MGARA
Maine Guaranteed Access Reinsurance Association

Introduction and Overview of Maine Guaranteed Access Reinsurance Association

Health Care, Insurance and Financial Services Committee

January 17, 2019

Original MGARA Model

Non-Profit Corporation

- 12 person board
- Reinsurance Company

Authorized by 2011 PL c. 90

Purpose –

- To stabilize and reduce premiums in individual health insurance market by providing reinsurance to insurers in that market.

Funding –

- Reinsurance premiums paid by carriers ceding coverage to MGARA.
- $4 per person per month assessment on all market segments.

No **Effect on Insureds Coverage / Reduced Premiums**

- Ceding of coverage does not affect individual insured's coverage in any way.

MGARA Results

During 18 months of operation in 2012-13, MGARA:

- Collected about $26.3 million in premium and $41.2 million in assessments.
- Paid about $66 million in reinsured health insurance claims.
- Kept premium increases about 20% lower than they otherwise would have been.

Federal Transitional Reinsurance Program

- ACA provided a national transitional reinsurance program which operated from 2014-16.
- Due to substantial overlap between the federal and state programs, MGARA's active operations were suspended effective January 1, 2014.

2017 Public Law c. 124

- Authorized MGARA's reactivation subject to a successful application to the federal government for a Section 1332 innovation waiver.
- A Section 1332 Innovation Waiver is critical to MGARA re-start.

Need for 1332 Innovation Waiver

Federal Premium Tax Credits (PTCs) currently subsidize persons in the individual market with income from 100% to 400% of the federal poverty level. +/- 80% of Mainers insured in the individual market are in this demographic.

The PTC program caps the net premiums paid by those persons on a sliding scale based on income. This means that when premiums decrease, federal support for Mainers receiving PTC assistance is reduced dollar-for-dollar.

Therefore, absent a waiver, MGARA-reduced premiums would primarily benefit the federal government, not Maine's insurance consumers.

Who is in the Individual Market?

- Non-Medicare-eligible retirees
- Individuals not eligible for group coverage
  - Sole proprietors with no employees
  - Part-time workers
  - Contract employees
  - No group coverage offered

Rates have Increased

Average rate increases since 2014:

• 2014-15	-0.8%
• 2015-16	-1.2%
• 2016-17	+22%
• 2017-18	+21%
• 2018-19	+1 %*

*2018 -19 weighted average with effect of MGARA program:

- Anthem: - 4.3%
- Community Health Options: +0.9%
- Harvard Pilgrim: + 2.1%

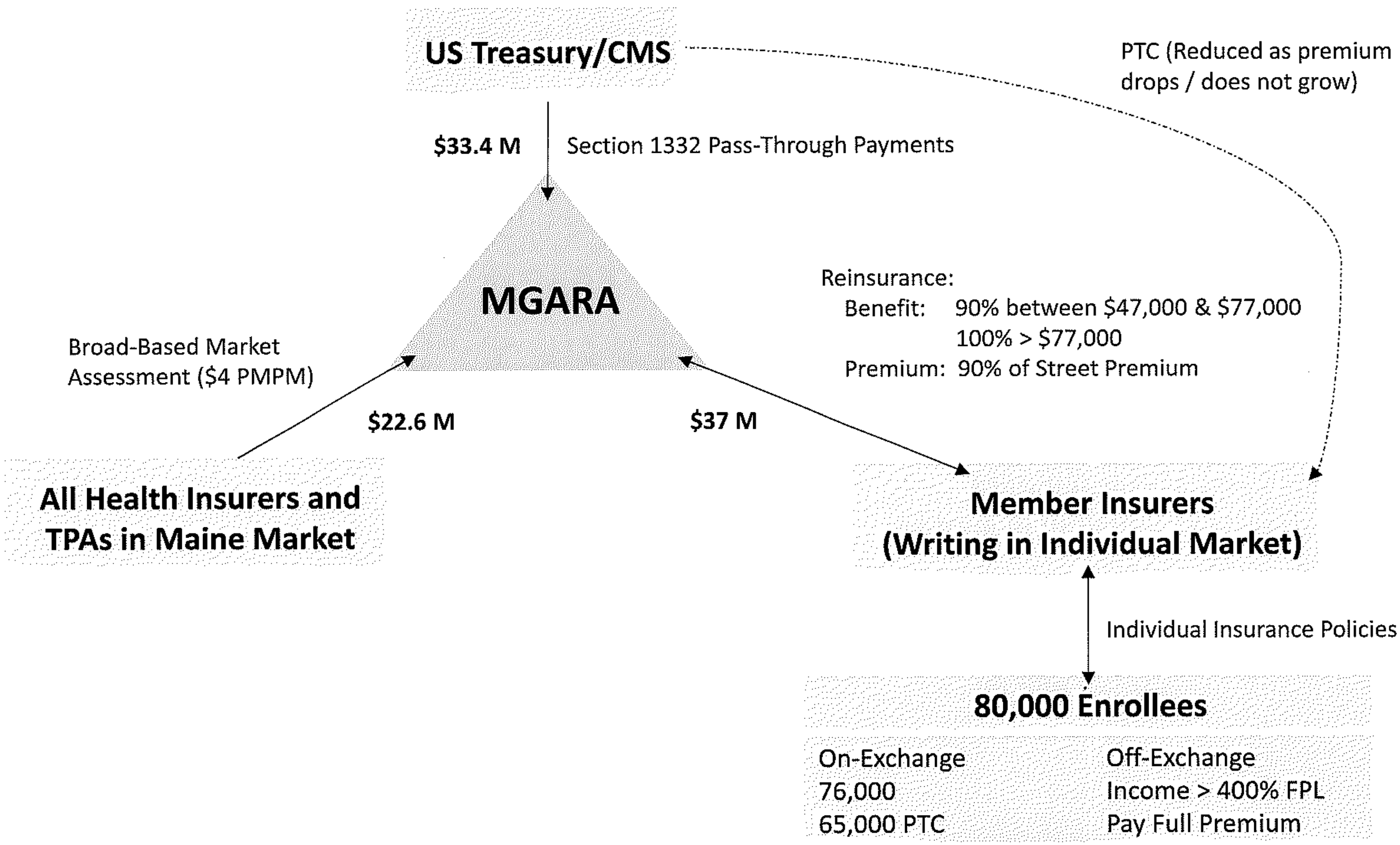
Rate Increase Impact on Consumers

- Many individual market consumers are insulated from rate increases.
  - Federal tax credits are available to individuals with income up to 400% FPL.
  - 85% (2018) On-Exchange consumers eligible to access federal tax credits to offset their premium expenses.
  - For those people, rate increases result in higher federal tax credit amounts, not increased consumer costs.
- Other individual market consumers experience significant rate increases.
  - Incomes over 400% FPL.
  - Coverage purchased Off-Exchange

Projected MGARA 2019 Impact

- Estimates individual market premium **reduction of about 9%** in 2019 relative to what they would otherwise be with similar results each year of the program.
- Estimates number of uninsured will be reduced by between 300 to 1,100 per year.
- Program makes no change in benefits to consumers.

2019 MGARA Operating Model



Major Changes to MGARA 2019

Change	Description
• 1332 Pass-Through Payment Revenue	• Takes back $33.4 M windfall to US Treasury
• Attachment Points	• Attachment Pt 1 - @ $47,000 MGARA reimburses 90% of claims to $77,000. • Attachment Pt 2 - @ $77,000 MGARA reimburses 100% of claims
• Federal High-Cost Risk Pool	• MGARA will have unlimited exposure on claims over $77,000 to the reimbursement point under the Federal High-Cost Risk Pool. • For 2019, carriers are eligible under the Federal High-Cost Risk Pool for reimbursement of 60% of claims above $1 million.

No Change to MGARA 2019

Staying Same	Description
• Assessments	• $4 PMPM
• Ceding Premium	• 90% of Street Premium
• Mandatory Ceding Conditions	• Maintain same 8 Mandatory ceding conditions as original MGARA plan

2019 MGARA Financial Model

Revenue		Percent of Revenue
Assessment ($4 PMPM)	$22,600,000	24.3%
Reinsurance Premium (90% Street Premium)	$37,000,000	39.8%
1332 Pass-Through Payments (PTC Savings at US Treasury from MGARA)	$33,400,000	35.9%
Total Revenue	$93,000,000	100%

Expenses		
Reinsurance Claims	$89,700,000	96.4%
Operating Expenses	$700,000	0.8%
Total Expenses	$90,400,000	97.2%
Solvency Margin	$2,600,000	2.8%

MGARA starts 2019 with $4.7M Fund Balance