

Minnesota Comprehensive Health Association

2022 Fourth Quarter Report
Results for The Minnesota Premium Security Plan

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Introduction

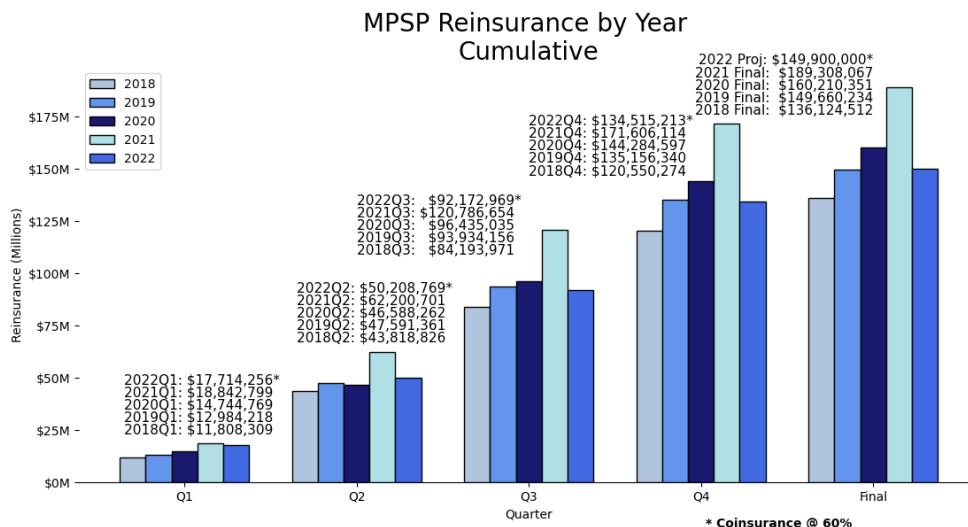
The Minnesota Comprehensive Health Association (MCHA) retained Wakely Consulting Group, LLC (Wakely) to collect data related to the Minnesota state-based reinsurance program (referred to as the Minnesota Premium Security Plan (MPSP)), review the data for reasonability, calculate the reinsurance payments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

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

The estimated reinsurance for 2022 benefit year under the MPSP is \$149.9 million which is approximately 20.8% lower than the final 2021 benefit year reinsurance. The decrease between 2021 and 2022 is caused by the coinsurance change from 80% to 60% that was part of the omnibus health bill and human service bill approved by Governor Walz on June 28th, 2021.¹ This estimate is based on claims incurred and paid through December 2022 and has been adjusted for claims yet to be reported and adjudicated. Final 2022 benefit year reinsurance will be calculated in compliance with Minnesota Statute §62E.23 and will use the CMS EDGE Server data reported by Minnesota issuers through April 2023.

The final 2022 reinsurance may vary, potentially significantly, from the estimated reinsurance included in this report due to uncertainty in the assumptions used to develop this estimate. The biggest difference between the data underlying this projection and the CMS EDGE Server dataset is claims runoff. A detailed discussion of the development of the estimated reinsurance is included in the Methodology section of this report.



¹See Article 15, Section 2 of HF 33

Reported reinsurance for benefit year 2022 using claims submitted and paid through December 2022 total approximately \$134.5 million for 3,657 distinct enrollees. The data underlying this analysis was provided by Minnesota issuers eligible for reinsurance under MPSP. The figure on the previous page shows the reinsurance included in the 2018 through 2022 quarterly reports.

The total year-to-date reinsurance in the 2022Q4 quarterly report is approximately 21.6% lower than the reinsurance in the 2021Q4 quarterly report. For additional information and considerations, please see the [2022 Considerations](#) section of this report.

Table 1 provides enrollment and reinsurance information underlying the final and fourth quarterly reports between 2018 and 2022.

Table 1: Reported Reinsurance and Enrollee Counts

Report	Distinct RI Enrollees	RI Enrollee YOY % Change	Reinsurance	Reinsurance YOY % Change
2022CY Projected	3,914	4.3%	\$149,900,000	-20.8%
2021CY Final	3,754	14.5%	\$189,308,067	18.2%
2020CY Final	3,279	3.0%	\$160,210,351	7.0%
2019CY Final	3,183	8.8%	\$149,660,234	9.9%
2018CY Final	2,925	-	\$136,124,512	-
2022Q4 Report	3,657	5.3%	\$134,515,213	-21.6%
2021Q4 Report	3,474	15.1%	\$171,606,114	18.9%
2020Q4 Report	3,019	2.9%	\$144,284,597	6.8%
2019Q4 Report	2,934	10.3%	\$135,156,340	12.1%
2018Q4 Report	2,660	-	\$120,550,274	-

The remainder of this report provides a description of the projection methodology, reinsurance by reporting variables analyses, miscellaneous discussions, and associated caveats and disclosures.

Projection Methodology

Issuers participating in Minnesota’s non-grandfathered individual commercial market provided Wakely with January through December 2022 claim experience with paid dates through December 2022. The data request included both enrollment and claim experience at the issuer level. The data request also included enrollee-level data for Minnesotans enrolled in the individual market that issuers identified with claims above the attachment point of \$50,000. Wakely aggregated these templates and calculated reinsurance payments using the reinsurance parameters shown in the figure to the right. Wakely validated this amount against the issuer calculations.

