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Minnesota Comprehensive Health Association

Initial 2019 Benefit Year Reinsurance Estimate Under Minnesota Premium Security Plan

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Prepared by:
Wakely Consulting Group

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Consulting Actuary

Contents

Introduction

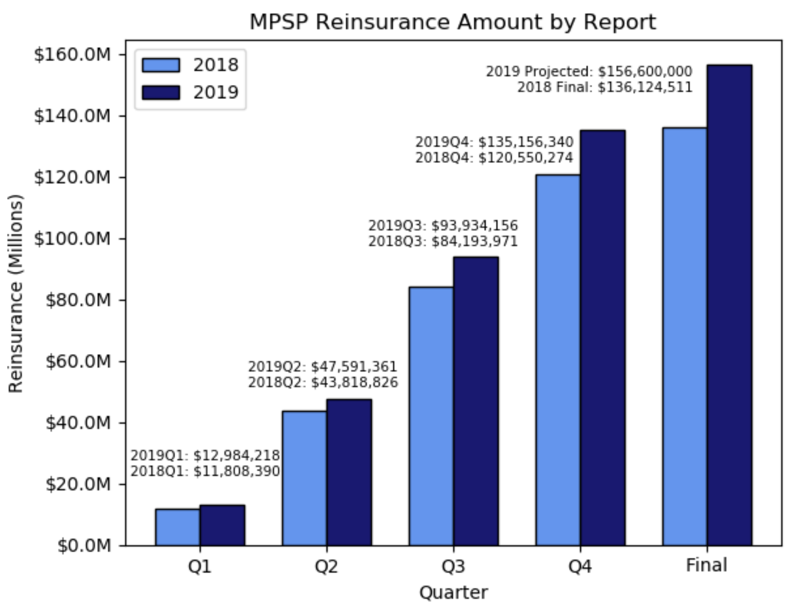
The Minnesota Comprehensive Health Association (MCHA) retained Wakely Consulting Group, LLC (Wakely) to collect data related to the Minnesota state-based reinsurance program (referred to as the Minnesota Premium Security Plan (MPSP)), review the data for reasonability, calculate the reinsurance payments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

This document has been prepared for the 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 Statute §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 2019 benefit year under the MPSP is \$156.6 million which is approximately 15.0% higher than the final 2018 benefit year reinsurance. This estimate is based on claims incurred and paid through December 2019 and has been adjusted for claims yet to be reported and adjudicated. The final 2019 benefit year reinsurance will be calculated in compliance with Minnesota Statute §62E.23 and will use the CMS EDGE Server data reported by Minnesotan carriers through April 2020. The final 2019 reinsurance amount and enrollee count may vary, potentially significantly, from estimates reinsurance amounts included in this report due to uncertainty and variability in the assumptions used to develop this estimate. The biggest difference between data underlying this projection and the EDGE server dataset is claim runout. A detailed discussion of the development of the estimated reinsurance is included in the Methodology section of this report.

Reported reinsurance for benefit year 2019 using claims submitted and paid through December 2019 totaled approximately \$135.2 million for 2,934 distinct enrollees. The amount is 12.1% higher than the reinsurance amount reported in the 2018Q4 report using the same time period. The figure below provides the quarterly reported reinsurance, the final 2018 reinsurance, and the preliminary projected 2019 reinsurance.



The primary driver of the difference between 12.1% and 15.0% is expected improvements in EDGE Server submissions for 2019 benefit year compared to 2018 benefit year. Issuers continually fix data formatting problems that cause claims to be rejected from the EDGE server. In 2019, some issuers are also anticipating submitting claims closer to the final EDGE server cutoff date. For example, a claim paid on April 1st last year might not have been included in the EDGE server. This year, that same type of claim will be submitted.

Table One provides enrollment and reinsurance information underlying 2018 and 2019 reports.

