

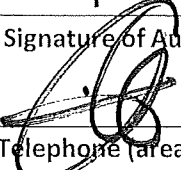
Section 1332 of the Patient Protection and Affordable Care Act (ACA) State Innovation Waivers – Merged Market and Reinsurance Waiver Annual Report

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 (STCs), 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 12/31/23	2. Report Due Date 3/31/24	3. Report Submitted On (Date) Initial: 4/12/24; Final: (TBD)
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 YMJKWKQM6XC6	6b. EIN 016000001
7. Recipient Organization Name State of Maine - Maine Guaranteed Access Reinsurance Association		
Address Line 1 254 Commercial Street		
Address Line 2 5th Floor		
Address Line 3 Attn: C Howard		
City Portland	State ME	ZIP Code 04101
ZIP Extension	8. Grant Period Start Date 1/1/19	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		

Merged Market and Reinsurance

B. REPORT CERTIFICATION
<p>11. Certification: 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.</p>
<p>11a. Typed or printed name and title of Authorized Certifying Official Christopher E. Howard</p>
<p>11b. Signature of Authorized Certifying Official </p>
<p>11c. Telephone (area code, number, and extension) 207-791-1335</p>
<p>11d. Email address choward@pierceatwood.com</p>
<p>11e. Date report submitted (month/day/year) 3/29/24</p>
C. PROGRESS OF SECTION 1332 WAIVER – <u>General</u>
<p>12. Provide an update on progress made in implementing and/or operating the state's approved 1332 waiver program.</p> <p>The 2023 year was the MGARA program's 5th year of full operation under the Section 1332 Grant, its 2nd year operating based on a retrospective model and its 1st year reinsuring both the individual and small group markets. The program is functioning according to plan with no material implementation or operational issues. For the 12 months ended 12/31/23, total revenue was \$89,383,136, consisting of \$21,777,371 in assessment revenue, \$63,478,674 in grant revenue, gain on investments of \$1,623,365 and \$2,503,725 in interest income. Investments are marked to market and do not represent realized gains/losses. Claims incurred for the period totaled \$109,251,361, change in IBNR was \$12,740,037 and operational expenses were \$687,454, resulting in total expense of \$122,678,852. The MGARA monthly operations report for the 12 months ended December 31, 2023 is attached for reference.</p> <p>In 2023 MGARA continued the targeted draw down on surplus initiated in 2022 in order to fund richer reinsurance parameters. This application of surplus generated a 17% value of MGARA in the individual market in 2022, which lead to a \$15.7 million loss. For 2023 MGARA generated a value 15% in the merged market, which lead to a projected \$41.9 million loss for 2023 once claims run-out is completed. Higher trends and unfavorable claims experience persisted from 2022 into 2023. MGARA is currently projecting a \$27.1 million year-end surplus after all 2023 run-out is received.</p>
<p>13. Describe any implementation and/or operational challenges to meet the 1332 statutory guardrails, and plans for and results of associated corrective actions. If challenges were described in a prior annual report, only report on changes and/or updates, as appropriate.</p> <p>MGARA did not experience any operational challenges in 2023. The draw down of surplus to provide additional rate relief to the merged market was an intentional strategy adopted by the Board in order to maximize MGARA's value to the merged market, which was expanded significantly compared to 2022 and previous years due to the addition of small group to its reinsurance program. MGARA will have limited ability to continue that strategy in the future, as surplus is approaching a level considered by the Board to be a minimum solvency margin.</p>

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D. PROGRESS OF SECTION 1332 WAIVER – <u>State-Specific</u>		
14. Metrics to assist evaluation of the waiver's compliance with statutory requirements in Section 1332(b)(1)). Please report data for the full plan year unless otherwise specified; if information for the full plan year is not available, please provide the most complete responses possible and specify the timeframe covered.		
	Value	Comments (if applicable)
a. Projected and actual individual market enrollment (total annual member months) on the Exchange in the state for the plan year.	Projected: 809,595 Actual: 709,355	Source: Carrier Reported
b. Projected and actual individual market enrollment (total annual member months) off the Exchange in the state for the plan year.	Projected: 101,750 Actual: 97,027	Source: Carrier Reported
c. Projected and actual small group market enrollment (total annual member months) in the state for the plan year.	Projected: 523,575 Actual: 523,812	Source: Carrier Reported
d. Projected and actual individual market total annual collected premiums on the Exchange for the plan year. Projected and actual individual market average premium rate on the Exchange (i.e., total individual market premiums divided by total member months of all enrollees) for the plan year.	Annual Premiums Projected: \$474,300,646.01 Actual: \$431,845,960.32 Average Rate Projected: \$585.85 Actual: \$608.79	Source: Carrier Reported
e. Projected and actual individual market total annual collected premiums off the Exchange for the plan year. Projected and actual individual market average premium rate off the Exchange (i.e., total individual market premiums divided by total member months of all enrollees) for the plan year.	Annual Premiums Projected: \$57,560,153.83 Actual: \$53,806,196.63 Average Rate Projected: \$565.70 Actual: \$554.55	Source: Carrier Reported
f. Projected and actual small group market total annual collected premiums for the plan year. Projected and actual small group market average premium rate for the plan year.	Annual Premiums Projected: \$302,456,433.10 Actual: \$295,859,923.32 Average Rate Projected: \$577.68 Actual: \$564.82	Source: Carrier Reported

