

MARYLAND HEALTH BENEFIT EXCHANGE – BOARD MEETING, MON., 04/15/19

INDIVIDUAL NON-MEDIGAP MARKET – 1332 REINSURANCE PROGRAM

MARYLAND INSURANCE ADMINISTRATION – OFFICE OF THE CHIEF ACTUARY

Todd Switzer, Chief Actuary and Brad Boban, Senior Actuary

1) QUESTIONS POSED TO THE “OFFICE OF THE CHIEF ACTUARY” (OCA):

a. How will 2020 “Individual” (IVL), ACA rate filings and rate review incorporate reinsurance?

Insurers are expected to assume that parameters will be chosen by the MHBE to replicate a composite, market-wide premium reduction of -30% (range = -45% to -27%), the same as 2019. The OCA will evaluate the modeling of the reinsurance (RI) at the legal entity level with the benefit of updated data.

b. When will data be analyzed for the MHBE’s review to choose 2020 parameters and by whom?

By Friday, 05/31/19 from either the MHBE’s actuarial consultant or the OCA in the event that the consultant is unable to provide the information on time. This will reset the attachment point based on the inflation of unit claims costs, updated data, etc.

c. What process will be followed for 2020 and 2021 rate-setting?

Exhibits that follow will outline the methodology which follows the 2019 method. The timeline/milestones below frame the process and logistics.

- i. 04/30/19: CMS provides 2019 pass-through of \$373M to MHBE.**
- ii. 05/01/19: 2020 rates filed (based on 2018 data).
- iii. 06/28/19: CMS releases 2018 risk adjustment (RA) report.
- iv. 07/15/19: MHBE’s consultant updates the 10-yr. 1332 projection (subset of full 1332 filing).
- v. 07/31/19: OCA provides 2020 RA dampening factor to insurers from quartile data (2019=0.80).
- vi. 09/13/19: MIA approves 2020 rates (targeted “no later than”).
- vii. 12/31/19: MIA provides “Health Insurance Stabilization Assessment” (HISA) to MHBE (\$365M).**

- viii. 05/29/20: CMS EDGE calculates raw 2019 RI costs (vs. \$462M estimate).**
- ix. 07/31/20: OCA provides 2019 legal entity specific RI adjustment factors to MHBE.**
- x. 08/15/20: MHBE pays insurers 2019 RI dollars.

2) CONTEXT:

- a. Current RI parameters have a \$20K attachment point, 80% coinsurance, and \$250K cap. Approximately 6% of members will have claims above \$20K in 2019. The state will pay ~36% of claims cost.
- b. CMS has estimated 2019 pass-throughs (PTs) at \$70M above the original estimate. However this may be largely attributable to simply higher enrollment.
- c. The parameters of the Federal transitional RI program from 2014-2016 were driven by available funds. It covered 20%, 11%, and 6% of claims for those years (excluding MD's supplemental RI program). In contrast, MD's RI program has been driven by a market-wide premium reduction target of -30%.
- d. Financial results for 2018 published on 04/01/19 show improvement, particularly for CFI, as summarized below.

FINANCIAL STATEMENTS SUMMARY - SUPPLEMENTAL HEALTH CARE EXHIBIT (SHCE)											
ACA + Grandfathered (GF)											
	1	2	3	7	8	9	19	20	21	22	
	INM										
				2017	Actual	Statutory	2018	Actual	Statutory	Loss	
1											Ratio
2				Loss			Loss				Δ
3				Ratio	G/L \$s	G/L %	Ratio	G/L \$s	G/L %		vs. 2017
4	CF	HMO	BC	92.6%	(\$62,032,404)	-8.8%	73.3%	\$35,429,072	4.4%		-19.3%
5	CF	PPO	GHMSI	92.7%	(\$2,480,968)	-2.2%	85.6%	\$3,824,674	3.5%		-7.1%
6	CF	PPO	CFMI	93.0%	(\$26,582,133)	-13.0%	78.2%	\$5,134,294	2.5%		-14.8%
7	KP	HMO		121.1%	(\$61,271,171)	-38.4%	100.4%	(\$29,811,140)	-9.6%		-20.7%
8	TOTAL			96.5%	(\$152,366,676)	-12.9%	80.8%	\$14,576,900	1.0%		-15.7%
9											
10	CF	PPO		92.9%	(\$29,063,101)	-9.1%	80.8%	\$8,958,968	2.8%		-12.1%
11											
12	CFI			92.7%	(\$91,095,505)	-8.9%	75.5%	\$44,388,040	4.0%		-17.2%

