



[wakely.com](https://www.wakely.com)

Minnesota Comprehensive Health Association

Final 2021 First Quarter Report
Results for The Minnesota Premium Security Plan

June 24th, 2021

Prepared by:
Wakely Consulting Group

Tyson Reed, FSA, MAAA
Consulting Actuary

Contents

Introduction	3
Executive Summary	3
Methodology	4
Analysis	5
Reinsurance by Area	5
Reinsurance by Metal Level	5
Reinsurance by Exchange Status	6
Reinsurance by Plan Type	6
Reinsurance by Claim Spend	6
Distribution of HCC Count	7
Reinsurance by Product	7
New Market Entrant	7
2021 Considerations	7
Deductible Leveraging	8
Cost Sharing Reductions	8
Data Review	8
State Mandated Benefits	9
Disclosures and Limitations	9
Appendix A - Reinsurance Amount by Claim Spend Level	11
Appendix B - Enrollee Count by HCC	15
Appendix C - Estimated Reinsurance Amount and Claimants by Product	16
Appendix D - Minnesota Rating Regions	17

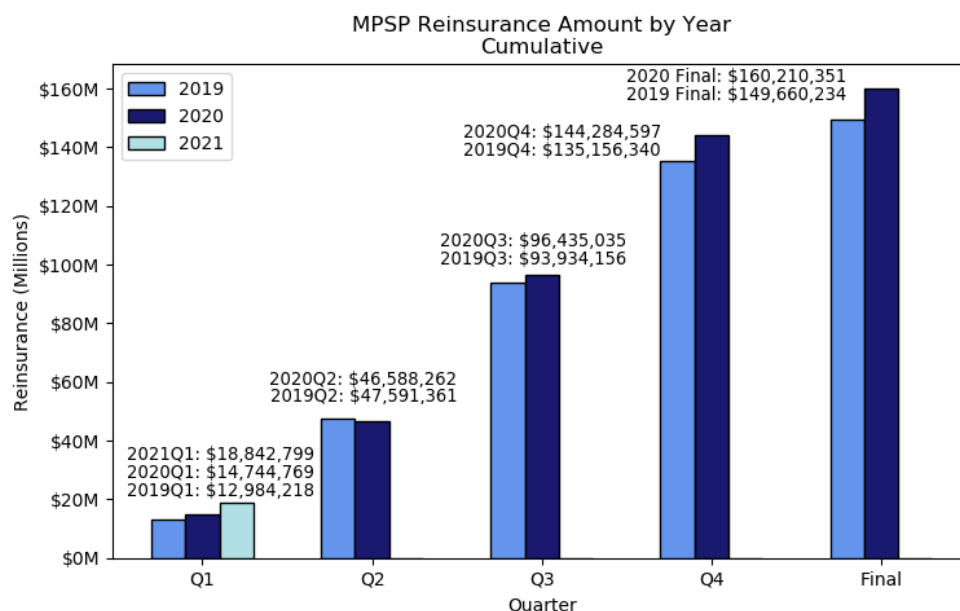
Introduction

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 2021 reinsurance amounts.

This document has been prepared for the use of MCHA and its Board of Directors. Wakely understands that this report will be made public and distributed to stakeholders beyond MCHA and its Board of Directors due to Minnesota Statutes §62E.24. Wakely does not intend to benefit third parties and assumes no duty or liability to other parties who receive this work. The report should be reviewed in its entirety. This document contains the data, assumptions, and methods used in these analyses and satisfies the Actuarial Standard of Practice (ASOP) 41 reporting requirements.

Executive Summary

MPSP preliminary reinsurance amounts reported by issuers between January and March 2021 total approximately \$18.8 million for 556 distinct enrollees. The data underlying this analysis was provided by Minnesota carriers eligible for reinsurance under MPSP. The figure below shows the reinsurance included in the 2019 through 2021 quarterly reports.



