

State of Maine Rating Area Analysis

March 3, 2022

PRESENTED BY
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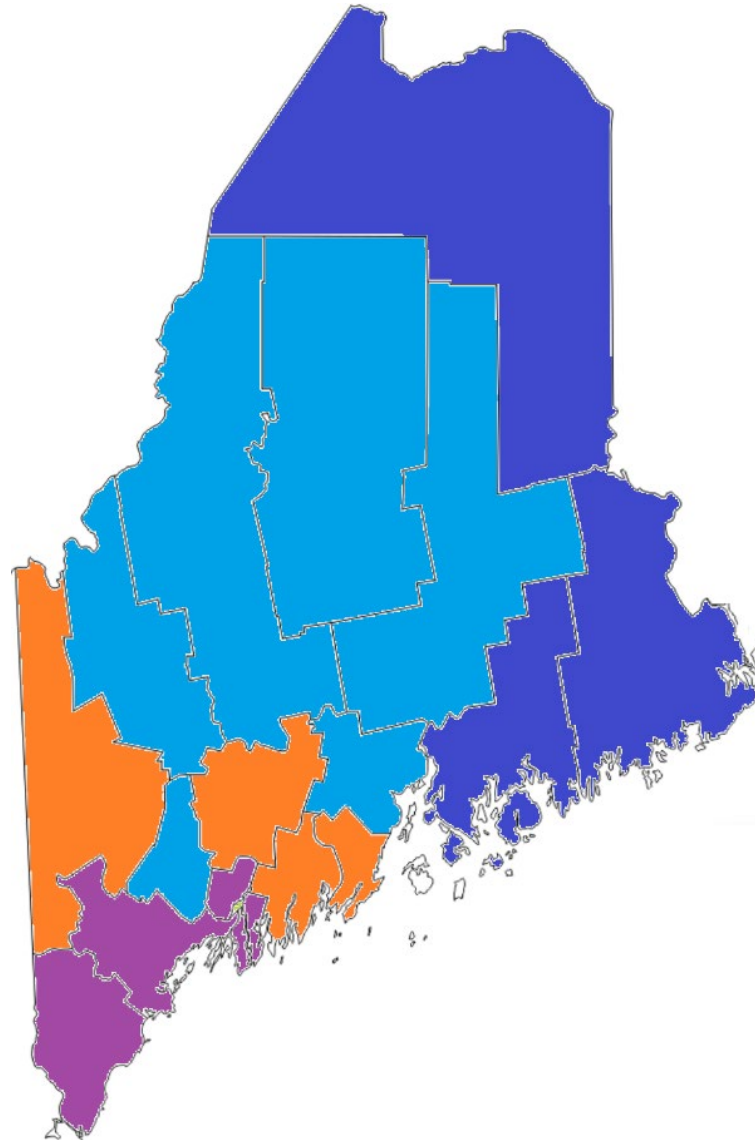
Agenda

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 - Current Rating Areas
 - Performance and Concerns
- Key Results
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 - Scenario 1 – Realign Rating Areas
 - Scenario 2 – Add a Rating Area
 - Scenario 3 – One Rating Area
- Appendix
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Current Landscape

Current Landscape – Current Rating Areas

- 1 – Cumberland, Sagadahoc, York
- 2 – Knox, Kennebec, Lincoln, Oxford
- 3 – Androscoggin, Waldo, Franklin, Penobscot, Somerset, Piscataquis
- 4 – Hancock, Aroostook, Washington



Current Landscape – Performance and Concerns

Calendar Year 2020 data – Individual and Small Group Combined

Rating Area	Average Members	Distribution of Members	Premium PMPM*	Premium Differential**	Medical Cost Ratio
1	58,839	52%	\$519.63	93%	77%
2	20,338	18%	\$576.64	96%	76%
3	23,359	21%	\$621.19	104%	68%
4	10,679	9%	\$819.25	130%	55%
Total	113,215	100.0%	\$579.09	100%	72%

- Area 4 (Hancock, Aroostook, Washington) Rates are very high

Notes

* Premiums PMPM have not been adjusted for age or benefit differences.

** The premium differential has been adjusted for age and benefit differences, so this comparison is on an “apples-to-apples” basis.

No adjustments have been made to data to adjust for the impact of the ongoing pandemic.

