



## Minnesota Comprehensive Health Association

### Minnesota Premium Security Plan 2018 Quarterly Results for MPSP

September 14th, 2018

Prepared by:  
**Wakely Consulting Group**

**Tyson Reed, FSA, MAAA**  
Consulting Actuary

**Brad Davis, FSA, MAAA**  
Senior Consulting Actuary

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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 report is not intended to project final year end 2018 reinsurance amounts.

This document has been prepared for the sole use of MCHA and its Board of Directors. This document contains the 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 2018Q2 claim experience with runout through July 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 or inpatient discharge date between January 2018 and June 2018. 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 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 the 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.

## 2018Q2 Carrier Reported Results

The table below provides calculated reinsurance amounts based on claims incurred between January and June 2018 and paid through July 2018. Please note the following:

1. **Partial Year** – Final reinsurance amounts are based on calendar year claims and the 2018Q2 report only includes a partial year of experience. Members that incur cumulative claims above the attachment point during the second half of the year are not included below. Due to the benefit structure underlying the individual market, seasonality will impact year-end reinsurance amounts. As a result, the reinsurance amounts shown will increase as the year completes.
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 between January and June 2018 that were paid after July 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 between January and June 2018 but may not have been included in the carrier's template since their claims were paid after July 2018. Wakely anticipates that these members and their associated claims will be included in the final calculation.

Quarter of Report	Preliminary Reinsurance Amounts
2018Q2	\$43,818,826

*Note: Includes \$11.8 million shown in 2018Q1 Report*

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 the claim continuance table located in the actuarial report in Minnesota's 1332 Waiver. The table is based on the 2015 individual market. In the comparison, 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 table.

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. Approximately 0.1% of

calculated reinsurance amounts were from HIOS IDs not in the 2018 binder and likely represent individuals with 2017 coverage and 2018 discharge dates.

Wakely compared the 2018Q2 list of members with the underlying membership in the 2018Q1 report. There were two members in the 2018Q1 report that were not in the 2018Q2 report. These two members accounted for approximately 0.3% of the total 2018Q1 reported reinsurance amounts. Two other members had total calculated reinsurance decrease between the 2018Q1 and 2018Q2 reports. The total decrease was immaterial relative to the total calculated 2018Q2 reinsurance amount.

## 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 1<sup>st</sup>, 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,

A handwritten signature in dark blue ink that reads 'Tyson Reed'.

Tyson Reed, FSA, MAAA  
Consulting Actuary  
612.800.6545 | Tyson.Reed@wakely.com



## Attachment A -- 2018 Benefit Year Minnesota Premium Security Plan

2018Q2 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 <sup>[1]</sup>	% of Total
All Carriers	Catastrophic	160,000	0%
	Bronze	21,104,415	48%
	Silver	12,416,617	28%
	Gold	9,566,356	22%
	Platinum	571,438	1%
	<b>Total</b>	<b>43,818,826</b>	<b>100%</b>

[1] - Please see Reinsurance Parameters



## Attachment B -- 2018 Benefit Year Minnesota Premium Security Plan

2018Q2 Report - Based on Carrier Submitted Templates

Carrier	On- / Off-Exchange	Est. Reinsurance Payments <sup>[1]</sup>	% of Total
All Carriers	On-Exchange	30,096,686	69%
	Off-Exchange	13,722,141	31%
	<b>Total</b>	<b>43,818,826</b>	<b>100%</b>

[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 <sup>[1]</sup>	% of Total
All Carriers	Metro / St. Cloud	25,762,727	59%
	All Others	18,056,100	41%
	<b>Total</b>	<b>43,818,826</b>	<b>100%</b>

[1] - Please see Reinsurance Parameters in Attachment A



## Attachment D -- 2018 Benefit Year Minnesota Premium Security Plan

2018Q2 Report - Based on Carrier Submitted Templates

Carrier	Plan Type	Est. Reinsurance Payments <sup>[1]</sup>	% of Total
All Carriers	Standard	39,520,001	90%
	Zero Cost Sharing	88,139	0%
	Limited Cost Sharing	132,422	0%
	73% CSR	4,078,264	9%
	<b>Total</b>	<b>43,818,826</b>	<b>100%</b>

[1] - Please see Reinsurance Parameters in Attachment A



## Attachment E -- 2018 Benefit Year Minnesota Premium Security Plan

2018Q2 Report - Based on Carrier Submitted Templates

Carrier	2018Q1 Report Member	2018Q1 Reinsurance Amount	2018Q2 Reinsurance Amount
All Carriers	No	\$0	\$20,073,995
	Yes	\$11,808,390	\$23,744,831
	<b>Total</b>	<b>\$11,808,390</b>	<b>\$43,818,826</b>

*Note: 2018Q2 Reinsurance Amount Includes 2018Q1 Reinsurance Amount*

*[1] - Please see Reinsurance Parameters in Attachment A*