

Minutes of the
Merged Market Advisory Council (Council or MMAC) Meeting of November 17, 2020
Approved by Council at the Meeting Held on January 26, 2021.
Motion of Council Member Michael Caljouw and Seconded by Council Member Mark
Gaunya
The Motion Passed by a Unanimous Vote of the Council Members Present.
Held via video conference

Members participating by video conference or by phone:

Gary D. Anderson, Chairman, Commissioner Division of Insurance
Louis Gutierrez, Exec Director, Massachusetts Health Connector
Lauren Peters, designee of Marylou Sudders, Secretary of Health and Human Services
Michael Caljouw, Blue Cross & Blue Shield, Health Insurance Carrier representative
Lora Pellegrini, Massachusetts Association of Health Plans, Health Insurance Carrier representative
Mark Gaunya, Health Insurance Broker representative
Rosemarie Lopes, Insurance Broker representative
Rina Vertes, Health Insurance Industry Actuary
Amy Rosenthal, Small Group/Individual Health Insurance Purchaser representative
Patricia Begrowicz, Small Group/Individual Employer representative
Jon Hurst, Health Insurance Business Community representative
Joshua Archambault, Health Insurance Business Community representative
Wendy Hudson, Small Group/Individual Employer representative

Attending to the Council:

Kevin P. Beagan, Deputy Commissioner, Health Care Access Bureau, Division of Insurance
Michael D. Powers, Counsel to the Commissioner Division of Insurance
Jackie Horigan, Director Consumer Services Section Division of Insurance

Call to Order

Chairman Gary D. Anderson called the meeting to order at 3:32 PM.
Ms. Horigan called a roll of the Council Members and reported a quorum was present.

October 2020 Membership

Mr. Beagan noted that there were further reductions in membership in the individual and commercial markets (2,500 lives), and an increase in persons covered through government accounts (4,400 lives) in October. Overall, when comparing October with April 2014, there were over 23,000 fewer persons reported as covered but these may not be indicative of Massachusetts membership since the DOI numbers include persons living in other states who are covered in Massachusetts-issued groups.

Mr. Gaunya stated that the large groups are being impacted by the exhaustion of federal assistance, and employers are preparing for another economics slowdown as Massachusetts is seeing an increase in cases. Ms. Rosenthal noted that more individuals, such as hotel employees, are getting laid off now and that there continue to be people in need of assistance. Undersecretary Peters asked Ms. Rosenthal if there has been an uptick in calls to her organization. Ms. Rosenthal noted that it comes in peaks and waves and generally the calls are from long-term insured individuals;

individuals who recently lost coverage and don't know how to obtain coverage; and immigrant populations who were disenrolled. Mr. Beagan indicated that the DOI would continue to collect and report this information publicly to highlight sudden changes in membership.

Minutes

Chairman Anderson asked the group to review the minutes from the November 4, 2020 meeting. Ms. Vertes and Ms. Pellegrini offered edits to the minutes as drafted. Mr. Gaunya made a motion to accept the minutes as amended and Mr. Caljouw seconded the motion. The minutes, as amended were unanimously approved.

Presentation by Gorman Actuarial

Ms. Gorman explained that today's presentation is intended to further the previous session's discussion about federal section 1332 waivers and state reinsurance programs. Ms. Gorman described the federal section 1332 waiver process, how the federal government would assess federal section 1332 funds based on savings achieved by reducing federal subsidization of ConnectorCare costs. Ms. Gorman highlighted that Massachusetts' potential funds would be limited because federal savings would be low compared to those in other states due to the formula used. (The savings are based on the second lowest cost silver plan which is a limited network low-premium product in Massachusetts.)

Mr. Caljouw asked if Ms. Gorman's description of the federal savings calculation could change under a new Administration and could it be possible that savings could also be tied to other federal savings, including, for example, savings to Medicaid. Ms. Gorman said that the federal analysis was always based on the savings to tax credits, but that there might be room to explore this further in the near future. Ms. Peters said she would need to check with CMS.

Mr. Hurst asked whether demerging the market by itself could be used to justify the 1332 waiver, as it would save the federal government a lot of money. Ms. Gorman noted that there would need to see substantial proof that with a demerger people would migrate from the individual market to the small group, thereby saving the federal government money on tax credits, and there was no current data to show that would happen.

Ms. Gorman presented an analysis that showed that a demerger might result in a limited reduction in small group costs and there may need to be federal 1332 funds and funds from a state reinsurance mechanism to reduce the impact on individuals. She further presented an analysis that the same federal/state funds available in a merged market would bring down both individual and small employer premiums by approximately 2%, but that she thought that there would be more federal money available if the markets remained merged. While Ms. Gorman estimated that \$94 million of federal/state money could reduce average premium by plan, it would vary by company depending on how the reinsurance program is designed. Ms. Pellegrini stated that this seems like a lot of work for not a lot of relief.

Ms. Gorman said there are many ways to develop a reinsurance program and it could be designed to target the highest cost individuals; maximize federal funding; or put downward pressure on provider reimbursement), but cautioned that all policy goals cannot be met within one reinsurance

program.