The total reinsurance amount in the 2021Q1 quarterly report is approximately 27.8% higher than the reinsurance in the 2020Q1 quarterly report. The increase is driven by the number of individuals eligible for reinsurance. The number of reinsurance eligible enrollees in the 2021Q1 report increased 24.1% relative to the 2020Q1 report. Please note that 2020 to 2021 comparisons are impacted by the COVID-19 pandemic, a special enrollment period beginning in February 2021, and changes caused by the American Recovery Act signed which was signed into law March 11th, 2021. For additional information, please see the section of this report labeled [2021 Considerations](#). This report includes a

new insurer, Quartz, which has plans available in five counties in southeast Minnesota.

The final 2021 reinsurance amounts and enrollee counts will increase significantly from the 2021Q1 values shown below. The final reinsurance will be calculated in compliance with Minnesota Statutes §62E.23 and will be based on an entire year of claim experience.

Table 1 provides enrollment and reinsurance information underlying the first quarterly reports between 2018 and 2021.

Table 1: Reinsurance Amounts and Enrollee Counts

	Distinct Enrollees	Enrollee % Change	Reported Reinsurance	Reinsurance % Change
Statewide 2021Q1	556	24.1%	\$18,842,799	27.8%
Statewide 2020Q1	448	14.0%	\$14,744,769	13.6%
Statewide 2019Q1	393	7.1%	\$12,984,218	10.0%
Statewide 2018Q1	367	-	\$11,808,390	-

The remainder of this report provides a description of the methodology, additional breakout of reinsurance by region, metal level, and other various reporting variables, along with associated caveats and disclosures.

Methodology

Carriers participating in Minnesota's non-grandfathered individual commercial market provided Wakely with January through March 2021 claim experience with paid dates through April 2021 in a template developed by Wakely. The template included both enrollment and claim experience at the carrier level. The template also included enrollee-level data for Minnesotans enrolled in the individual market that carriers identified with claims above the attachment point of \$50,000. Wakely then aggregated these

templates and calculated reinsurance payments using the reinsurance parameters shown in the figure to the left. Wakely validated this amount against the carrier provided calculations.

Reinsurance Parameters		
Claim Range ^[1]	Liability	
\$0	Plan Pays: 100%	
\$50,000	Plan Pays: 20% MPSP Pays: 80%	
\$50,001		
\$250,000	Plan Pays ^[2] : 100%	
\$250,001		

[1] - Claim Range Excludes Member Cost Sharing

[2] - Excludes Impact of High-Cost Risk Pool

The enrollee-level data supplied by carriers accounted for movement between HIOS plan identifiers. For example, under certain circumstances, an enrollee might have been enrolled in both a silver and gold plan for a portion of the benefit year. 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 enrollees transferring between cohorts based

on incurred claims within that time period. For example if 75% of an enrollee's claims occurred in a silver plan and 25% occurred in a gold plan, then 75% of the reinsurance for the individual was allocated to the silver plan and 25% to the gold plan.

Analysis

This section provides additional detail for the reinsurance amount shown in Table 1. The distribution total in the following tables may not add to 100% due to rounding. The 2018, 2019, and 2020 distributions are shown next to the 2021Q1 distribution for reference.

Reinsurance by Area

The table in this section shows the amount of reinsurance for each of Minnesota's nine rating regions. A list of counties in each rating area can be found on either the [Minnesota Department of Commerce](#) website or the [CMS](#) website.

Table 2: Reinsurance Amount by Area

Rate Region	2021Q1 Reinsurance	2021Q1 Dist'n	2020 Dist'n	2019 Dist'n	2018 Dist'n
Rating Area 1	\$2,471,180	13%	11%	12%	10%
Rating Area 2	\$1,019,391	5%	6%	6%	6%
Rating Area 3	\$1,681,752	9%	7%	7%	6%
Rating Area 4	\$757,359	4%	2%	3%	3%
Rating Area 5	\$522,113	3%	4%	4%	5%
Rating Area 6	\$430,672	2%	5%	4%	4%
Rating Area 7	\$1,173,590	6%	7%	9%	7%
Rating Area 8	\$10,477,919	56%	57%	54%	55%
Rating Area 9	\$308,823	2%	1%	1%	2%
Statewide	\$18,842,799	100%	100%	100%	100%

Reinsurance by Metal Level

The table in this section provides the reinsurance and distribution by metal tier. There are four different metal tiers in the Individual market which reflect different levels of cost sharing an enrollee is expected to pay. The leanest is the bronze plan where an enrollee can expect to pay for about 40% of his or her total medical costs out of pocket in the form of cost sharing such as deductibles, coinsurance, and copays. The richest plan type is the platinum tier where an enrollee can expect to pay approximately 10% of total costs out of pocket. There is a fifth tier called Catastrophic with enrollment limited to enrollees who are eligible for a hardship exemption or are under the age of 30.

