
<b>Liabilities</b>		
Accounts Payable (Note 2)	\$89,001	\$195,266
Claims Payable	29,699,923	14,327,342
IBNR Liability	1,495,415	12,200,000
Deferred Assessment Liability	-	0
Line of Credit	-	0
<b>Total Liabilities</b>	<b>\$31,284,339</b>	<b>\$26,722,607</b>
<b>Fund Balance</b>	<b>\$69,372,437</b>	<b>\$84,665,103</b>

**Statement of Revenues and Expenditures**  
For the 12 Months Ending December 31, 2022

	Current Quarter	YTD 2022	YTD 2021	Full Year 2022 Projected*	2022 YTD % of Projected
<b>Revenues</b>					
Regular Assessment	\$6,843,664	\$20,993,811	\$28,198,350	\$27,000,000	78%
Additional Assessment	-	-	-	-	
Premiums	110,880	110,880	34,398,413	-	
Grant Revenue (Note 4)	24,121,910	43,754,627	39,315,859	45,800,000	95%
Change in Premium IBNR	-	-	(1,088,000)	-	
Gain on Investments	366,987	(2,611,975)	(3,163,711)	-	
Interest Income	596,634	2,115,339	2,726,241	-	
<b>Total Income</b>	<b>\$32,040,074</b>	<b>\$64,362,681</b>	<b>\$100,365,162</b>	<b>\$72,800,000</b>	<b>88%</b>
<b>Expenditures</b>					
Claims Incurred	\$29,982,537	\$78,662,391	\$73,465,828	\$88,000,000	90%
Change in IBNR	-	-	(2,800,000)	-	
Administration Fees	135,850	387,950	642,649	-	
Interest Expense	-	-	-	-	
Professional Fees (Note 3)	87,110	335,786	368,188	1,100,000	72%
Insurance Expense	-	61,558	53,483	-	
Bank Charges	1,804	7,691	7,203	-	
Other Expenses	-	-	-	-	
<b>Total Expenses</b>	<b>\$30,207,301</b>	<b>\$79,655,347</b>	<b>\$71,737,352</b>	<b>\$89,100,000</b>	<b>89%</b>
<b>Revenues in Excess of Expenditures/ (Expenditures in Excess of Revenues)</b>	<b>\$1,832,773</b>	<b>\$-15,292,666</b>	<b>\$28,647,810</b>	<b>\$-16,300,000</b>	
<b>Fund Balance - Beginning</b>		<b>\$84,665,103</b>	<b>\$56,017,294</b>	<b>\$57,500,000</b>	
<b>Fund Balance - Ending</b>		<b>\$69,372,437</b>	<b>\$84,665,103</b>	<b>\$41,200,000</b>	

State of Maine

Maine Guaranteed Access Reinsurance Association

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**SUMMARY OF ANNUAL 2023 POST AWARD PUBLIC FORUM**

Pursuant to 31 CFR §33.124 and 45 CFR §155.1324

As Specified in Innovation Waiver Specific Terms and Conditions Section 11

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**Introduction:** Pursuant to 31 CFR §33.120(c) and 45 CFR §155.1320(c), the Maine Bureau of Insurance (“MBOI”) and the Maine Guaranteed Access Reinsurance Association (“MGARA”) jointly held a public forum on June 27, 2023 at 10:00 am ET at MGARA offices at 254 Commercial Street, Portland, Maine, at which the public was afforded an opportunity to provide comment on the progress of the State of Maine Section 1332 Innovation Waiver (the “Waiver”).

**Process:** The MBOI and MGARA both published the date, time and location of the public forum in a prominent location on the MBOI’s public web site and MGARA’s public web site at least 30 days prior to the date of the public forum.

**Record:** The forum was jointly hosted by Acting Maine Superintendent of Insurance Timothy Schott and Christopher Howard, MGARA’s Authorized Organizational Representative. The forum was also attended by members of the MBOI staff, including Mary M. (“Marti”) Hooper, ASA, MAAA, Life and Health Actuary, Benjamin Yardley, Senior Staff Attorney. Also in attendance was Diane Kopecky from River 9 Consulting, Inc., the MGARA administrator.

Following introductory statements by Mr. Howard and Acting Superintendent Schott, a role call was taken to identify the attendees. There were no members of the public in attendance. The meeting remained open for 15 minutes without public attendees.