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<p>g. 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 for the plan year.</p>	<p>Area 1: \$376.57 Area 2: \$405.62 Area 3S: \$419.17 Area 3N: \$410.98 Area 4: \$461.47</p>	<p>Source: Internal MBOI charts</p>
<p>h. 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 for the plan year.</p>	<p>Area 1: \$409.43 Area 2: \$441.02 Area 3S: \$454.46 Area 3N: \$446.80 Area 4: \$501.69</p>	<p>Source: Internal MBOI charts</p>
<p>i. Large group market enrollment (total member months) and total collected premiums for the following periods: 1/1/2021 to 12/31/2021; 1/1/2022 to 12/31/2022; 1/1/2023 to 12/31/2023).</p>	<p>MM 2023: 2,068,200 2022: 2,212,128 2021: 2,240,460 Premiums 2023: \$1,192,334,871 2022: \$1,349,283,953 2021: \$1,276,265,423</p>	<p>Source: 945 Reports</p>
<p>j. <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.</p>	<p>To Come from OHIM</p>	<p>DHHS Office of Health Insurance Administration</p>
<p>k. <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.</p>	<p>To Come from OHIM</p>	<p>DHHS Office of Health Insurance Administration</p>

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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 technical changes to the state's waiver plan during the reporting year, including but not limited to: changes to the funding level the program will be operating at for the next plan year; changes to the approved payment parameters for reinsurance program reimbursement (if there were no changes, please still describe the final parameters); changes to eligibility criteria for enrollees' claims to be reimbursed under the reinsurance program.

The MGARA reinsurance program was extended to a merged individual and small group market for in plan year 2023.

The State-based funding for the program for 2024 will remain constant at a market-wide \$4 PMPM assessment. Beginning in 2024, the MGARA Board will be considering partially funding of net losses through a net loss assessment available to it under its enabling legislation of up to \$2 PMPM, which at that level would generate an additional approximate \$13.5 million in assessment revenue. No decision has been made in this regard as of the date of this report.

Reinsurance parameters for 2024 were adjusted from 2023 levels as follows:

2023:
Attachment point \$90,000
Reinsurance Limit \$275,000
Coinsurance Rate 100%

2024:
Attachment point \$135,000
Reinsurance Limit \$275,000
Coinsurance Rate 75%

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

None

19. Report on spending for the plan year. If information for the full plan year is not available, please provide the most complete responses possible and specify the timeframe covered.

	Value	Comments (if applicable)
a. Amount of federal pass-through funding spent on individual and small group claim payments to issuers from the reinsurance program for the plan year.	\$45,821,025	Grant fully drawn and applied as of 11/8/23
b. Amount of federal pass-through funding spent on operation of the reinsurance program (e.g., administrative costs, EDGE server fees, etc.) for the plan year.	\$0	
c. Amount of federal pass-through funding spent on the state subsidy or cost-sharing program for the plan year.	\$0	

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d. Amount of any unspent balance of federal pass-through funding for the plan year.	\$0	
e. Amount of state funding contributed to fully fund the program for the plan year.	\$27,000,000 (est)	

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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.

N/A

20. *If applicable*, report on any strategies or incentives for providers, enrollees, and plan issuers to continue managing health care cost, claims, 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.

Pursuant to statutory requirements, MGARA is implementing a pilot High Cost Items and Services program beginning 1/1/24 ("HPIS Program"). A summary of the HPIS Program is attached hereto.

21. *If applicable*, report 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	
c. Reinsurance reconciliation (or true-up) amount applied.	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 and where the Annual Report is posted. In addition, please ensure prior years' Annual Reports are posted on the state's website.