Claim Range ^[1]	Liability
\$0	Plan Pays: 100%
\$50,000	
\$50,001	Plan Pays: 40% MPSP Pays: 60%
\$250,000	
\$250,001	Plan Pays ^[2] : 100%

[1] - Claim Range Excludes Member Cost Sharing

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

To assist with the final benefit year 2022 reinsurance projection, issuers provided supplemental data not included in previous quarterly reports that allowed Wakely to analyze the timing difference between when claims are incurred and when claims are paid. Historical experience was reported separately for the three following cohorts of individuals:

1. Cohort One - Enrollees with incurred claims that exceeded the attachment point but not the reinsurance cap with claims paid through December. Enrollees in this cohort during benefit year 2022 will have claims that are adjudicated and paid in 2023. These claims will be partially reimbursed by MPSP for benefit year 2022.
2. Cohort Two - Enrollees with claims that exceeded the reinsurance cap with claims paid through December. For benefit year 2022, enrollees in this cohort will have claims that are adjudicated and paid in 2023. These additional claims are not partially reimbursed by MPSP since the enrollee has exceeded the reinsurance cap.
3. Cohort Three - Enrollees with claims that did not exceed the attachment point with claims paid through December, but did exceed the attachment point with claims paid in the following year. Enrollees in this cohort during benefit year 2022 will have claims that are adjudicated and paid in 2023 that are partially reimbursed by MPSP.

For the 2022 projection, issuers provided Wakely with a refresh of 2020 and 2021 reporting data. Wakely assumed the 2015 through 2019 experience from previous data requests was complete and would not change with additional claim adjudication.

Wakely was able to categorize each enrollee in the underlying 2022Q4 enrollee-level file as either Cohort One or Cohort Two. Given the underlying nature of claim data, issuers and Wakely are not able to identify enrollees that should be classified as Cohort Three. For example, an individual may be discharged from a hospital in late December which causes the enrollee to exceed the attachment point, but the claim will not be fully adjudicated until February of 2023. This enrollee will be eligible for reinsurance because the February adjudication of the claim will occur before the EDGE Server submission cutoff date in April, but the enrollee will not be in the enrollee-level data submitted by the issuer because the claim was adjudicated after December.

Wakely estimated final reinsurance by issuer for each cohort separately using the following methods:

1. Cohort One - Wakely used historical experience to estimate completion factors to account for incurred 2022 claims that will be paid in 2023.
2. Cohort Two - Wakely did not adjust reinsurance for Cohort Two since any additional claims that are paid for these individuals in 2023 are not partially reimbursed by MPSP.
3. Cohort Three - Wakely estimated the average reinsurance per enrollee using historical experience. Wakely estimated the number of individuals using historical enrollee distributions relative to Cohort One and Cohort Two.

Table 2 on the next page provides the estimate of the statewide reinsurance per enrollee broken out by the cohorts described above.

Table 2: Development of Estimated Reinsurance Per Enrollee by Cohort

	Reinsurance Per Enrollee Thru December	Completion Factor	Additive Adj	2020 Estimated Reinsurance Per Enrollee
Cohort	(A)	(B)	(C)	(D)
Cohort One	\$28,611	1.107	\$0	\$31,672
Cohort Two	\$120,000	1.000	\$0	\$120,000
Cohort Three	\$0	1.000	\$20,396	\$20,396

The formula used to calculate 2022 estimated reinsurance per enrollee is:

$$(D) = (A) \times (B) + (C).$$

Table 3 shows the calculation of the aggregate reinsurance shown in Table 1.

Table 3: Development of Aggregate 2021 Reinsurance Estimate

	Estimated Enrollees	2020 Estimated Reinsurance Per Enrollee	Aggregate Estimated Reinsurance
Cohort One	3,330	\$31,672	\$105,467,018
Cohort Two	327	\$120,000	\$39,240,000
Cohort Three	257	\$20,396	\$5,241,657
Total Enrollees	3,914	\$38,311	\$149,948,675

Please note the following about Table 2 and Table 3:

1. Wakely assumed that Cohort One reinsurance per enrollee will increase by a factor of 1.107. Historically, Cohort One’s completion has been between 1.098 and 1.146.
2. Wakely assumed 6.6% ($\approx \frac{257}{3,914}$) of the reinsurance eligible enrollees will be in Cohort Three. Historically, Cohort Three has been between 7.6% and 11.3% of the total reinsurance eligible population. Wakely chose a lower for the BY 2022 projection because historical projections have overstated reinsurance enrollee counts.
3. Wakely assumed that the reinsurance per enrollee in Cohort Three is \$20,396. This was based on the average 2019 through 2021 reinsurance for Cohort Three increased by 5% to account for trend and decreased by 25% for the coinsurance change.
4. In total, Wakely estimates that reported reinsurance will increase by a factor of 1.1147 ($\approx \frac{\$149,948,675}{\$134,515,213}$) between the December enrollee-level file and the final reinsurance calculation. Historically, the total completion rate has been reported between 1.111 and 1.169.
5. In the Executive Summary, the total aggregate reinsurance is rounded to the nearest \$100,000.

Appendix E shows historical experience used to develop assumptions used for projection. The overall estimated 2022 completion rate (1.1147) is lower than the completion rate used for preliminary 2018, 2019, 2020, and 2021 reinsurance estimates (1.152, 1.159, 1.149, and 1.134 respectively). Wakely’s methodology selected lower factors given that completion factors have been decreasing since 2018.