Current Landscape – Performance and Concerns

Calendar Year 2020 data – Individual and Small Group Combined – Rating Area 3 Counties

County	Average Members	Distribution of Members	Premium PMPM*	Medical Cost Ratio
ANDROSCOGGIN	5,403	5%	\$595.44	63%
WALDO	2,615	2%	\$623.75	57%
FRANKLIN	1,726	2%	\$648.70	61%
PENOBSCOT	10,111	9%	\$610.29	74%
SOMERSET	2,165	2%	\$668.05	69%
PISCATAQUIS	1,338	1%	\$691.16	75%

- Area 3 has a noticeable split in performance
- Insurers are splitting Area 3 themselves by varying Service Areas and Networks

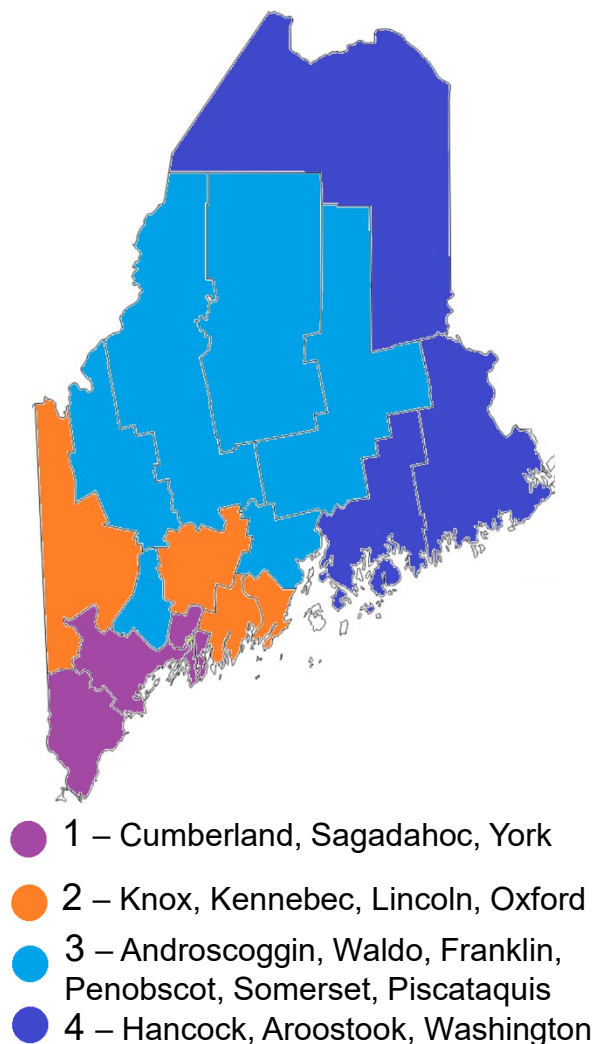
Notes

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Key Results

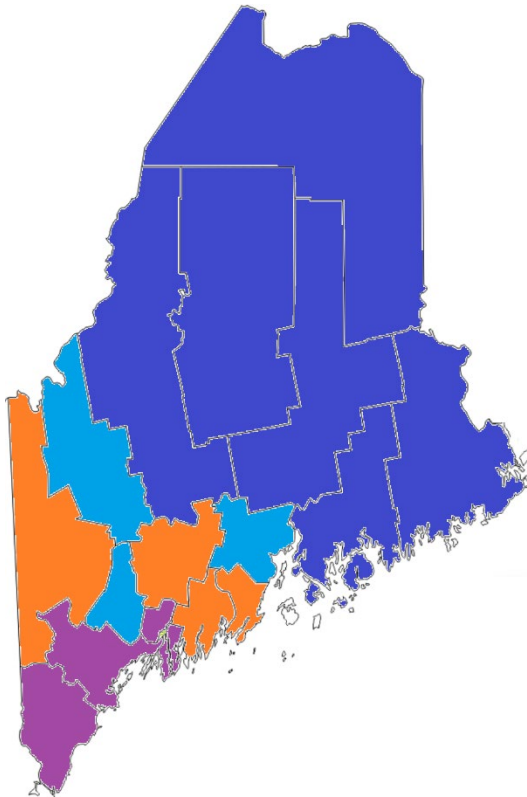
Scenario 0 – Keep Current Rating Areas



- Rate review to analyze area factors
- Pros
 - Minimal disruption to the state and market
 - No justification to CMS is required
 - **Area 4 rates could decrease 23%**
 - Area 3 rates could decrease 4-5%
- Cons
 - **Does not address Area 3 concerns**
 - Rate increases of 6-7% in Areas 1 and 2 to keep insurers revenue neutral