Due to the cost sharing levels of the different metal types, the distribution may shift between metal levels as 2021 completes.

Table 3: Reinsurance Amount by Metal Tier

Metal Tier	2021Q1 Reinsurance	2021Q1 Dist'n	2020 Dist'n	2019 Dist'n	2018 Dist'n
Catastrophic	\$85,419	0%	1%	0%	0%
Bronze	\$9,340,115	50%	45%	44%	48%
Silver	\$4,827,128	26%	29%	29%	29%
Gold	\$4,395,812	23%	25%	26%	22%
Platinum	\$194,325	1%	1%	1%	1%
Total	\$18,842,799	100%	100%	100%	100%

Reinsurance by Exchange Status

This section provides the reinsurance based on whether the enrollee purchased coverage through Minnesota's exchange, MNSure, or directly through the issuer. Multiple issuers updated the on- and off-exchange mapping in the data they provided to Wakely between the 2019Q2 and 2019Q3 reports. As a result the 2021Q1 and 2020Q1 distributions are not directly comparable to the 2019Q1 quarterly report.

Table 4: Reinsurance Amount by Exchange Status

Exchange Status	2021Q1 Reinsurance	2021Q1 Dist'n	2020 Dist'n	2019 Dist'n	2018 Dist'n
On-Exchange	\$11,888,722	63%	69%	69%	68%
Off-Exchange	\$6,954,077	37%	31%	31%	32%
Total	\$18,842,799	100%	100%	100%	100%

Reinsurance by Plan Type

This section provides reinsurance amounts by plan type. In the Affordable Care Act, some individuals and families qualify for cost-sharing reduction subsidies (CSR) which lower out-of-pocket costs. There are several different levels of CSRs. The first is 73% which reduces the individual's out-of-pocket cost to approximately 27% ($= 1 - 73\%$) of total medical costs. CSR plans are only available on the exchange. The 87% and 94% CSR plan types are not included in Table 6 because Minnesotans eligible for these plan types are enrolled in MNCare, Minnesota's Basic Health Plan. Finally, there are limited cost-sharing and zero cost-sharing plans for American Indians and Alaska Natives.

Table 5: Reinsurance Amount by Plan Type

Plan Type	2021Q1 Reinsurance	2021Q1 Dist'n	2020 Dist'n	2019 Dist'n	2018 Dist'n
Standard	\$17,251,873	92%	90%	90%	91%
Zero Cost Sharing	\$111,438	1%	0%	0%	0%
Limited Cost Sharing	\$410,340	2%	0%	0%	0%
73% CSR	\$1,069,148	6%	9%	9%	9%
Total	\$18,842,799	100%	100%	100%	100%

Reinsurance by Claim Spend

Please see [Appendix A](#) for reinsurance by claim spend level.

Distribution of HCC Count

Previous reports between 2018 and 2020 included a hierarchical condition category (HCC) distribution for reinsurance eligible enrollees. Since HCC identification is correlated with the length of time an individual is enrolled during the benefit year, using a partial year of experience may not accurately reflect the final HCC distribution. For example, an enrollee with twelve months of enrollment has more time to visit a physician compared to an enrollee with only three months of enrollment. The HCC distribution for 2021 benefit year reinsurance will be provided in future reports similar to previous reporting.