Reported Reinsurance Analysis

This section provides additional detail for the 2022Q4 reinsurance shown in Table 1. The distribution total in the following tables may not add to 100% due to rounding. The 2018 through 2021 distributions are shown next to the 2022Q4 distribution for reference.

The enrollee-level data supplied by issuers 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 an issuer 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.

New Market Entrant

Starting January 1st, 2021, Quartz entered the individual market in five southeastern counties. Prior 2021 quarterly reporting includes Quartz; however, the 2018 through 2020 reports do not. The entrant of a new issuer likely has minimal impact on aggregate reinsurance payments since these enrollees would have likely been enrolled with another issuer if Quartz did not enter the market.

Reinsurance by First Quarter in Report

The table below shows the enrollee count and estimated reinsurance by the quarter an enrollee first became eligible for reinsurance in 2022. For example, if an individual is in the 2022Q2 data template but not the 2022Q1 data template, then he or she is included in the 2022Q2 line. This table illustrates how much of the increase in reinsurance between quarterly reports is attributed to individuals first exceeding the attachment point and individuals that first appeared in prior quarters incurring additional claims.

Table 4: Reinsurance by Enrollee’s First 2022 Report

Cohort	Enrollees	Reinsurance by Quarter				2022 YTD
		2022Q1	2022Q2	2022Q3	2022Q4	
2022Q1	623	\$17,714,256	\$13,969,444	\$8,105,216	\$4,274,914	\$44,063,829
2022Q2	871	n/a	\$18,525,070	\$15,482,270	\$11,183,303	\$45,190,643
2022Q3	1,083	n/a	n/a	\$18,376,714	\$12,902,267	\$31,278,982
2022Q4	1,080	n/a	n/a	n/a	\$13,981,759	\$13,981,759
Total	3,657	\$17,714,256	\$32,494,513	\$41,694,200	\$42,342,244	\$134,515,213

1. Reinsurance increased by approximately \$42.3 million between the 2022Q3 and 2022Q4 reports. The increase between the 2021Q3 and 2021Q4 reports was approximately \$50.8 million. After adjusting for the coinsurance change, the increase between 2021Q3 to 2021Q4 is \$38.1 million ($\approx \$50.8 \text{ million} \times \frac{60\%}{80\%}$).
2. There were a total of 1,080 new reinsurance eligible enrollees in the 2022Q4 report with approximately \$14.0 million in reinsurance. During the 2021Q4 report, these values were 1,012 and \$19.5 million. Using an equivalent 60% coinsurance, the \$19.5 million becomes \$14.6 million ($\approx \$19.5 \text{ million} \times \frac{60\%}{80\%}$).

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 5: Reinsurance by Area

Rate Region	2022Q4 Reinsurance	2022Q4 Dist’n	2021 Dist’n	2020 Dist’n	2019 Dist’n	2018 Dist’n
Rating Area 1	\$13,724,082	10%	11%	11%	12%	10%
Rating Area 2	\$6,428,086	5%	6%	6%	6%	6%
Rating Area 3	\$7,968,656	6%	7%	7%	7%	6%
Rating Area 4	\$4,118,541	3%	3%	2%	3%	3%
Rating Area 5	\$5,982,975	4%	5%	4%	4%	5%
Rating Area 6	\$5,187,740	4%	4%	5%	4%	4%
Rating Area 7	\$11,648,370	9%	9%	7%	9%	7%
Rating Area 8	\$77,431,738	58%	56%	57%	54%	55%
Rating Area 9	\$2,025,025	2%	1%	1%	1%	2%
Statewide	\$134,515,213	100%	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 6: Reinsurance by Metal Tier

Metal Tier	2022Q4 Reinsurance	2022Q4 Dist’n	2021 Dist’n	2020 Dist’n	2019 Dist’n	2018 Dist’n
Catastrophic	\$1,108,101	1%	0%	1%	0%	0%
Bronze	\$59,542,062	44%	48%	45%	44%	48%
Silver	\$38,453,206	29%	26%	29%	29%	29%
Gold	\$34,908,089	26%	25%	25%	26%	22%
Platinum	\$503,755	0%	0%	1%	1%	1%
Total	\$134,515,213	100%	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. The distribution may change relative to prior reports due to increased subsidies from the American Rescue Plan being available on the Exchange.

Table 7: Reinsurance by Exchange Status

Exchange Status	2022Q4 Reinsurance	2022Q4 Dist'n	2021 Dist'n	2020 Dist'n	2019 Dist'n	2018 Dist'n
On-Exchange	\$94,010,779	70%	67%	69%	69%	68%
Off-Exchange	\$40,504,434	30%	33%	31%	31%	32%
Total	\$134,515,213	100%	100%	100%	100%	100%

Reinsurance by Plan Type

This section provides reinsurance 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. There are CSR plans available at the 87% and 94% level as well. CSR plans are only available on the Exchange. Finally, there are limited cost-sharing and zero cost-sharing plans for American Indians and Alaska Natives.

