



I. Services, Timeline, and Deliverables

1. **Baseline Market Study:** Gorman Actuarial will analyze existing individual and small group market data and produce a series of power point presentations that will includes charts, graphs, and narrative. The intent of these presentations is to educate the Advisory Council and others on the Merged Market including recent history and its current state. Analyses will include key metrics to educate individuals on the risk profile of the market segments, differences in PMPMs by segment and drivers of those differences, summary of product offerings, network comparisons, and membership changes over time. Another goal of these presentations will be to educate key stakeholders on the different risk spreading mechanisms that are a part of the merged market, including how one segment of the market may help another through its preferable risk profile, allowing the less healthy group to benefit from the more healthy composition of another market segment (sometimes referred to as a “cross-subsidy” between segments). This can occur between the individual and small group segments within the merged market. This can also occur between age categories. We will touch upon the age band subsidy in Massachusetts where the age band is 2 to 1, compared to age bands nationally which are 3 to 1 and actual differences between costs by age which are closer to 5 to 1. We will also explore the role of subsidies in the merged market, like APTC and ConnectorCare and the role that these programs have played in the evolving merged market. The most recent financial data that is available today without requiring an intense data call from the insurance carriers is 2015 through 2018. The Gorman Actuarial also has historical enrollment data. Gorman Actuarial can also utilize 2005 data that was incorporated into the 2006 Merged Market Study Report and 2011 and 2010 data utilized a study to understand the impact of combining the merged market with the 51 to 100. In addition, DCHFP (now CHIA) historically has produced a premium report back to 2007. We could also explore obtaining this information. A list of available data sources is included below.

- Annual Report data collected by the Massachusetts Center of Health Information & Analysis (CHIA): Gorman Actuarial will rely on (2018, 2017, 2016, 2015) premium, claims (incurred and allowed), age and geography demographics by market segment and insurer. For age and zip code demographic data, we may have to formally request this information from CHIA.
- CY 2018 MLR Rebate Forms: Gorman Actuarial will review the premium, claims, and membership reported here as another data source to help supplement other information.
- CHIA’s Membership Report: This report is publicly available. The Gorman Actuarial also has historical membership reports.

- Reports or data that the Health Connector has access to such as reports on premium tax subsidies and cost-sharing reduction subsidies and membership.
- CMS Enrollment reports
- MA Division of Insurance (“DOI”) Trend Reports and Merged Market membership reports

Gorman Actuarial will present this information to the Advisory Council and other key stakeholders as needed.

2. **Defining the Study Questions and Modelling Exercise:** Gorman Actuarial will work with the MA DOI, the Health Connector and the Merged Market Advisory Council to finalize study questions for the merged market. These study questions may include the following:
 - a. What is the impact of emerging products and alternative coverage options on the merged market in the context of the state’s legal landscape? Emerging products and alternative coverage options include employers obtaining coverage through Professional Employer Organizations (PEOs) or Association Health Plans (AHPs), short term limited duration plans, employer-funded health reimbursement arrangements (HRAs) used by employees to purchase coverage in the individual market, small groups shifting to self-insured, health sharing ministries, and the like.
 - b. What is the impact of an attachment-based reinsurance program of different revenue magnitudes on the merged market? How much of the federal pass through funding could be available? How will different types of reinsurance programs impact various subsegments of the merged market? Are there ways to tailor or shape a reinsurance program to meet different policy objectives?
 - c. As an alternative to a reinsurance program, could a direct premium subsidy program be established for a subset of the merged market that could reduce premiums and improve affordability?
 - d. What is the impact to premiums of individuals and small groups of varying sizes with the elimination of remaining state-specific rating factors (i.e., group size and co-op factors)?
 - e. How has the risk adjustment program impacted the markets and is there anything that can be done to mitigate the volatility? Part of this analysis will include documentation of the transfer of funds across carriers since the inception of the risk adjustment program in 2014.
 - f. What is the impact of separating the individual and small group market into two rating pools and what might be the impact over time (two to five years)?
3. **Information Request (1):** Gorman Actuarial will prepare a short information request to supplement the baseline market study analysis. This request will include information that is readily available to the insurers such as the TPIR risk adjustment reports from CCIO.

Timeline: November 2019

4. **Information Request (2):** Gorman Actuarial will prepare a more detailed information request that will most likely be needed to model the impact of reinsurance on the merged market. Information will include continuance tables or annual claims at the member level along with membership by CSR and APTC groupings and metallic tier. We will coordinate with the Health Connector before finalizing the information request as some of this information may be available through the Health Connector.
5. **Develop Models to Answer Study Questions:** Gorman Actuarial will develop models utilizing existing data and data collected from the insurers for each of the study questions. The models will include output that will show the potential impact of various policy options on 2021 premiums and 2021 membership.
6. **Present Preliminary Study Results and Draft Actuarial Report to Advisory Council:** Gorman Actuarial will deliver a power point presentation describing results of the study. The presentation will be supplemented by an actuarial report.
7. **Follow Up and Assistance to the Advisory Council, Final Report:** Gorman Actuarial will finalize its actuarial report based on feedback from the Council. Gorman Actuarial will also perform follow up work, answer questions, attend subsequent meetings and assist the Advisory Council in its report.
8. **Meetings, Project Planning:** Throughout the engagement, Gorman Actuarial will be available to meet with key stakeholders to discuss ideas. In addition, Gorman Actuarial will work with the MA DOI and the Health Connector on project management ensuring key milestones are met.