There being no public comments, the Public Forum was concluded.

The meeting notice informed the public that written comments would be accepted by email to benjamin.yardley@maine.gov through 5:00pm EST on July 14, 2023. One member of the public submitted comments. Comments were received from Kristine M. Ossenfort, Esq., Senior Government Relations Director at Anthem Health Plans of Maine, Inc., d/b/a Anthem Blue Cross and Blue Shield. Her comments expressed concern over the expansion of the MGARA program to a larger, merged market pool without additional funding. She commented that the lack of additional funding has and will continue to result in changes to the MGARA reinsurance thresholds reinsurance levels that have and will continue to reduce its value and its impact on merged market premium rates. MGARA has mitigated the impact of the merger through drawing down its surplus, but the ability to do so is not sustainable, is not a long-term solution and is indicative of the larger issue—that the value of the program applied to a merged market will continue to decrease.



## Response to Departments' Question on MGARA 2022 Draft Annual Report

This Response addresses the Department's question regarding MGARA's 2022 draft annual report communicated to MGARA by the Departments via email on September 28, 2023: *Why did the state increase the attachment point and cap for 2023?*

In Q2 of each year, in order to provide guidance to carriers in advance of the rate setting process for the following calendar year, the MGARA Board establishes reinsurance thresholds based on a series of factors included in MGARA's financial modelling. Historically, the Board first establishes a surplus target and an risk-based capital (RBC) target<sup>1</sup>, then sets the relevant thresholds and coinsurance rate as projected to achieve those targets.

The thresholds for the 2023 year were established with the expectation that MGARA would begin serving a Merged Market in which the Individual Market would be merged with the Small Group Market as a combined risk pool. The following table describes the historical progression from a prospective model to the current retrospective model servicing the merged market.

Year	Low / High Thresholds	Coinsurance	Year-End Surplus	Description
2019	\$47k / \$77k	90% / *100%	\$29.9 million	Prospective Model - MGARA re-established
2020	\$65k / \$95k	90% / *100%	\$56.0 million	Prospective Model - COVID Year
2021	\$65k / \$95k	90% / *100%	\$84.6 million	Prospective Model - COVID Year
2022	\$76k / \$250k	100%	\$53.5 million	Retrospective Model Begins
2023	\$90k / \$275k	100%	\$36.9 million	Merged Market with Retrospective Model Begins

*\*From 2019 to 2021, 100% coinsurance was applied above the high attachment point. For 2022 and later, the coinsurance coverage only applies between the low and high thresholds (i.e., 0% coinsurance above the high threshold).*

At the time the 2023 thresholds were determined (May 2022), MGARA projected an anticipated net surplus as of the end of 2022 of \$95 million, which exceeded the Board's then desired surplus target of 900% of RBC. As a result, the board decided to establish thresholds that would release the excess modeled surplus greater than 900% of RBC back into the market. The thresholds were set to maintain a risk-based capital estimate of between 900% and 1000%, and maximize the programs market impact.

<sup>1</sup> Our risk-based capital calculations are approximations of the NAIC models, modified to be suited for MGARA's reinsurance program.

The thresholds of \$90,000 to \$275,000, as reflected in the application to the Departments for approval of the Merged Market, were maintained for 2023, but that the coinsurance was set at 100% within that reinsurance corridor. At those levels, MGARA's 2023 net surplus was projected at \$63.7 million resulting from an intentional \$31.6 million net loss in revenue for calendar year 2023, thus releasing a portion of the MGARA surplus into the market and maximizing MGARA's market impact. The modelling for the 2023 year at that time is summarized in the table below:

<b>Attachment Point of Thresholds</b>	<b>\$90,000 / \$275,000</b>
<b>Coinsurance</b>	<b>100% of claims between 90k and 275k (no coverage outside attachment point thresholds)</b>
<b>Expected Grant Revenue</b>	<b>\$41.5 million</b>
<b>Assumed Reductions in Market Rates</b>	<b>10.5%</b>
<b>Total Revenue</b>	<b>\$68.5 million</b>
<b>Total Expenses</b>	<b>\$100.1 million</b>
<b>Revenue Minus Expenses</b>	<b>\$ -31.6 million loss</b>
<b>Net Surplus</b>	<b>\$63.7 million</b>
<b>Estimated Risk-Based Capital</b>	<b>940%</b>