Table 8: Reinsurance by Plan Type

Plan Type	2022Q4 Reinsurance	2022Q4 Dist'n	2021 Dist'n	2020 Dist'n	2019 Dist'n	2018 Dist'n
Standard	\$124,426,312	92%	92%	90%	90%	91%
Zero CS	\$184,719	0%	0%	0%	0%	0%
Limited CS	\$634,021	0%	0%	0%	0%	0%
73% CSR	\$9,270,162	7%	7%	9%	9%	9%
94% CSR	\$0	0%	1%	0%	0%	0%
Total	\$134,515,213	100%	100%	100%	100%	100%

Reinsurance by Claim Spend

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

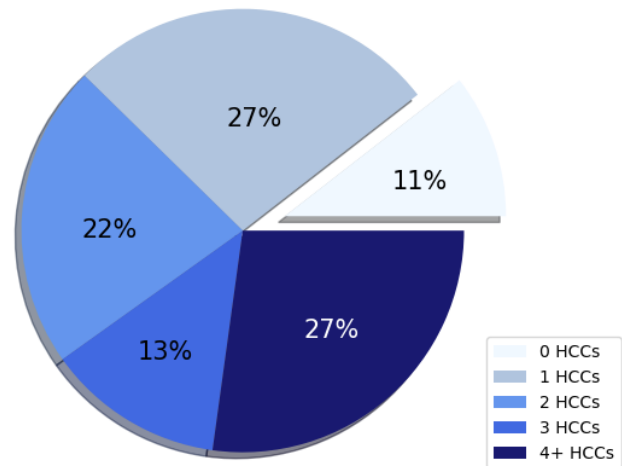
Distribution of HCC Count

Minnesota issuers provided hierarchical condition categories (HCC) data by individual as part of the data submission to Wakely. HCCs are used by CMS as part of the risk adjustment process that transfers money in the individual market from issuers that enrolled a healthier population to issuers that enrolled a sicker population. An individual is assigned to an HCC based on his or her medical diagnostic history during the benefit year. For example, if an enrollee fractures his or her hip in an accident, the doctor would code the medical claim with a hip fracture diagnosis code. That diagnosis code then identifies that individual in the *Hip Fractures and Pathological Vertebral or Humerus Fractures* condition category (HCC226).

There are diagnosis codes that do not map to an HCC. As a result, even though an individual may have a claim, he or she may not be assigned to an HCC. Enrollees can have more than one HCC in a year. Typically, the more HCCs an individual has, the sicker and more costly he or she is. As a general rule of thumb, approximately 20% of the individual market population is assigned to an HCC. In other words, 80% of the general individual population does not have an HCC. In comparison, only 11% of the reinsurance population does not have an HCC and 89% have at least one HCC. These enrollees may have experienced a traumatic accident with a diagnosis code that is not used in the HCC model.

2022Q4 Distribution of HCC Count

The HCC model is hierarchical and similar conditions are grouped together. For example, diabetes has three HCCs: Diabetes with Acute Complications (HCC019), Diabetes with Chronic Complications (HCC020), and Diabetes without Complication (HCC021). An enrollee with a diagnosis code in both HCC019 and HCC021 would be only classified as HCC019 to avoid double counting. Finally, all diabetic HCCs are grouped together in the Diabetic Group (G01). Similar hierarchies and groupings exist for other conditions.



The chart on the right shows the distribution of HCCs for the statewide reinsurance population. HCC counts and risk scores are dependent on how long an individual is enrolled during the year. The distribution shown in this report may change in the final report with additional 2022 incurred claims being adjudicated in 2023. The table below provides the final HCC count distribution by reinsurance year.

Table 9: HCC Distribution by Year

HCC Count	2022Q4	2021	2020	2019	2018
0 HCCs	11%	8%	10%	9%	7%
1 HCC	27%	26%	28%	29%	27%
2 HCCs	22%	21%	21%	22%	23%
3 HCCs	13%	15%	14%	13%	14%
4+ HCCs	27%	30%	27%	27%	29%

Appendix B gives the list of the most prevalent HCCs and groupings during benefit year 2022 for enrollees eligible for reinsurance.

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 values shown in Appendix C in this report are not directly comparable to the values in reports prior to 2019Q2.

2022 Considerations

This section discusses changes occurring during 2021 and 2022 that impact reinsurance and trends.

1. **Coinsurance Parameter** - The coinsurance rate decreased from 80% in 2021 to 60% in 2022. All else being equal, this decreases the reinsurance payments by 25% ($= \frac{60\%}{80\%} - 1$). Without the change, the 2022Q4 reinsurance reported in Table 1 would be \$179,353,617 ($= \$134,515,213 \times \frac{80\%}{60\%}$) and the reinsurance 2021Q4 to 2022Q4 change would be approximately 4.5% ($= \frac{\$179,353,617}{\$171,606,114} - 1$).
2. **Premium Subsidies** - Ongoing additional premium subsidies as a result of the American Rescue Plan likely increased enrollment in 2022 relative to 2021. Issuers reported an overall increase in the market, which is consistent with public reports by MNSure.² For similar reasons, the distribution of On- and Off-Exchange reinsurance may change from historical experience as a result of increased premium subsidies because premium subsidies are available only on MNSure.
3. **Unemployment Premium Subsidies** - Beginning July 1, 2021, individuals who received unemployment compensation during 2021 received premium and CSR subsidies. These subsidies expired at the end of 2021. As a result, the reinsurance reported in the 94% CSR plans will likely decrease during 2022 compared to 2021.