The notice was published on two websites: www.mgara.org and www.maine.gov/pfr/insurance

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<p>24. Date Post-Award Forum took place: June 27, 2023</p>
<p>25. Summary of Post-Award Forum, held in accordance with §155.1320(c), including all public comments received, number of participants in the forum, and actions taken in response to concerns or comments. See attached - Summary of Annual 2023 Post Award Public Forum</p>
<p>26. Other Attachments (attach other documents as needed pertaining to Post-Award Forum) None</p>
<p>F. STATE INTERNAL IMPLEMENTATION REVIEW – ATTESTATION</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 <input type="radio"/> No</p>
<p>28. Describe the state's implementation review process. During 2023 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 12/31/2023

	2023	2022
Assets		
Cash/Investments (Note 1)	\$90,760,589	\$100,157,373
Assessment Receivable	135,733	7,963,750
Accrued Investment Interest Receivable	589,051	482,985
Allowance for Bad Debts	-	-
Premium Receivable	16,419	16,419
Grant Receivable	-	-
Claims Receivable	-	-
IBNR Premiums	0	0
Prepaid Expenses	0	0
Total Assets	\$91,501,792	\$108,620,527
Liabilities		
Accounts Payable (Note 2)	\$90,716	\$89,001
Claims Payable	41,475,189	29,699,923
IBNR Liability	20,200,000	15,800,000
Deferred Assessment Liability	-	0
Line of Credit	-	0
Total Liabilities	\$61,765,906	\$45,588,925
Fund Balance	\$29,735,886	\$63,031,602

Statement of Revenues and Expenditures
For the 12 Months Ending December 31, 2023

	Current Quarter	YTD 2023	YTD 2022	Full Year 2023 Projected*	2023 YTD % of Projected
Revenues					
Regular Assessment	\$7,315,941	\$21,777,371	\$28,957,561	\$27,000,000	81%
Additional Assessment	-	-	-	-	
Premiums	-	-	110,880	-	
Grant Revenue (Note 4)	28,570,402	63,478,674	43,754,627	61,400,000	103%
Change in Premium IBNR	-	-	-	-	
Gain on Investments	845,811	1,623,365	(2,611,975)	-	
Interest Income	529,061	2,503,725	2,115,339	-	
Total Income	\$37,261,215	\$89,383,136	\$72,326,431	\$88,400,000	101%
Expenditures					
Claims Incurred	\$41,475,189	\$109,251,361	\$78,862,391	\$113,600,000	96%
Change in IBNR	12,740,037	12,740,037	14,304,585	-	
Administration Fees	113,300	377,000	387,950	-	
Interest Expense	-	-	-	-	
Professional Fees (Note 3)	87,294	239,415	335,766	1,100,000	62%
Insurance Expense	-	71,039	61,558	-	
Bank Charges	-	-	7,681	-	
Other Expenses	-	-	-	-	
Total Expenses	\$54,415,820	\$122,678,852	\$93,959,932	\$114,700,000	107%
Revenues in Excess of Expenditures/ (Expenditures in Excess of Revenues)	\$-17,154,605	\$-33,295,716	\$-21,633,501	\$-26,300,000	
Fund Balance - Beginning		\$63,031,602	\$84,665,103	\$57,500,000	
Fund Balance - Ending		\$29,735,886	\$63,031,602	\$31,200,000	

Supplemental Response

Question 20

Summary of HPIS Program

In accordance with the provisions of §3952(5-A) of the MGARA Enabling Act, the Board, in consultation with and based on analysis by the Maine Department of Health and Human Services and Maine Health Data Organization, has developed, and may amend from time to time, a list of certain high-priced items or services that contribute to MGARA's costs and offer an opportunity for savings (each, a "High-Priced Item or Service" or "HPIS"). Below is a list of the HPIS Code Sets selected ("HPIS Code Sets"):

- APC – 5115: Level Musculoskeletal Procedures
- APC – 5375: Level 5 Urology and Related Services
- APC – 5571 – Level 1 Imaging with Contrast
- APC – 5623: Level 3 Radiation Therapy
- APC – 5671: Level 1 Pathology
- APC – 5771: Cardiac Rehabilitation
- APC – 8005: CT and CTA without Contrast Composite

The reinsurance payments provided under the MGARA reinsurance program for a HPIS are limited to 200% of the allowed charge determined for such item or service under the original Medicare fee-for-service program for the applicable year in which the claim arose (the "HPIS Limit").

Section 3958(1)(B) of the Enabling Act requires (i) each Member Insurer to report for each plan year the name of each HPIS for which such Member Insurer's payment exceeded the HPIS Limit and the name of the provider that received this payment (collectively, the "Annual HPIS Data"); and (ii) MGARA to annually compile and publish a list of all names so reported.

State of Maine

Maine Guaranteed Access Reinsurance Association

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

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.