Reinsurance by Product

[Appendix C](#) gives the amount of reinsurance and number of claimants that exceeded \$50,000 in claims by product and exchange status. To define product, Wakely used the first ten digits of the HIOS plan identifier and requested that issuers provide a product name associated with the product identifier. For the column labeled *Claimants*, an enrollee may be double counted if he or she transferred between products during the experience period. As a result, the claimant count in Appendix C may not match the enrollee count in Table 1. The column labeled *Claimants* shows "<100" for product and exchange-status combinations with less than 100 claimants for protected health information (PHI) reasons. Multiple issuers updated the on- and off-exchange mapping in the data they provided to Wakely between the 2019Q2 and 2019Q3 reports. As a result, the results shown in Appendix C for the 2021Q1 report is not directly comparable to the table shown in the 2019Q2 report. Appendix C is comparable to the 2019Q3, 2019Q4, and 2020 quarterly reports.

New Market Entrant

Starting January 1st, 2021, Quartz entered the individual market in five southeastern counties. [Appendix C](#) of this report includes Quartz; however, the 2018 through 2020 reports do not.

2021 Considerations

1. **Special Enrollment Period (SEP)** - MNSure opened a SEP starting February 16th, 2021 similar to the federally-facilitated Marketplace. The intent of the SEP is to provide access to health coverage during the pandemic. In Minnesota, the SEP runs through July 16th. The SEP will likely increase the overall market size, and as a result, the aggregate reinsurance payments for 2021.
2. **Deductibles Not Resetting for Some Members** - Typically, when members change plans, they have their cost-sharing levels reset. This year, several health insurers in Minnesota agreed to allow enrollees to change plans (i.e. shift off-exchange to on-exchange) without losing dollars already accumulated towards deductibles and out-of-pocket maximums. Wakely reviewed the data used for the 2020Q4 report and found that less than 0.2% of reinsurance eligible enrollees had both on- and off-exchange products. As a result, Wakely expects the impact of this change to be minimal.
3. **COVID-19 Impact on Trends** - As Minnesota transitions out of the COVID-19 pandemic, the 2020 to 2021 total reinsurance trend may appear high relative to prior years. This could be especially pronounced in the 2021Q2 report because the 2020Q2 report coincided with a large decrease in care (e.g. orders around non-essential care).

Deductible Leveraging

In a reinsurance setting, trends for a reinsurer can be higher than the overall cost trend of the reinsured entity due to deductible leveraging. Deductible leveraging occurs when the underlying claim costs for the insurer increases at a rate higher than the increase in the deductible. In context of MPSP, the words attachment point and deductible are synonymous. The example below shows the calculation of liability for an insurance company that has an enrollee with \$55,000 in total claims using MPSP's \$50,000 attachment point and 20% coinsurance. This example is for illustrative purposes only and does not represent an analysis of the impact of deductible leveraging for MPSP.

Table 6: Deductible Leveraging Example

Description	Amount	Formula	Payer
Deductible	\$50,000	$\min\{\$55,000, \$50,000\}$	Issuer
Coinsurance	\$1,000	$(\$55,000 - \$50,000) \times 20\%$	Issuer
Reinsurance	\$4,000	$(\$55,000 - \$50,000) \times 80\%$	Reinsurer

If the claim increases by 1% because of regular cost trends, then the cost of the claim is now \$55,550 ($= \$55,000 \times 1.01$), but the cost to the reinsurer increases by approximately 11% ($= \frac{\$4,440}{\$4,000} - 1$). This is shown in the next table.

Table 7: Deductible Leveraging Example – Trended

Description	Amount	Formula	Payer
Deductible	\$50,000	$\min\{\$55,550, \$50,000\}$	Issuer
Coinsurance	\$1,110	$(\$55,550 - \$50,000) \times 20\%$	Issuer
Reinsurance	\$4,440	$(\$55,550 - \$50,000) \times 80\%$	Reinsurer

The impact of deductible leveraging is minimally off-set by a reinsurance cap since the reinsurer is no longer liable for additional costs exceeding the reinsurance cap. Deductible leveraging can impact both the number of enrollees eligible for reinsurance and the average cost of reinsurance per reinsurance eligible enrollee. The overall deductible leveraging trend depends both on the proportion of claims for enrollees exceeding the attachment point and the total change in costs for enrollees exceeding the attachment point.