Coinsurance Change

The total amount of reinsurance paid by MCHA depends on the coinsurance rate, and between 2021 and 2022, the coinsurance rate decreased from 80% to 60%. All else being equal for an enrollee, this decreased the total amount of reinsurance paid by 25%. The table below provides an illustrative example of the decrease for a hypothetical member with \$100,000 paid claims using an attachment point of \$50,000.

Table 10: Coinsurance Change Example

Coinsurance	Paid Claims	Formula	Reinsurance Amt
80% Coinsurance	\$100,000	$(\$100,000 - \$50,000) \times 80\%$	\$40,000
60% Coinsurance	\$100,000	$(\$100,000 - \$50,000) \times 60\%$	\$30,000

Note that the total number reinsurance eligible enrollees is not impacted by the coinsurance change because eligibility for reinsurance depends only on the attachment point. The next table restates Table 1 to be on a per reinsurance eligible enrollee format. The *Reported Reinsurance* column in this table equals the *Reported Reinsurance* in Table 1 divided by the *Distinct RI Enrollees* column.

Table 11: Reinsurance per Enrollee and Enrollee Counts

	Distinct RI Enrollees	RI Enrollee % Change	Reported Reinsurance	Reinsurance % Change
Reported 2022Q4	3,657	5.3%	\$36,783	-25.5%
<i>Reported 2022Q4 @ 80%</i>	<i>3,657</i>	<i>5.3%</i>	<i>\$49,044</i>	<i>-0.7%</i>
Reported 2021Q4	3,474	15.1%	\$49,397	3.4%
Reported 2020Q4	3,019	2.9%	\$47,792	3.7%
Reported 2019Q4	2,934	10.3%	\$46,066	1.6%
Reported 2018Q4	2,660	-	\$45,320	-

The reinsurance per eligible enrollee decreased 25.5% between 2021Q4 and 2022Q4 from \$49,397 to \$36,783. This is close to the expected decrease caused by the the coinsurance change.

²See [Expanded Cost Savings Fuel Record Health Insurance Sign-Ups Through MNSure](#)

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 12: 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 11.0% ($= \frac{\$4,440}{\$4,000} - 1$). This is shown in the next table.

Table 13: 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.

Data Review

Wakely compared the portion of enrollees with claims above the attachment point underlying the issuer 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 issuer 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 July 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 issuers 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 and other externalities such as the on-going public health emergency 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,



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Appendix A - Reinsurance by Claim Spend Level

2022Q4 Reinsurance by Claim Spend Level (60% Coinsurance)

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
\$50,000	\$52,508	201	\$51,231	\$739	\$148,493
\$52,508	\$58,498	399	\$55,478	\$3,287	\$1,311,331
\$58,498	\$119,795	1,905	\$80,783	\$18,470	\$35,184,661
\$119,795	\$200,000	636	\$152,457	\$61,474	\$39,097,436
\$200,000	\$9,999,999	516	\$362,768	\$113,902	\$58,773,292
Total		3,657	\$128,650	\$36,783	\$134,515,213

Notes:

1. Average Reinsurance Per Enrollee = $\min\{(\text{Average Incurred Claims} - \$50,000) \times 60\%, \$160,000\}$.
2. The claim intervals originate from the 1332 Waiver Application.
3. This distribution is expected to change as 2022 completes.

Appendix A (Cont.) - Reinsurance by Claim Spend Level

2021 Final Reinsurance by Claim Spend Level (80% Coinsurance)

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
\$50,000	\$52,508	214	\$51,224	\$979	\$209,496
\$52,508	\$58,498	412	\$55,285	\$4,228	\$1,741,935
\$58,498	\$119,795	1,898	\$80,942	\$24,754	\$46,982,433
\$119,795	\$200,000	677	\$152,573	\$82,058	\$55,553,530
\$200,000	\$9,999,999	561	\$363,647	\$152,148	\$85,355,191
Total		3,762	\$131,490	\$50,463	\$189,842,585

2020 Final Reinsurance by Claim Spend Level (80% Coinsurance)

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 (Cont.) - Reinsurance by Claim Spend Level

2019 Final Reinsurance by Claim Spend Level (80% Coinsurance)

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

2018 Final Reinsurance by Claim Spend Level (80% Coinsurance)

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	2022Q4		2021Q4	
			Enrollee Count ¹	% of Reinsurance Eligible Enrollees	Enrollee Count ¹	% of Reinsurance Eligible Enrollees
1	G01	Diabetes	692	19%	640	18%
2	HCC008	Metastatic Cancer	496	14%	483	14%
3	HCC142	Specified Heart Arrhythmias	470	13%	486	14%
4	HCC056	Rheumatoid Arthritis and Specified Autoimmune Disorders	448	12%	415	12%
5	HCC130	Heart Failure	404	11%	451	13%
6	G13	Respiratory Arrest; Cardio-Respiratory Failure and Shock, Including Respiratory Distress Syndromes	348	10%	419	12%
7	G15A	Chronic Obstructive Pulmonary Disease, Including Bronchiectasis; Severe Asthma; Asthma, Except Severe	336	9%	287	8%
8	HCC002	Septicemia, Sepsis, Systemic Inflammatory Response Syndrome/Shock	329	9%	355	10%
9	G08	Disorders of the Immune Mechanism	314	9%	269	8%
10	HCC023	Protein-Calorie Malnutrition	301	8%	316	9%
11	HCC048	Inflammatory Bowel Disease	259	7%	244	7%
12	HCC075	Coagulation Defects and Other Specified Hematological Disorders	245	7%	278	8%
13	HCC009	Lung, Brain, and Other Severe Cancers, Including Pediatric Acute Lymphoid Leukemia	241	7%	231	7%
14	HCC012	Breast (Age 50+) and Prostate Cancer, Benign/Uncertain Brain Tumors, and Other Cancers and Tumors	213	6%	194	6%
15	HCC156	Pulmonary Embolism and Deep Vein Thrombosis	212	6%	234	7%
16	G02A	Mucopolysaccharidosis; Metabolic Disorders; Endocrine Disorders	210	6%	224	6%
17	HCC253	Artificial Openings for Feeding or Elimination	183	5%	170	5%

