



Minnesota Comprehensive Health Association

Minnesota Premium Security Plan 2018 Quarterly Results for MPSP

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Introduction

The Minnesota Comprehensive Health Association (MCHA) retained Wakely Consulting Group, LLC (Wakely) to collect data related to the Minnesota state-based reinsurance program (referred to as the Minnesota Premium Security Plan (MPSP)), review the data for reasonability, calculate the reinsurance payments to the carriers participating in the program, and provide summary reports for MCHA to distribute as appropriate to stakeholders.

This document has been prepared for the sole use of MCHA and its Board of Directors. This document contains the anticipated data, assumptions, and methods used in our analyses and satisfies the Actuarial Standard of Practice (ASOP) 41 reporting requirements. Using the information in this report for other purposes may not be appropriate. Reliance on this report should include a review of the full report by qualified individuals.

Methodology

Carriers participating in Minnesota's Non-Grandfathered Individual Commercial Market provided Wakely with 2018Q1 claim experience with runout through April 2018 in a template developed by Wakely. The template included both membership and claim experience at the carrier level. The template also included member-level data for individuals that carriers identified with claims above the attachment point of \$50,000. To be consistent with the Federal Transitional Reinsurance Program, the associated claim must have an incurred date in 2018Q1 or a discharge date in 2018Q1. Wakely then aggregated these templates and calculated reinsurance payments using the 2018 reinsurance parameters as described in the Project Overview section of the Administrative Manual. Wakely then validated this amount against the carrier provided calculations and the values reconciled.

The member-level data supplied by carriers accounted for membership movement between plans. For example, under certain circumstances, a member might have been enrolled in both a silver and gold plan for a portion of the experience period. This transferring does not impact results when reporting at a carrier level; however, when reporting at a more granular level (e.g. metal), reported results may change depending on allocation method. For this report, Wakely allocated reinsurance estimates for members transferring between cohorts based on incurred claims within that time period. For example if 75% of a members claims occurred in a silver plan and 25% occurred in a gold plan, then 75% of the reinsurance for the member was allocated to the silver plan and 25% to the gold plan.

Wakely did not make any adjustments to carrier submitted data.

2018Q1 Carrier Reported Results

The table below provides calculated reinsurance amounts based on claims incurred between January and March 2018 and paid through April 2018. Note that reinsurance amounts reflected below *likely understate* reinsurance reimbursement for the following reasons:

1. **Partial Year** – Final reinsurance amounts are based on calendar year claims and the 2018Q1 report only includes a partial year of experience.
2. **Claim Runout** – Claim runout can impact reinsurance due to the following reasons:
 - a. Missing Claims – Members included in the carrier templates may have claims incurred in 2018Q1 that were paid after April 2018. Wakely anticipates that these claims will be included in the final calculation subject to EDGE server data rules.
 - b. Missing Members – Members may have had catastrophic claims during 2018Q1 but may not have been included in the carrier's template since their claims were paid after April 2018. Wakely anticipates that these members and their associated claims will be included in the final calculation.

Quarter of Report	Preliminary Reinsurance Amounts
2018Q1	\$11,808,390

For additional detail, please see the attachments following this memorandum.

Data Review

Wakely compared the portion of members above the attachment point underlying the carrier submitted templates against two claim continuance tables. The first table was sourced from the actuarial report in Minnesota's 1332 Waiver and is based on the 2015 individual market. The second claim continuance table was based on a proprietary data set. In both comparisons, the actual portion of members with claims above the attachment point was lower than the expected portion of members with claims above the attachment point. This is likely caused by the underlying carrier data being based on a partial year of experience with limited runout compared to the claim continuance tables.

Wakely also compared the list of HIOS Plan Identifiers underlying the carrier data against the list of HIOS Plan Identifiers in the 2018 health plan binders on SERFF. There were a total of four

instances of a plan identifier not being located in the 2018 health plan binders. All four instances had coverage end dates in 2017 and likely reflect claims with discharge dates in 2018Q1. These four instances accounted for approximately 0.3% of the 2018Q1 reinsurance amounts.