Cost Sharing Reductions

The Federal Transitional Reinsurance program utilized a formula to reduce a carrier's paid amount to account for the fact that cost-sharing reductions (CSRs) were reflected in plan paid amount but were already reimbursed by the Federal government. Since the CSR program ended in 2017, Wakely is assuming that CSR subsidies will not be funded by the Federal government in 2021; therefore, Wakely did not adjust calculated reinsurance amounts for CSR using the Federal Transitional Reinsurance program methodology. If CSR payments are reinstated during 2021, Wakely will review this assumption and 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.

Data Review

Wakely compared the portion of enrollees with claims above the attachment point underlying the carrier submitted templates against the claim continuance table located in the actuarial report in Minnesota's 1332 Waiver. In the comparison, the actual portion of enrollees with claims above the

attachment point was lower than the portion of enrollees 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 claim runout. For example, the enrollee-level dataset excludes enrollees that will exceed the attachment point because of claims that are incurred between April and December 2021.

State Mandated Benefits

Wakely did not adjust the reinsurance calculation methodology for state mandated benefits at the direction of MCHA. Wakely's understanding is that issuers and Minnesota Department of Commerce (DoC) will make the appropriate adjustments when issuers submit data to DoC for reimbursement.

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 use of the management of MCHA. Wakely understands that the report will be made public and distributed to other stakeholders. Distribution to such parties should be made and evaluated in its entirety. The parties receiving this report should retain their own actuarial experts in interpreting results.

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.

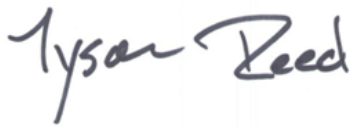
Subsequent Events. Material changes in state or federal laws regarding health benefit plans may have a material impact on the results included in this report. I am not aware of any additional subsequent events that would impact the results of this analysis.

Contents of Actuarial Report. This document constitutes the entirety of the actuarial report.

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. 1, Introductory Actuarial Standard of Practice
- ASOP No. 23, Data Quality
- ASOP No. 41, Actuarial Communication
- ASOP No. 56, Modeling

Signed,

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

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

Appendix A - 2021Q1 Reinsurance Amount by Claim Spend Level

Reported at Total Levels Due to Limited Enrollment in Each Cohort

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
\$50,000	\$52,508				\$38,313
\$52,508	\$58,498				\$314,641
\$58,498	\$119,795				\$7,914,162
\$119,795	\$200,000				\$5,610,833
\$200,000	\$9,999,999				\$4,964,850
Total		556	\$98,380	\$33,890	\$18,842,799

Notes:

1. Average Reinsurance Per Enrollee = $\min\{(\text{Average Incurred Claims} - \$50,000) \times 80\%, \$160,000\}$.
2. The claim intervals originate from the 1332 Waiver Application.
3. This distribution is expected to change as 2021 completes.

Appendix A - 2020 Final Reinsurance Amount by Claim Spend Level

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
\$50,000	\$52,508	155	\$51,198	\$958	\$148,534
\$52,508	\$58,498	354	\$55,457	\$4,365	\$1,545,383
\$58,498	\$119,795	1,761	\$80,824	\$24,659	\$43,424,822
\$119,795	\$200,000	557	\$153,704	\$82,963	\$46,210,511
\$200,000	\$9,999,999	452	\$349,424	\$152,392	\$68,881,102
Total		3,279	\$126,091	\$48,860	\$160,210,351

Notes:

1. Average Reinsurance Per Enrollee = $\min\{(\text{Average Incurred Claims} - \$50,000) \times 80\%, \$160,000\}$.
2. The claim intervals originate from the 1332 Waiver Application.

Appendix A - 2019 Final Reinsurance Amount by Claim Spend Level

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
\$50,000	\$52,508	177	\$51,219	\$975	\$172,613
\$52,508	\$58,498	389	\$55,448	\$4,358	\$1,695,271
\$58,498	\$119,795	1,678	\$80,984	\$24,787	\$41,592,460
\$119,795	\$200,000	527	\$152,994	\$82,395	\$43,422,371
\$200,000	\$9,999,999	412	\$374,574	\$152,373	\$62,777,520
Total		3,183	\$126,132	\$47,019	\$149,660,234

Notes:

1. Average Reinsurance Per Enrollee = $\min\{(\text{Average Incurred Claims} - \$50,000) \times 80\%, \$160,000\}$.
2. The claim intervals originate from the 1332 Waiver Application.