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

Appendix B (Cont.) - Enrollee Count by HCC

Limited to HCCs with at least 100 Enrollees

Rank	HCC	HCC Description	2022Q4		2021Q4	
			Enrollee Count ¹	% of Reinsurance Eligible Enrollees	Enrollee Count ¹	% of Reinsurance Eligible Enrollees
18	HCC115	Myasthenia Gravis/Myoneural Disorders and Guillain-Barre Syndrome/Inflammatory and Toxic Neuropathy	175	5%	173	5%
19	HCC120	Seizure Disorders and Convulsions	170	5%	183	5%
20	G15	Asthma; Chronic Obstructive Pulmonary Disease, Including Bronchiectasis	165	5%	166	5%
21	HCC131	Acute Myocardial Infarction	163	4%	187	5%
22	HCC088	Major Depressive and Bipolar Disorders	157	4%	128	4%
23	HCC118	Multiple Sclerosis	127	3%	130	4%
24	HCC045	Intestinal Obstruction	120	3%	135	4%
25	HCC006	Opportunistic Infections	114	3%	100	3%
26	G9C	Alcohol Use with Psychotic Complications; Alcohol Use Disorder, Moderate/Severe, or Alcohol Use with Specified Non-Psychotic Complications; Drug Use Disorder, Mild, Uncomplicated, Except Cannabis	112	3%	0	0%
27	HCC163	Aspiration and Specified Bacterial Pneumonias and Other Severe Lung Infections	109	3%	122	4%
28	HCC125	Respirator Dependence/Tracheostomy Status	101	3%	107	3%

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

Appendix C - Estimated Reinsurance and Claimants by Product

Issuer	Product ID	Product Name	Exchange Status	Claimants	Reinsurance
Blue Plus	57129MN054	Blue Plus Minnesota Value	On-Exchange	394	\$11,698,397
Blue Plus	57129MN053	Blue Plus Minnesota Value	Off-Exchange	205	\$7,300,820
Blue Plus	57129MN008	Blue Plus Metro	Off-Exchange	157	\$4,932,716
Blue Plus	57129MN009	Blue Plus Metro	On-Exchange	108	\$3,734,502
Blue Plus	57129MN015	Blue Plus Southeast	On-Exchange	<100	\$3,323,491
Blue Plus	57129MN014	Blue Plus Southeast	Off-Exchange	<100	\$1,079,573
HealthPartners	34102MN007	GHI AM Off Exchange	Off-Exchange	451	\$16,768,762
HealthPartners	34102MN001	GHI On Exchange	On-Exchange	418	\$15,826,182
HealthPartners	34102MN008	GHI NAM Off Exchange - HP Ind	Off-Exchange	<100	\$380,655
Medica	31616MN042	Medica Applause	On-Exchange	268	\$10,296,033
Medica	31616MN044	Engage by Medica	On-Exchange	200	\$8,764,230
Medica	31616MN042	Medica Applause	Off-Exchange	155	\$4,742,478
Medica	31616MN044	Engage by Medica	Off-Exchange	<100	\$2,140,830
Medica	31616MN043	North Memorial Acclaim by Medica	On-Exchange	<100	\$1,227,338
Medica	31616MN047	Bold by M Health Fairview	On-Exchange	<100	\$831,427
Medica	31616MN045	Altru Prime by Medica	On-Exchange	<100	\$523,916
Medica	31616MN047	Bold by M Health Fairview	Off-Exchange	<100	\$439,732
Medica	31616MN021	Medica Value	Off-Exchange	<100	\$381,354
Medica	31616MN020	Medica HSA	Off-Exchange	<100	\$356,416

1. Products with less than 100 claimants are labeled as < 100 due to protected health information (PHI) reasons.
2. The *Claimants* column counts enrollees that transfer between products more than once. As a result, the total claimants in this section differs from the enrollee count shown in Table 1.