Cost Sharing Reductions

The Federal Transitional Reinsurance program utilized a complicated formula to reduce a carrier's paid amount to account for the fact that cost-sharing reductions (CSRs) were reflected in plan liability but were reimbursed by the Federal government under a separate program. Since the CSR program ended in 2017, Wakely is assuming that CSR subsidies will not be funded by the Federal government in 2018; therefore, we are not adjusting calculated reinsurance amounts for CSR using the Federal Transitional Reinsurance program methodology. Note that there could be a relatively small portion of plan liability already reimbursed by the federal government due to claims with admission dates prior to the termination of the CSR program and a discharge date after January 1st, 2018. Wakely will work with carriers to ensure that reinsurance payments made to carriers do not exceed the total amount paid by the carrier for any eligible claim pursuant to Minnesota Statute 62E.23.

Disclosures and Limitations

Responsible Actuary. I, Tyson Reed, am responsible for this communication. I am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to issue this report.

Intended Users. This information has been prepared for the sole use of the management of MCHA. Wakely understands that the report may be made public. Distribution to such parties should be made in its entirety and should be evaluated only by qualified users. The parties receiving this report should retain their own actuarial experts in interpreting results. This information is proprietary.

Risks and Uncertainties. The assumptions and resulting estimates included in this report and produced by the modeling are inherently uncertain. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from Wakely's estimates. Wakely does not warrant or guarantee that Minnesota carriers will attain the estimated values included in the report. It is the responsibility of those receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.

Conflict of Interest. I am financially independent and free from conflict concerning all matters related to performing the actuarial services underlying these analyses. In addition, Wakely is organizationally and financially independent of MCHA.

Data and Reliance. I have relied on others for data and assumptions used in the assignment. I have reviewed the data for reasonableness, but I have not performed any independent audit or otherwise verified the accuracy of the data / information. If the underlying information is incomplete or inaccurate, my estimates and calculations may be impacted, potentially significantly. The information included in the other sections identifies the key data and assumptions.

Subsequent Events. Material changes in state or federal laws regarding health benefit plans may have a material impact on the results included in this report. I am not aware of any additional subsequent events that would impact the results of this analysis.

Contents of Actuarial Report. This document constitutes the entirety of the actuarial report and supersedes any previous communications on the project.

Deviations from ASOPs. Wakely completed the analyses using sound actuarial practice. To the best of my knowledge, the report and methods used in the analyses are in compliance with the appropriate ASOPs with no known deviations. A summary of ASOP compliance is listed below:

- ASOP No. 23, Data Quality
- ASOP No. 41, Actuarial Communication

Sincerely,



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Attachment A -- 2018 Benefit Year Minnesota Premium Security Plan

2018Q1 Report - Based on Carrier Submitted Templates

Reinsurance Parameters	Input
Attachment Point	50,000
Coinsurance Rate	80%
Reinsurance Cap	250,000

Carrier	Metal Level	Est. Reinsurance Payments ^[1]	% of Total
All Carriers	Catastrophic	115,182	1%
	Bronze	5,995,865	51%
	Silver	3,183,072	27%
	Gold	2,408,509	20%
	Platinum	105,762	1%
	Total	11,808,390	100%

[1] - Please see Reinsurance Parameters



Attachment B -- 2018 Benefit Year Minnesota Premium Security Plan

2018Q1 Report - Based on Carrier Submitted Templates

Carrier	On- / Off-Exchange	Est. Reinsurance Payments ^[1]	% of Total
All Carriers	On-Exchange	7,799,372	66%
	Off-Exchange	4,009,018	34%
	Total	11,808,390	100%

[1] - Please see Reinsurance Parameters in Attachment A



Attachment C -- 2018 Benefit Year Minnesota Premium Security Plan

2018Q1 Report - Based on Carrier Submitted Templates

Carrier	Area	Est. Reinsurance Payments ^[1]	% of Total
All Carriers	Metro / St. Cloud	6,025,452	51%
	All Others	5,782,938	49%
	Total	11,808,390	100%

[1] - Please see Reinsurance Parameters in Attachment A



Attachment D -- 2018 Benefit Year Minnesota Premium Security Plan

2018Q1 Report - Based on Carrier Submitted Templates

Carrier	Metal Level	Est. Reinsurance Payments ^[1]	% of Total
All Carriers	Standard	10,687,016	91%
	Zero Cost Sharing	5,297	0%
	Limited Cost Sharing	79,134	1%
	73% CSR	1,036,944	9%
	Total	11,808,390	100%

[1] - Please see Reinsurance Parameters in Attachment A