

Minutes of the
Merged Market Advisory Council (Council or MMAC) Meeting of November 4, 2020
Approved by Council at the Meeting Held on November 17, 2020.
Motion of Council Member Mark Gaunya and Seconded by Council Member Michael
Caljouw
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 2:01 PM.
Ms. Horigan called a roll of the Council Members and reported a quorum was present.

Minutes

Chairman Anderson asked the group to review the minutes from the October 23, 2020 meeting, which had been shared in advance of the meeting, and vote on approval. Ms. Vertes, Ms. Hudson, and Ms. Pellegrini offered edits to the minutes as drafted. Mr. Caljouw made a motion to accept the minutes as amended and Mr. Gaunya seconded the motion. The minutes were unanimously approved as amended.

Presentation by Gorman Actuarial

Mr. Beagan stated that today the Council would be discussing the impact of demerging the market and whether a reinsurance program could offset impacts of demerging the market. He then asked Ms. Bela Gorman from Gorman Actuarial to give her presentation.

Demerging the market:

Ms. Gorman presented a PowerPoint presentation that concentrated on demerging the market. She

prefaced the conversation by noting that demerging the market would require legislation. In general, she noted that if the Council were to recommend demerging the market, insurers participating in the small group market might no longer participate in the individual market and vice versa. In addition, insurers might not be required to offer the same products within both markets. Mr. Caljouw noted that it could be required statutorily especially due to the dynamic changes this might cause to consumers since those negatively impacted will speak up.

Ms. Gorman presented information to illustrate, using 2019 experience, how risk adjustment would change under demerger. She indicated that total risk adjustment transfers would double. There would be much more transfers among individual market carriers but would still be significant transfers among small group carriers. Ms. Gorman then said that with the merged market, the highest risk individuals in the individual market are being subsidized by the small group market and the healthiest individuals in the individual market. If we demerge, the burden of the high risk individuals within the individual market would only be borne by the rest of the individual market.

Ms. Gorman noted that if there were a demerger of the small group and individual markets, there would be a one-time increase in the average individual premium by 4.7% (best estimate) and decrease in the average small group premium by 3.3% (best estimate). She noted that this does not take into account medical trends and the one-time changes would be in addition to annual medical trend increase.

Ms. Vertes asked whether the projected premium changes would be smaller in both markets if the federal risk adjustment program were not in place.

Mr. Beagan noted that Ms. Gorman's analysis is one year out and asked if she could comment on how different the trends may be in the following years. Ms. Gorman said it would be difficult to say, but if there was a big premium shock, people may leave the market.

Commissioner Anderson asked Ms. Gorman to elaborate on a key takeaway that because more funds will be shifted due to risk adjustment, it could cause more instability in the market. Ms. Gorman said that carriers could leave the market if they're paying more in risk adjustment. Mr. Beagan said if a company that is estimating one payout receives a different payout, there could also be financial implications. Commissioner Anderson noted that it is the job of the regulator to provide stability to the market.

Ms. Rosenthal said that in addition to the ConnectorCare market, not everyone in the unsubsidized pool is the same and the Council should find solutions that are win/win.

Reinsurance:

Ms. Gorman then described potential reinsurance programs to negate the impact of demerging. She discussed two program designs that could invest \$94 million dollars into the individual market. Mr. Beagan said that these are just examples of what could be done, but not actual recommendations. Mr. Beagan noted there are different ways to do reinsurance, but the \$94M would still need to be found somewhere.

Ms. Begrowicz asked if a one-time adjustment of demerging the market combined with a

reinsurance program could lead to distortion in the market. Ms. Gorman replied that if the market demerges, a reinsurance program must stay in place to hold the market harmless. Mr. Gaunya noted that reinsurance could be negotiated every year and that the premium isn't known until the risk is known. Ms. Begrowicz asked if small business owners would then be incentivized to have their employees participate in the individual market. Ms. Gorman said there is no incentive as the incentive would only occur if the actual rate levels were lower in the individual market as compared to the small group market.

Ms. Gorman indicated that risk adjustment is very different than reinsurance and one is not designed to offset the other. While risk adjustment redistributes funds among market carriers based on their relative share of "riskier" individuals, reinsurance is intended to pay for the cost of high cost utilizers. If risk adjustment programs worked perfectly, companies with highest risk individuals would already be reimbursed by lowest risk individuals, but risk adjustment does not work well enough to account for the high-cost of certain utilizers.

Ms. Vertes said that a downside to reinsurance programs is that they reward companies with higher unit cost

Mr. Hurst asked if there was a way to target those who needed the reinsurance most. Ms. Gasteier from the Health Connector asked if he meant targeting individual enrollees or carriers who tend to have one or the other type of enrollee. Mr. Hurst said he was just wondering if there were groups or individuals who needed savings more than others. He said that those that might be hurt by demerging have already been getting a sort of subsidy, and maybe small businesses and their employees can be targeted more because they have already been paying more than their fair share. Ms. Gasteier said there are a lot of people in the individual market who are not getting subsidies but that Mr. Hurst's point was well-taken with regard to targeting and she would discuss further with Ms. Gorman.

Mr. Archambault asked how much flexibility exists on the reinsurance side and whether parameters could be set up regarding high cost providers. Ms. Gorman said that reinsurance could reimburse on some percentage of a fee schedule.

Ms. Pellegrini asked that the minutes reflect that if reinsurance is funded solely by the health plans, the savings could be eaten up by administrative fees. She asked for more detailed modeling and reminded the Council that the money needs to come from some other source. If it is just the plans paying into it, MAHP cannot support reinsurance program "unless there was a broad based funding source. She also noted that with the potential change of Administration, opportunity exists to point out the existing flaws in the risk adjustment program.

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.

Mr. Beagan noted that the next meeting of the Council will be virtually held on the same Teams platform on Tuesday, November 17, 2020 from 3:30-5:00 P.M. He also asked Council members

if they wanted to schedule a December wrap-up meeting. There were no objections. Mr. Beagan will send a poll to determine member availability during the first or second week of December. Chairman Anderson called for a motion to adjourn. Mr. Gaunya made the motion, and it was seconded by Mr. Gutierrez. The motion passed by a unanimous vote of the Council Members, with Chairman Anderson abstaining.

Whereupon, the Council's business was concluded at 3:34 P.M.

These minutes are exempt from the requirements of 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 October 23, 2020 Council meeting.**
- 2. Proposed workflow of meeting.**
- 3. Gorman Actuarial Presentation on Demerging the Market and Reinsurance**