- 3) NEXT STEPS: There are three more MHBE Board meetings between here and rate approval; 05/20/19, 06/17/19, and 07/15/19. Over the next three months more information will become available as outlined in # 1c above to inform rating and policy decisions.

1332 WAIVER - REINSURANCE PROGRAM

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	22	23
1	WAKELY		BASELINE - NO 1332			Pre-1332												
2	05/29/18																	
3																		
4																		
5	<u>Year</u>	<u>Members</u>		<u>Claims</u>	<u>Premiums</u>	<u>Loss Ratio</u>	<u>APTC</u>											<u>Premium</u>
6	2019	171,526		\$1,218,454,749	\$1,493,625,346	81.6%	\$854,516,632											<u>PMPM</u>
7	2020	169,776		\$1,290,445,061	\$1,581,638,554	81.6%	\$928,250,717											<u>Δ</u>
8	2021	168,525		\$1,370,601,921	\$1,650,194,003	83.1%	\$982,254,331											\$726
9	2022	167,273		\$1,455,648,858	\$1,723,288,558	84.5%	\$1,040,247,966											\$776 7.0%
10	TOTAL	677,100		\$5,335,150,587	\$6,448,746,461	82.7%	\$3,805,269,646											\$816 5.1%
11																		
12	WAKELY		YES 1332			Post-1332												
13	05/29/18																	
14																		
15	<u>Year</u>	<u>Members</u>	<u>Δ</u>	<u>Claims</u>	<u>Premiums</u>	<u>Raw Loss Ratio</u>	<u>APTC</u>	<u>Federal Net (HIF) Savings/Pass-Thru \$s</u>	<u>Federal APTC Pass-Thru % of RI Cost</u>	<u>Wakely RI Cost</u>	<u>% of Claims RI</u>	<u>1332 Premium Δ</u>	<u>Annual Maryland State Funding</u>	<u>Balance As of 01/01/xx</u>	<u>State Expenditure/Depletion</u>	<u>Balance As of 12/31/xx</u>	<u>Premium</u>	<u>Δ</u>
16	2019	181,522	5.8%	\$1,271,410,014	\$1,106,629,629	114.9%	\$550,954,999	\$303,561,633	65.7%	\$462,000,000	36.3%	-30.9%	\$365,000,000	\$365,000,000	(\$158,438,367)	\$206,561,633	\$508	
17	2020	179,439	5.7%	\$1,344,797,762	\$1,169,998,256	114.9%	\$601,644,964	\$318,784,587	69.5%	\$459,000,000	34.1%	-29.0%	\$0	\$206,561,633	(\$140,215,413)	\$66,346,220	\$543	7.0%
18	2021	172,468	2.3%	\$1,394,254,041	\$1,451,933,124	96.0%	\$821,807,384	\$156,679,990	70.3%	\$223,000,000	16.0%	-13.5%	\$0	\$66,346,220	(\$66,320,010)	\$26,210	\$702	29.1%
19	2022	167,273	0.0%	\$1,455,648,858	\$1,723,288,558	84.5%	\$1,040,247,966	\$0	0.0%	\$0	0.0%	0.0%	\$0	\$26,210			\$859	22.4%
20	TOTAL	700,702	3.5%	\$5,466,110,674	\$5,451,849,567	100.3%	\$3,014,655,313	\$779,026,210	68.1%	\$1,144,000,000	20.9%	-18.8%	\$365,000,000		(\$364,973,790)			
21																		
22																		
23																		