Mr. Beagan noted that what could be a good design for reinsurance today could need to change in the future. Ms. Gorman agreed, explaining that many states have taken advantage of the 1332 waiver and established a reinsurance program in their individual market. She noted that generally oversight is done by a separate board or commission, or within exchange or within the DOI, but that each year data is reviewed and reevaluated so the program can change.

Ms. Rosenthal and Ms. Vertes questioned whether individuals are high cost because they are sick and need care or because they go to high cost facilities. Mr. Caljouw stated that it is a little of both. Ms. Vertes indicated that reinsurance is not efficient when it rewards plans just because members get care from high-cost providers.

Ms. Rosenthal asked if plan design matters. Mr. Caljouw stated that a system could be created where attachment points could sift out people based on where they choose to get care. Commissioner Anderson thought that the group was suggesting that reinsurance be considered to spend based on people who are much sicker than normal rather than based on where people get care. Ms. Vertes said that anything that parcels out the incremental costs associated with the same care being done at a higher cost provider would be good.

Ms. Pellegrini asked how this jives with risk adjustment and she doesn't see how this relieves small business. It brings a tiny amount of relief to individuals and a ton of administrative costs for plans. Ms. Gorman said putting a reinsurance program on top of the merged market would give small premium relief to the entire merged market. In terms of overlap between risk adjustment and reinsurance, risk adjustment redistributes dollars within each market, so there is no new money coming in to lower overall rates, whereas reinsurance is taking money from somewhere else and putting it into the market to lower rates. All states with the 1332 waiver have reinsurance program and risk adjustment working side by side.

Ms. Pellegrini said it seems like a lot of work and could be problematic among plans. Mr. noted he can understand Ms. Pellegrini's concerns but if we're able to infuse new money in without affecting the market, it would be new money that lowers premiums for everyone. Mr. Gaunya said he appreciates Ms. Pellegrini's perspective that the 2% isn't significant, but he would suggest that every dollar in efficiency is good. If we more efficiently manage risk, everyone wins. Ms. Rosenthal agreed.

Mr. Caljouw noted that the Council could present a set of principles to align around a reinsurance program, i.e. no state based assessments; rely on 1332 waiver that stayed away from premium tax credits. He said if we're talking about free money that doesn't have a negative net impact, 2% premium relief is meaningful.

Mr. Hurst asked if there was a way to carve out the small group to help hold small group employers harmless on a reinsurance assessment. Ms. Vertes agreed that small employers have born the burden of that market for years and the goal should be to spread that burden across a broader base.

Ms. Vertes also indicated said she wants to make sure the Council's report has a section that acknowledges broader discussion and actions are needed on how to reduce costs of healthcare to all purchasers, not just small employers. Mr. Gaunya said this is why he previously noted Massachusetts' price transparency law and it should be promoted more to let consumers know they have a right to see price information. If we want to get at the cost of health insurance, we need to look at the cost of health care, half of the 7-8% trend is the price of care. He agreed that savings from a reinsurance program are only 2%, and while any saving is good, we need people more engaged in the quality and price of the healthcare they are receiving to have a more competitive marketplace.

Ms. Rosenthal agreed that the Council needs to think about affordability overall and while the numbers don't sound big, the presentation (by Ms. Gorman) shows a return that the Council should give consideration. Ms. Hudson agreed noting that small businesses need relief. She supported previous comments about the costs of healthcare.

Mr. Beagan noted that the Council has been looking for the ways to make the in the merged market more efficient but also agreed that the MMAC we should think about bringing down the curve for whole market, not just merged market. Mr. Gutierrez agreed that 2% savings is good and agreed the annual medical trend is impacted everyone.

Conclusion

Commissioner Anderson thanked the Council Members for their participation and engagement. He also thanked Bela Gorman for all her work on today's presentation. He again noted that the Governor's Order gave the Council certain directives, and while is the Council is tasked with performing an independent analysis of the merged market, part of that includes looking at drivers of health care costs which is not isolated to the merged market.

The Commissioner noted that the pandemic impacted the timeline of the Council but that he does not want the Council to feel pressured to hustle to get a report to the Governor and leave concerns unaddressed. He said if a second meeting in December is needed, the Council could meet twice so that everyone's comments are heard.

Mr. Beagan noted that the next meeting of the Council will be virtually held on the same Teams platform at some point in December, potentially December 2, and that he would be able to confirm the date shortly after speaking with a few Council members. Chairman Anderson called for a motion to adjourn. Mr. Hurst made the motion, and it was seconded by Mr. Gaunya. The motion passed by a unanimous vote of the Council Members, with Chairman Anderson abstaining.

Whereupon, the Council's business was concluded at 5:07 P.M. These minutes are exempt from M.G.L. c. 30A, § 22(a) based on the definition of a "public body" as defined under c. 30A, § 18.

List of Documents provided at the Council meeting:

- 1. Draft minutes of the November 4, 2020 Council meeting.**
- 2. Proposed workflow of meeting.**
- 3. Gorman Actuarial Presentation on Reinsurance Programs and Funding**

4. October 2020 Membership