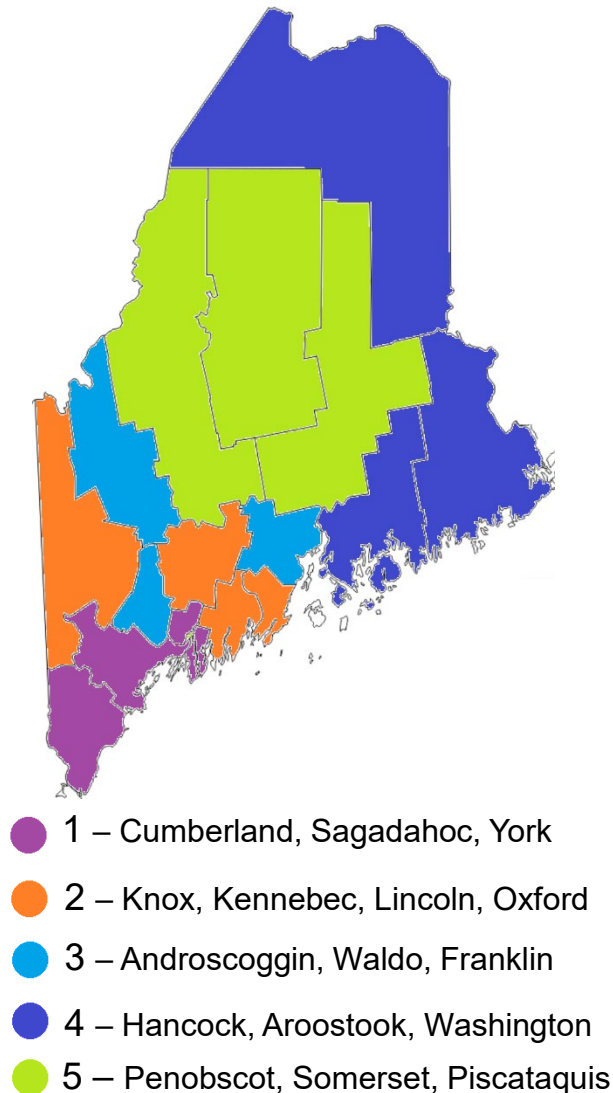
Scenario 1 – Realign Rating Areas

- Rate review to analyze area factors
- Move Penobscot, Somerset, Piscataquis to Rating Area 4
- Pros
 - No justification to CMS is required
 - **New Area 4 rates decrease (19% for current Area 4 counties and 1-2% for current Area 3 counties)**
 - **Area 3 rates could decrease 15-16%**
- Cons
 - Rate increases of 6-7% in Areas 1 and 2 to keep insurers revenue neutral



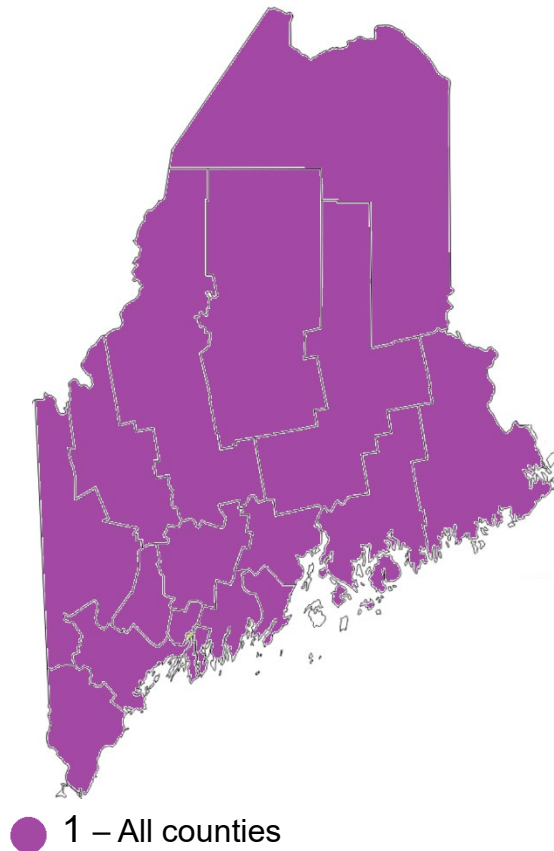
- 1 – Cumberland, Sagadahoc, York
- 2 – Knox, Kennebec, Lincoln, Oxford
- 3 – Androscoggin, Waldo, Franklin
- 4 – Hancock, Aroostook, Washington, Penobscot, Somerset, Piscataquis