Table One: Reinsurance Amounts and Enrollee Counts

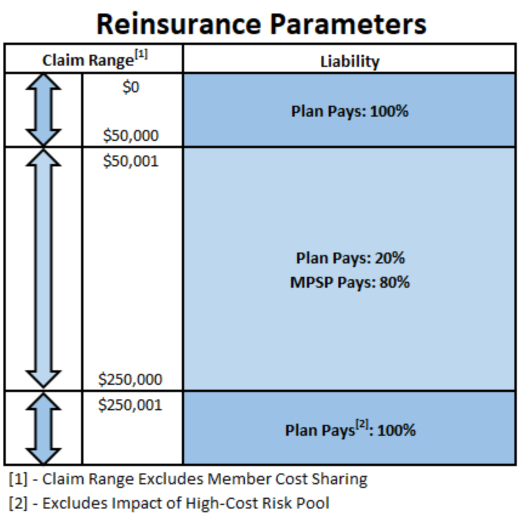
	Distinct Enrollees	Reported Reinsurance
2018Q4 Reported Reinsurance	2,660	$120,550,274
2018 Final Reinsurance	2,925	$136,124,512
2019Q4 Reported Reinsurance	2,934	$135,156,340
2019 Projected Reinsurance	3,283	$156,600,000

There are many reasons reinsurance can change between years. For instance, total medical costs for reinsurers typically increase due to changes in utilization, cost of services, and mix of services. In addition to regular trends, a reinsurer's trends can be impacted by deductible leveraging. Deductible leveraging is illustrated and explained in further detail in the Deductible Leveraging section of this report. Finally, if the size of the market changes, then so will the number enrollees eligible for reinsurance. This is partially off-set by anti-selection where high-cost individuals have a higher propensity to remain enrolled if premiums increase.

The remainder of this report provides a description of the projection methodology, additional breakout of reinsurance by various reporting variables, and associated caveats and disclosures.

Methodology

Carriers participating in Minnesota's Non-Grandfathered Individual Commercial Market provided Wakely with January through December 2019 claim experience with paid dates through December 2019 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 below. Wakely validated this amount against the carrier provided calculations.



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.

To assist with the projection, issuers provided supplemental data 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 - Individuals with incurred claims that exceeded the attachment point but not the reinsurance cap with claims paid through December. Enrollees in this cohort for benefit year 2019 will have claims that are adjudicated and paid in 2020. These claims will be partially reimbursed by MPSP for benefit year 2019.

2. Cohort Two - Individuals with claims that exceeded the reinsurance cap with claims paid through December. For benefit year 2019, enrollees in this cohort will have claims that are adjudicated and paid in 2020. These claims are entirely the liability of the enrollee's carrier.

3. Cohort Three - Individuals 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 for benefit year 2019 will have claims that are adjudicated and paid in 2020 that are partially reimbursed by MPSP.

For the 2018 preliminary projection, issuers provided this data for benefit years 2015 through 2017. For the 2019 preliminary projection, issuers provided this data for 2017 and 2018. Wakely assumed the 2015 and 2016 data from the 2018 request was complete and would not be changing with additional claim adjudication.

Wakely was able to categorize each enrollee in the underlying 2019Q4 individual-level file as either Cohort One or Cohort Two. Given the underlying nature of claim data, carriers 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 2020. 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 individual-level file because the claim was adjudicated after December.

Wakely then 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 2019 claims that will be paid in 2020.

2. Cohort Two - Wakely did not adjust reinsurance for Cohort Two since any additional claims that are paid for these individuals in 2020 are the liability of the carrier.

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

Table Two: Development of Estimated Reinsurance Per Enrollee by Cohort

	Reinsurance Per Enrollee Thru December	Completion Factor	Additive Adj	2019 Estimated Reinsurance Per Enrollee
Cohort	(A)	(B)	(C)	(D)
Cohort One	\$36,648	1.129	\$0	\$41,393
Cohort Two	\$160,000	1.000	\$0	\$160,000
Cohort Three	\$0	1.000	\$24,685	\$24,685

The formula used to calculate 2019 Estimated Reinsurance per Enrollee is:

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

Table Three shows the calculation of the aggregate reinsurance shown in Table One.