Appendix A - 2018 Final Reinsurance Amount by Claim Spend Level

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
\$50,000	\$52,508	173	\$51,263	\$1,010	\$174,801
\$52,508	\$58,498	359	\$55,413	\$4,330	\$1,554,606
\$58,498	\$119,795	1,513	\$81,257	\$25,005	\$37,833,247
\$119,795	\$200,000	522	\$150,761	\$80,609	\$42,077,922
\$200,000	\$9,999,999	358	\$360,572	\$152,190	\$54,483,936
Total		2,925	\$122,901	\$46,538	\$136,124,512

Notes:

1. Average Reinsurance Per Enrollee = $\min\{(\text{Average Incurred Claims} - \$50,000) \times 80\%, \$160,000\}$.
2. The claim intervals originate from the 1332 Waiver Application.

Appendix B - Enrollee Count by HCC

Limited to HCCs with at least 100 Enrollees

Rank	HCC	HCC Description	Enrollee Count ¹	% of Reinsurance Eligible Enrollees
1	G01	Diabetes	105	19%

1. An enrollee may have multiple HCCs and could be double counted if combining enrollee counts between HCCs.

Appendix C - Estimated Reinsurance Amount and Claimants by Product

Carrier	Product ID	Product Name	Exchange Status	Claimants	Reinsurance
UCare	85736MN023	UCare Individual and Family Plans	On-Exchange	142	\$3,750,764
HealthPartners	34102MN007	GHI AM Off Exchange	Off-Exchange	<100	\$3,321,416
HealthPartners	34102MN001	GHI On Exchange	On-Exchange	<100	\$2,005,631
Medica	31616MN044	Engage by Medica	On-Exchange	<100	\$2,003,052
Medica	31616MN042	Medica Applause	On-Exchange	<100	\$1,437,559
BP	57129MN053	Blue Plus Minnesota Value	Off-Exchange	<100	\$1,006,133
BP	57129MN054	Blue Plus Minnesota Value	On-Exchange	<100	\$990,965
BP	57129MN015	Blue Plus Southeast	On-Exchange	<100	\$628,178
Medica	31616MN042	Medica Applause	Off-Exchange	<100	\$622,544
BP	57129MN008	Blue Plus Metro	Off-Exchange	<100	\$588,760
Medica	31616MN044	Engage by Medica	Off-Exchange	<100	\$516,490
BP	57129MN009	Blue Plus Metro	On-Exchange	<100	\$484,711
BP	57129MN014	Blue Plus Southeast	Off-Exchange	<100	\$217,238
Medica	31616MN046	Ridgeview Distinct by Medica	On-Exchange	<100	\$202,773
Medica	31616MN043	North Memorial Acclaim by Medica	On-Exchange	<100	\$202,192
Medica	31616MN021	Medica Value	Off-Exchange	<100	\$183,127
Medica	31616MN047	Bold by M Health Fairview	Off-Exchange	<100	\$160,000
Medica	31616MN045	Altru Prime by Medica	On-Exchange	<100	\$138,926
HealthPartners	34102MN008	GHI NAM Off Exchange - HP Ind	Off-Exchange	<100	\$96,572
Medica	31616MN020	Medica HSA	Off-Exchange	<100	\$72,129
Medica	31616MN045	Altru Prime by Medica	Off-Exchange	<100	\$45,983
Quartz	70373MN004	Individual HMO	On-Exchange	<100	\$43,972
PreferredOne	88102MN001	PreferredHealth	Off-Exchange	<100	\$43,089
PreferredOne	88102MN021	Ultimate	Off-Exchange	<100	\$42,082
Medica	31616MN019	Medica Encore	Off-Exchange	<100	\$38,514
			Total	556	\$18,842,799

1. Products with less than 100 claimants are labeled as < 100 due to protected health information (PHI) reasons.

Appendix D - Minnesota Rating Regions