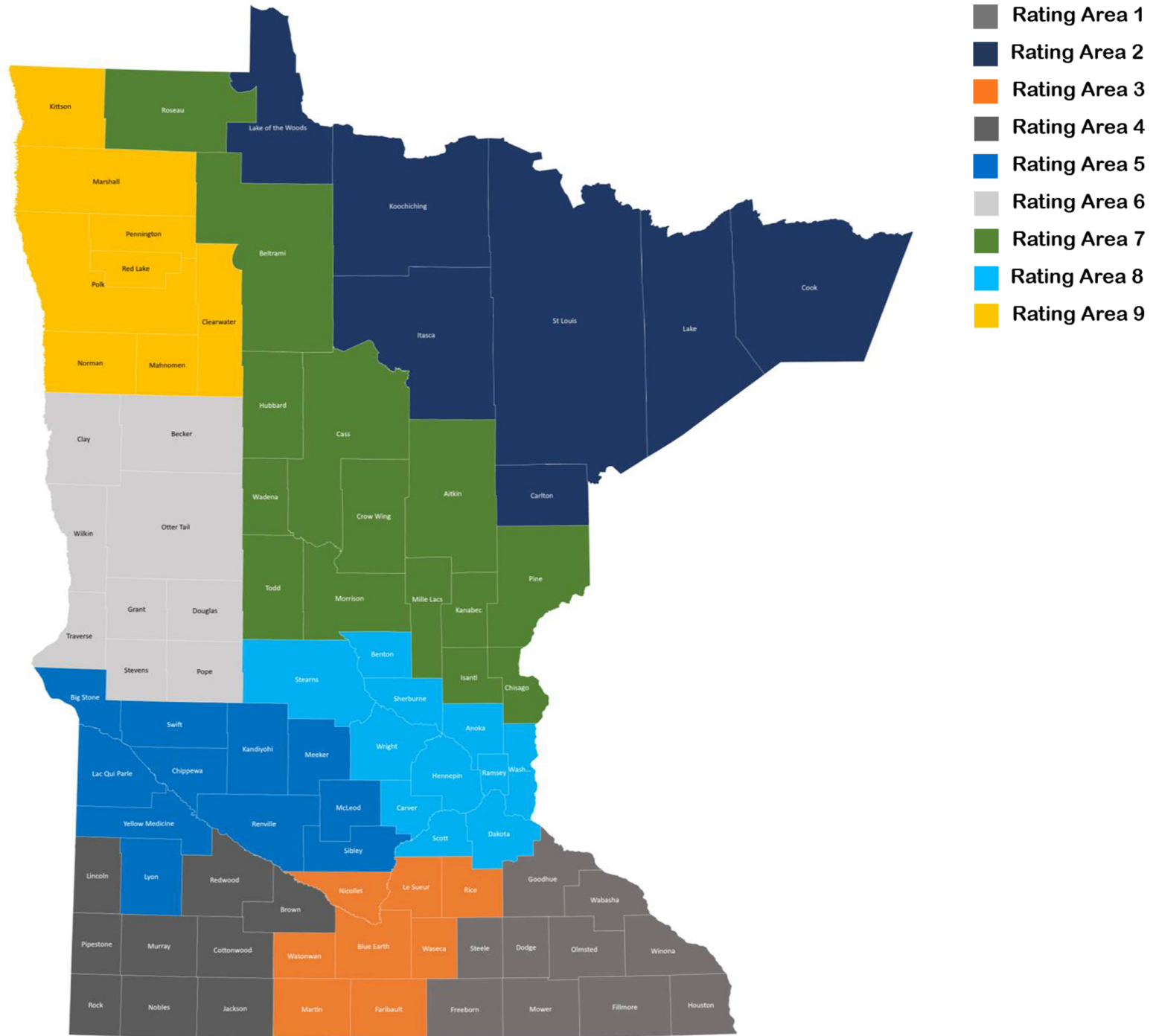
Appendix C (Cont.) - Estimated Reinsurance and Claimants by Product

Issuer	Product ID	Product Name	Exchange Status	Claimants ²	Reinsurance
Medica	31616MN043	North Memorial Acclaim by Medica	Off-Exchange	<100	\$218,362
Medica	31616MN046	Ridgeview Distinct by Medica	Off-Exchange	<100	\$120,000
Medica	31616MN045	Altru Prime by Medica	Off-Exchange	<100	\$42,438
Medica	31616MN018	Medica Solo	Off-Exchange	<100	\$18,669
Medica	31616MN046	Ridgeview Distinct by Medica	On-Exchange	<100	\$5,173
PreferredOne	88102MN001	PreferredHealth	Off-Exchange	<100	\$971,124
PreferredOne	88102MN021	Summit/Savers/Ultimate	Off-Exchange	<100	\$581,689
Quartz	70373MN004	Individual HMO	On-Exchange	<100	\$696,981
Quartz	70373MN004	Individual HMO	Off-Exchange	<100	\$28,815
UCare	85736MN023	UCare Individual and Family Plans	On-Exchange	970	\$37,083,110
Total (All Issuers)				3,662	\$134,515,213

Notes:

1. Products with less than 100 claimants are labeled as < 100 due to protected health information (PHI) reasons.
2. The *Claimants* column counts enrollees that transfer between products more than once. As a result, the total claimants in this section differs from the enrollee count shown in Table 1.