Supplemental Materials

Reviewer Comments on 1332 Waiver Grantee 2023 Annual Report and MGARA Response

REVIEWER COMMENT #1:

1. *Question 13: “MGARA did not experience any operational challenges in 2023. The draw down of surplus to provide additional rate relief to the merged market was an intentional strategy adopted by the Board in order to maximize MGARA's value to the merged market, which was expanded significantly compared to 2022 and previous years due to the addition of small group to its reinsurance program. MGARA will have limited ability to continue that strategy in the future, as surplus is approaching a level considered by the Board to be a minimum solvency margin.”*
 - a. What steps is the state taking to address solvency concerns and ensure future sustainability?

MGARA RESPONSE TO COMMENT #1:

There are no solvency concerns with respect to MGARA. The Board carefully reviews MGARA's surplus levels each year in setting its reinsurance parameters for the following year so as to target a reasonable level of surplus (which provides its solvency margin) based on its then current financial resources and projected operational results for that period. Each year the Board receives a series of analyses from its actuary (Milliman) and determines its reinsurance parameters applying a series of factors. Each year, for purposes of setting reinsurance thresholds for the ensuing year, the Board establishes a “target” level of surplus. Historically, the Board has used an RBC-like ratio for determining an appropriate level of surplus. Beginning in 2023, the Board expanded that methodology to include additional factors. The following summarizes the three-prong approach adopted by the Board in 2023 for purposes of setting 2024 (and future) reinsurance thresholds:

- First, set an absolute floor surplus level that is not less than the amount required to cover one standard deviation in claims.
- Second, consider additional margin to be built into surplus to address the types of risks and uncertainties not included in the natural deviation in claims accounted for in the standard deviation.
- Third, consider its RBC-based approach to determining adequate surplus levels, adjusting its reinsurance parameters to as generous a level as possible, while remaining committed to assuring MGARA solvency and sustainability over time so as to continue to serve as a mechanism for modulated rates.

For example, MGARA recently concluded the process of setting its 2025 reinsurance parameters applying this methodology. The Board set the target for 12/31/25 ending surplus at \$32.3 million,

with an RBC of 551% and a projected 2025 value of MGARA to the at 7%. The Board examined a number of possible sets of parameters generating different operational outcomes and selected the parameters it determined would deliver the maximum possible value to the market while assuring MGARA solvency and sustainability over time. The array of parameters considered by the Board follows:

Reinsurance Parameters	\$135K/\$275K,	\$135K/\$275K,	\$135K/\$275K,	\$135K/\$275K,	\$135K/\$275K,
	55% coins	65% coins	75% coins	85% coins	95% coins
Year	Proj 2025	Proj 2025	Proj 2025	Proj 2025	Proj 2025
Approximate Value of MGARA	5%	6%	7%	8%	9%
Revenue					
Regular Assessment	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0
Premiums from Ceded Lives	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Grant Revenue	\$37.3	\$43.2	\$49.2	\$55.3	\$61.3
Other	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Revenue	\$64.3	\$70.2	\$76.2	\$82.3	\$88.3
Expenditures					
Claims Incurred	\$63.8	\$75.5	\$87.2	\$98.8	\$110.4
Fees	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
Total Expenditures	\$64.3	\$76.1	\$87.7	\$99.3	\$110.9
MLR	99%	108%	114%	120%	125%
Revenue Less Expenditures	\$0.0	(\$5.9)	(\$11.4)	(\$17.1)	(\$22.7)
Beginning Surplus	\$43.8	\$43.8	\$43.8	\$43.8	\$43.8
Ending Surplus	\$43.8	\$37.9	\$32.3	\$26.7	\$21.1
RBC Ratio	1014%	744%	551%	402%	284%

This process involves an ongoing annual analysis and re-calibration of the program's reinsurance benefits to its then-current financial resources and projected operational results. The Board is charged with responsibility for managing this dynamic process over time to generate maximum benefits for the markets it serves (Individual Market and Small Group Market) while maintaining appropriate levels of surplus.

REVIEWER COMMENT #2:

2. *Question 16: Beginning In 2024, the MGARA Board will be considering partially funding of net losses through a net loss assessment available to it under its enabling legislation of up to \$2 PMPM, which at that level would generate an additional approximate \$13.5 million in assessment revenue. No decision has been made In this regard as of the date of this report.*
 - a. Are there any updates on the potential net loss assessment? It looks like the 2024 Q1 report also notes that funding for the program will remain at a market-wide \$4 pmpm assessment.

MGARA RESPONSE TO COMMENT #2:

The Board determined that a net loss assessment was not necessary for 2024 based on the projected results shown in the table above. The Board will continue to evaluate that funding mechanism on a year-to-year basis going forward. Whether the \$4 PMPM Regular Assessment rate will be increased in some fashion is a legislative decision. The Board will continue to serve as a resource to the State's administration and legislature in its evaluation of any necessary changes in assessment levels.