Table Three: Development of Aggregate 2019 Reinsurance Estimate

	Estimated Enrollees	2019 Estimated Reinsurance Per Enrollee	Aggregate Estimated Reinsurance
Cohort One	2,710	\$41,393	\$112,175,858
Cohort Two	224	\$160,000	\$35,840,000
Cohort Three	349	\$24,685	\$8,614,967
Total Enrollees	**3,283**	**\$47,775**	**\$156,630,825**

Please note the following about Table Two and Table Three:

1. Wakely assumed that Cohort One reinsurance per enrollee will increase by a factor of 1.129. Historically, Cohort One's completion has been between 1.108 and 1.146.
2. Wakely assumed 10.6% ($= \frac{349}{3{,}283}$) of the reinsurance eligible enrollees will be in Cohort Three. Historically, Cohort Three has been between 8.7% and 11.3% of the total reinsurance eligible population.
3. Wakely assumed that the reinsurance per enrollee in Cohort Three is \$24,685. We used the 2018 reinsurance per reinsurance eligible enrollee for Cohort Three as the basis and increased it by 10% to account for trend.
4. In total, we estimate that reported reinsurance will increase by a factor of 1.159 ($= \frac{\$156{,}630{,}825}{\$135{,}156{,}340}$) between the December individual-level file and the final reinsurance calculation. Historically, the total completion rate has been reported between 1.115 and 1.169.
5. In the Executive Summary, the total aggregate reinsurance is rounded to the nearest \$100,000.

The overall completion factor in this section is different than the increase discussed in the Executive Summary. The 1.159 completion factor is applied to the 2019Q4 data to estimate the final 2019 benefit year reinsurance. The 15.0% increase in the Executive Summary represents the difference between the final 2018 benefit year reinsurance and the estimated final 2019 benefit year reinsurance. These two values are similar numerically because the \$135.2 million 2019Q4 reported reinsurance is close to the final 2018 benefit year reinsurance of \$136.1 million.

Similar to the discussion in the Executive Summary section, the total completion factor in this section accounts for improvements in EDGE server submissions. The completion factor in this section also accounts for enrollment shifts to issuers that pay claims slower. For example, a hospital claim with a discharge date in November may have been paid in December last year, but this year it will be paid in January. Said differently, without an enrollment shift, the difference between the 2019Q4 and 2018Q4 reported reinsurance might have been larger than the 12.1% discussed in the Executive Summary section.

The overall 2019 completion rate (1.159) is higher than the completion rate used for preliminary 2018 reinsurance estimates last year (1.152). The 2018 completion rate was based on 2015 through 2017 experience. The 2019 completion rate was developed using 2015 through 2018 experience. Since the 2018 completion was higher than the average 2015 through 2017 experience, Wakely's methodology selected higher factors.

Appendix D shows historical experience for each cohort broken out by year. A discussion of the data shown in Appendix D is provided in the Data Review section.

Analysis

This section provides additional detail for the reported reinsurance amount shown in Table One. The distribution total in the following tables may not add to 100% due to rounding. In some of the tables, the 2018Q4 and final 2018 distributions are shown next to the 2019Q4 distribution for reference.

Reinsurance by First Quarter in Report

The table in this section shows the enrollee count and estimated reinsurance by the quarter an enrollee first became eligible for reinsurance in 2019. For example, if an individual is in the 2019Q4 data template but not any previous 2019 templates, then he or she is included in the 2019Q4 row. This table illustrates how much of the increase in reinsurance between quarterly reports is attributed to individuals first exceeding the attachment point and individuals already exceeding the attachment point incurring additional claims.