Scenario 2 – Add a Rating Area



- Rate review to analyze area factors
- Move Penobscot, Somerset, Piscataquis to new Rating Area 5
- Pros
 - **Maximum flexibility for insurers**
 - **Area 4 rates could decrease 23%**
 - **Area 3 rates could decrease 15-16%**
- Cons
 - **Justification to CMS is required**
 - **Rate increases of 6-7% in Areas 1 and 2 to keep insurers revenue neutral**
 - **New Area 5 rates could increase 2-3%**

Scenario 3 – One Rating Area



- Rate review to analyze area factors
- Move to One Rating Area for the entire state
- Pros
 - Decreases in current Area 3 and Area 4 (3-4% and 21-22%, respectively)
- Cons
 - Rate increases of 4-7% in current Areas 1 and 2 to keep insurers revenue neutral
 - **Minimum insurer flexibility**
 - **Insurer Reactions could include**
 - **Narrower networks and service areas**
 - **Exiting unprofitable areas**
 - **Discourages expansion**

Appendix

Wakely Analysis Methodology

- Wakely used combined individual and small group calendar year 2020 data provided by insurers currently operating in the state of Maine.
- Wakely modeled premiums adjusted at the issuer level to reflect expected premium levels in each county given the change from the current (Scenario 0) to proposed rating areas (Scenarios 1, 2, and 3).
- Wakely then adjusted premiums within each new rating area to reflect the overall average medical cost ratio for the entire state.
- These two combined adjustments are the basis of the necessary rate increases outlined in the Key Results section.

Wakely Analysis Limitations

- This modeling does not consider actions issuers may take outside of those specifically outlined previously. These actions could include filing new service areas or networks, exiting unprofitable counties, etc.
- The impact of other factors, such as provider networks and discounts were not considered in this analysis. Although they may impact geographic rating, this analysis focused on loss ratio equity.
- The ongoing COVID-19 pandemic as well as other changes since 2020 may have an impact on results and have not been explicitly adjusted for in the modeling.
- Risk adjustment has not been adjusted for the likely change in Geographic Cost Factor that would occur under the various scenarios. In more extreme scenarios, such as Scenario 5, this could have a relatively significant impact on the results.
- The scheduled merged market may also produce differing results than what has been estimated.

Disclosures and Limitations

Responsible Actuaries. Lydia Tolman and Jacquelyn Young are the actuaries responsible for this communication. They are Members of the American Academy of Actuaries. Lydia is a Fellow of the Society of Actuaries, and Jacquelyn is an Associate of the Society of Actuaries. They 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 the Maine Bureau of Insurance (Maine) and cannot be distributed to or relied on by any third party without the prior written permission of Wakely. This information is confidential and proprietary. Wakely does not intend to create a reliance to these outside parties and these materials may not be released to third parties without Wakely's prior written consent, and when consent is granted, the materials should be provided in their entirety. The parties receiving this report should retain their own actuarial experts in interpreting results.

Risks and Uncertainties. Please note that these results are preliminary and are subject to change as we gather input, and potentially refine the modeling methodology and assumptions. 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 our estimates. It is the responsibility of Maine receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.

Conflict of Interest. The responsible actuaries are 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 Maine.

Data and Reliance. We have relied on information and data provided by Maine and issuers operating in the state of Maine in the analysis. We have reviewed the data for reasonableness but have not performed any independent audit or otherwise verified the accuracy of the data/information. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly.

Subsequent Events. These analyses are based on the implicit assumption that the ACA will continue to be in effect in future years with no material change. Material changes in state or federal laws regarding health benefit plans may have a material impact on the results included in this analysis. Furthermore, changes in state or Federal law were not included in the analysis. The potential impact of the American Rescue Plan and ongoing COVID-19 pandemic was not included in the analysis. There are no other known relevant events subsequent to the date of information received that would impact the results of this report.

Contents of Actuarial Report. This document constitutes the entirety of 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 our 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

ASOP No. 56, Modeling