24	CMS		YES 1332			Post-1332												
25	04/15/19																	
26																		
27	<u>Year</u>	<u>Members</u>	<u>Δ</u>	<u>Claims</u>	<u>Premiums</u>	<u>Raw Loss Ratio</u>	<u>APTC</u>	<u>Federal Net (HIF) Savings/Pass-Thru \$s</u>	<u>Federal APTC Pass-Thru % of RI Cost</u>	<u>Wakely RI Cost</u>	<u>% of Claims RI</u>	<u>1332 Premium Δ</u>	<u>Annual Maryland State Funding</u>	<u>Balance As of 01/01/xx</u>	<u>State Expenditure/Depletion</u>	<u>Balance As of 12/31/xx</u>	<u>Premium</u>	<u>Δ</u>
28	2019	212,149	16.9%	\$1,485,926,571	\$1,293,343,888	114.9%	\$643,913,972	\$373,395,635	69.2%	\$539,950,188	36.3%	-30.9%	\$365,000,000	\$365,000,000	(\$166,554,553)	\$198,445,447	\$508	
29	2020	209,715	16.9%	\$1,571,696,546	\$1,367,404,282	114.9%	\$703,156,518	\$392,120,612	73.1%	\$536,444,018	34.1%	-29.0%	\$140,000,000	\$338,445,447	(\$144,323,406)	\$194,122,041	\$543	7.0%
30	2021	201,567	16.9%	\$1,629,497,254	\$1,696,908,145	96.0%	\$960,465,479	\$192,724,040	73.9%	\$260,625,307	16.0%	-13.5%	\$147,000,000	\$341,122,041	(\$67,901,267)	\$273,220,774	\$702	29.1%
31	2022	167,273	0.0%	\$1,455,648,858	\$1,723,288,558	84.5%	\$1,040,247,966	\$0	0.0%	\$0	0.0%	0.0%	\$154,350,000	\$427,570,774			\$859	22.4%
32	TOTAL	790,704	12.8%	\$6,142,769,229	\$6,080,944,872	101.0%	\$3,347,783,936	\$958,240,287	71.7%	\$1,337,019,513	21.8%	-19.4%	\$806,350,000		(\$378,779,226)			
33																		
34																		
35																		
36																		
37	2019 RI APPORTIONING																	
38																		
39	<u>Members</u>	<u>%</u>	<u>Claims</u>	<u>Premiums</u>	<u>Raw Loss Ratio</u>	<u>2018 Actual L/R</u>	<u>2019 Members</u>	<u>%</u>	<u>2019 Raw RI Claims</u>	<u>% of Claims RI</u>	<u>1332 Premium Δ</u>	<u>2019 RA Dampening Factor</u>	<u>2019 Estimated RI Factor</u>	<u>2019 Adjusted RI Receipts</u>	<u>Δ</u>	<u>Premium</u>	<u>Δ</u>	
40	KP HMO	64,463	36%	\$435,744,465	\$370,880,330	117.5%	101.4%	75,339	36%	\$138,520,344	31.8%	-27%	0.800	1.443	\$199,880,770	\$61,360,426	\$479	
41	CF HMO	104,877	58%	\$638,261,265	\$569,088,384	112.2%	73.3%	122,572	58%	\$218,109,331	34.1%	-29%	0.800	0.845	\$184,328,116	(\$33,781,216)	\$452	
42	CF PPO	12,183	7%	\$197,404,283	\$166,660,916	118.4%	80.8%	14,238	7%	\$105,370,325	53.3%	-45%	0.800	0.738	\$77,791,115	(\$27,579,210)	\$1,140	
43	TOTAL	181,522	100%	\$1,271,410,014	\$1,106,629,629	114.9%	81.0%	212,149	100%	\$462,000,000	36.3%	-30%	0.800	1.050	\$462,000,000	(\$0)	\$508	