Table Four: Reinsurance Amount by Individual First Report

		Reinsurance by Quarter				
Cohort	**Enrollees**	**2019Q1**	**2019Q2**	**2019Q3**	**2019Q4**	**Total**
2019Q1	393	$12,984,218	$12,201,277	$6,926,065	$3,192,607	$35,304,166
2019Q2	752		$22,405,866	$18,218,486	$10,992,325	$51,616,677
2019Q3	916			$21,198,244	$13,750,084	$34,948,327
2019Q4	873				$13,287,170	$13,287,170
Total	**2,934**	**$12,984,218**	**$34,607,143**	**$46,342,795**	**$41,222,184**	**$135,156,340**

Reinsurance by Area

The table in this section shows the amount of reinsurance for each of Minnesota's nine rating regions. The 2019Q4 report indicates that there has been a decrease in the portion of reinsurance in Rating Area 8 (57% to 53%) and a corresponding increase in Rating Area 1, Rating Area 3, and Rating Area 7. A list of counties in each rating area can be found on the Minnesota Department of Commerce website or the CMS website. The map on the Minnesota Department of Commerce website is attached to the end of this report.

Table Five: Reinsurance Amount by Area

Rate Region	2019Q4 Reinsurance	2019Q4 Dist'n	2018Q4 Dist'n	2018 Final Dist'n
Rating Area 1	$16,382,043	12%	10%	10%
Rating Area 2	$7,806,105	6%	6%	6%
Rating Area 3	$10,143,311	8%	6%	6%
Rating Area 4	$4,505,849	3%	3%	3%
Rating Area 5	$5,432,212	4%	4%	5%
Rating Area 6	$4,986,627	4%	4%	4%
Rating Area 7	$11,754,691	9%	8%	7%
Rating Area 8	$72,114,969	53%	57%	55%
Rating Area 9	$2,030,534	2%	2%	2%
Statewide	**$135,156,340**	**100%**	**100%**	**100%**

Reinsurance by Metal Level

The table on the next page 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 2019 completes. There has been an increase in the portion of reinsurance in the Gold metal level in 2019Q4 compared to 2018Q4 (25% compared to 23%).

Table Six: Reinsurance Amount by Metal Tier

Metal Tier	2019Q4 Reinsurance	2019Q4 Dist'n	2018Q4 Dist'n	2018 Final Dist'n
Catastrophic	$688,517	1%	0%	0%
Bronze	$61,329,574	45%	47%	48%
Silver	$37,536,811	28%	29%	29%
Gold	$34,448,054	25%	23%	22%
Platinum	$1,153,384	1%	1%	1%
Total	**$135,156,340**	**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 2019Q4 distribution is not directly comparable to previously published quarterly reports.

Table Seven: Reinsurance Amount by Exchange Status

Exchange Status	2019Q4 Reinsurance	2019Q4 Dist'n	2018 Final Dist'n
On-Exchange	$92,896,115	69%	68%
Off-Exchange	$42,260,225	31%	32%
Total	**$135,156,340**	**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. There are other levels of CSR which are not prevalent in Minnesota's market due to Minnesota's Basic Health Plan, MNCare. Finally, there are limited cost-sharing and zero cost-sharing plans for American Indians and Alaska Natives.

Table Eight: Reinsurance Amount by Plan Type

Plan Type	2019Q4 Reinsurance	2019Q4 Dist'n	2018Q4 Dist'n	2018 Final Dist'n
Standard	$122,809,020	91%	90%	91%
Zero Cost Sharing	$542,675	0%	0%	0%
Limited Cost Sharing	$107,395	0%	0%	0%
73% CSR	$11,697,250	9%	9%	9%
Total	**$135,156,340**	**100%**	**100%**	**100%**

Reinsurance by Claim Spend

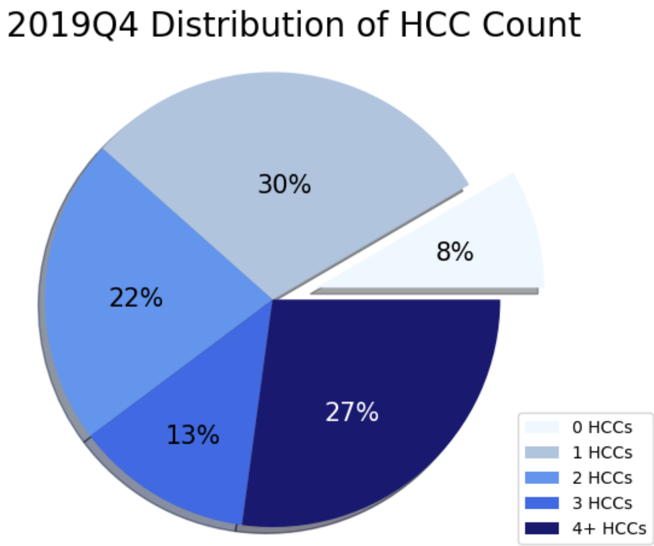
Please see Appendix A for reinsurance by claim spend level.