Appendix D - Minnesota Rating Regions



Appendix E - 2022 Projection Factor Development

Based on Issuer Submitted Templates

2015

Cohort Description	Count of Enrollees	Enrollee Dist'n	Total Reinsurance with Runout thru December 2015	Total Reinsurance with Runout thru April 2016	Completion
Cohort One - Enrollees Exceeding Attachment Point Based on Runout Thru December Not Exceeding Reinsurance Cap by December 2015	3,781	82%	\$130,605,997	\$149,718,508	1.146
Cohort Two - Enrollees Exceeding Attachment Point Based on Runout Thru December Exceeding Reinsurance Cap by December 2015	328	7%	\$52,480,000	\$52,440,335	0.999
Cohort Three - Enrollees Exceeding Attachment Point Based on Runout After January 2016	523	11%	\$0	\$8,975,908	
Total 2015	4,632	100%	\$183,085,997	\$211,134,750	1.153

2016

Cohort Description	Count of Enrollees	Enrollee Dist'n	Total Reinsurance with Runout thru December 2016	Total Reinsurance with Runout thru April 2017	Completion
Cohort One - Enrollees Exceeding Attachment Point Based on Runout Thru December Not Exceeding Reinsurance Cap by December 2016	3,743	82%	\$128,722,764	\$144,052,148	1.119
Cohort Two - Enrollees Exceeding Attachment Point Based on Runout Thru December Exceeding Reinsurance Cap by December 2016	429	9%	\$68,640,000	\$68,640,000	1.000
Cohort Three - Enrollees Exceeding Attachment Point Based on Runout After January 2017	399	9%	\$0	\$7,427,177	
Total 2016	4,571	100%	\$197,362,764	\$220,119,325	1.115

Appendix E - 2022 Projection Factor Development

Based on Issuer Submitted Templates

2017

Cohort Description	Count of Enrollees	Enrollee Dist'n	Total Reinsurance with Runout thru December 2017	Total Reinsurance with Runout thru April 2018	Completion
Cohort One - Enrollees Exceeding Attachment Point Based on Runout Thru December Not Exceeding Reinsurance Cap by December 2017	2,448	85%	\$83,233,346	\$92,238,291	1.108
Cohort Two - Enrollees Exceeding Attachment Point Based on Runout Thru December Exceeding Reinsurance Cap by December 2017	168	6%	\$26,880,000	\$26,880,000	1.000
Cohort Three - Enrollees Exceeding Attachment Point Based on Runout After January 2018	272	9%	\$0	\$4,840,295	
Total 2017	2,888	100%	\$110,113,346	\$123,958,586	1.126

2018

Cohort Description	Count of Enrollees	Enrollee Dist'n	Total Reinsurance with Runout thru December 2018	Total Reinsurance with Runout thru April 2019	Completion
Cohort One - Enrollees Exceeding Attachment Point Based on Runout Thru December Not Exceeding Reinsurance Cap by December 2018	2,404	83%	\$87,700,875	\$99,814,458	1.138
Cohort Two - Enrollees Exceeding Attachment Point Based on Runout Thru December Exceeding Reinsurance Cap by December 2018	175	7%	\$28,000,000	\$28,000,000	1.000
Cohort Three - Enrollees Exceeding Attachment Point Based on Runout After January 2019	325	11%	\$0	\$7,422,439	
Total 2018	2,904	100%	\$115,700,875	\$135,236,897	1.169

Appendix E - 2022 Projection Factor Development

Based on Issuer Submitted Templates

2019

Cohort Description	Count of Enrollees	Enrollee Dist'n	Total Reinsurance with Runout thru December 2019	Total Reinsurance with Runout thru April 2020	Completion
Cohort One - Enrollees Exceeding Attachment Point Based on Runout Thru December Not Exceeding Reinsurance Cap by December 2019	2,654	84%	\$94,630,684	\$105,902,822	1.119
Cohort Two - Enrollees Exceeding Attachment Point Based on Runout Thru December Exceeding Reinsurance Cap by December 2019	216	7%	\$34,560,000	\$34,560,000	1.000
Cohort Three - Enrollees Exceeding Attachment Point Based on Runout After January 2020	282	9%	\$0	\$7,673,520	
Total 2019	3,152	100%	\$129,190,684	\$148,136,341	1.147

2020

Cohort Description	Count of Enrollees	Enrollee Dist'n	Total Reinsurance with Runout thru December 2020	Total Reinsurance with Runout thru April 2021	Completion
Cohort One - Enrollees Exceeding Attachment Point Based on Runout Thru December Not Exceeding Reinsurance Cap by December 2020	2,733	83%	\$100,130,123	\$112,161,084	1.120
Cohort Two - Enrollees Exceeding Attachment Point Based on Runout Thru December Exceeding Reinsurance Cap by December 2020	245	7%	\$39,200,000	\$39,200,000	1.000
Cohort Three - Enrollees Exceeding Attachment Point Based on Runout After January 2021	300	9%	\$0	\$6,657,443	
Total 2020	3,278	100%	\$139,330,123	\$158,018,526	1.134

Appendix E - 2022 Projection Factor Development

Based on Issuer Submitted Templates

2021

Cohort Description	Count of Enrollees	Enrollee Dist'n	Total Reinsurance with Runout thru December 2021	Total Reinsurance with Runout thru April 2022	Completion
Cohort One - Enrollees Exceeding Attachment Point Based on Runout Thru December Not Exceeding Reinsurance Cap by December 2021	3,186	85%	\$119,307,812	\$130,983,945	1.098
Cohort Two - Enrollees Exceeding Attachment Point Based on Runout Thru December Exceeding Reinsurance Cap by December 2021	320	9%	\$51,200,000	\$51,200,000	1.000
Cohort Three - Enrollees Exceeding Attachment Point Based on Runout After January 2022	252	7%	\$0	\$7,268,901	
Total 2021	3,758	100%	\$170,507,812	\$189,452,846	1.111