Distribution of HCC Count

Minnesota carriers provided hierarchical condition categories (HCC) data by individual as part of the Wakely data request. HCCs are used by CMS as part of the risk adjustment process that transfers money in the individual market from carriers that enrolled a healthier population to carriers 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 individual fractures his or her hip in an accident, the doctor may 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). On the other hand, 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. Individuals 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 Commercial population is assigned to an HCC. In other words, 80% of the general individual population does not have an HCC. In comparison, only 8% of the reinsurance population does not have an HCC. These individuals may have experienced a traumatic accident with a diagnosis code that is not used in the HCC model or may have diagnosis codes that were not coded correctly.

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 to 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. An individual with 12 months of enrollment typically has more conditions identified than an individual with 6 months of enrollment. As such, the distribution shown in this report may change in future reports as 2019 claims are adjudicated. Appendix B gives the list of the most prevalent HCCs and groupings during benefit year 2019 for enrollees eligible for reinsurance.



To see the 2018 HCC distribution, please see page 8 of the final 2018 report.

Reinsurance by Product

Appendix C gives the amount of reinsurance and number of enrollees 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 *Enrollees*, an enrollee may be double counted if he or she transferred between products during the experience period. As a result, the enrollee count in Appendix B will not match the enrollee count in prior sections of this report. The column labeled *Enrollees* reflects "*<100*" for product and exchange-status combinations with less than 100 enrollees 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 2019Q4 report is not directly comparable to the results shown in the 2019Q2 report.

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 Nine: Deductible Leveraging Example

Description	Amount	Formula	Payer
Deductible	\$50,000	min{\$55,000, \$50,000}	Issuer
Coinsurance	\$1,000	(\$55,000 - \$50,000)× 20%	Issuer
Reinsurance	\$4,000	(\$55,000 - \$50,000)× 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 × 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 Ten: Deductible Leveraging Example – Trended

Description	Amount	Formula	Payer
Deductible	\$50,000	min{\$55,550, \$50,000}	Issuer
Coinsurance	\$1,110	(\$55,550 - \$50,000)× 20%	Issuer
Reinsurance	\$4,440	(\$55,550 - \$50,000)× 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 2019; therefore, Wakely did not adjust calculated reinsurance amounts for CSR using the Federal Transitional Reinsurance program methodology. If CSR payments are reinstated during 2019, 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

Enrollee-Level Data

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. The table is based on the 2015 individual market. In the comparison, the actual portion of enrollees with claims above the attachment point was lower than the expected portion of enrollees with claims above the attachment point. This is likely caused by the underlying carrier data missing claims that were incurred in 2019 that will be adjudicated in 2020.

2015 and 2016 Supplemental Data Review

Wakely compared the reinsurance amounts reflected on the 2015 and 2016 supplemental data to the Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers reports for benefit years 2015 and 2016.[1] The reinsurance parameters in MPSP and the Federal Transitional Reinsurance program are different so results are not directly comparable; however, each carrier's difference was similar in terms of direction and magnitude. For example, the ratio between the 2015 Federal Transitional Reinsurance and carriers' submitted data using the MPSP parameters was approximately 75% for each carrier. Similarly, the 2016 ratio was approximately 33%. Note that the Federal Transition Reinsurance Program terminated in 2016 so there are no 2017 and 2018 reinsurance reports to compare.

2017 Supplemental Data Review

Wakely compared the 2017 data in the 2018Q4 and 2019Q4 supplemental exhibits and the two were consistent. That is, the completion rates were nearly identical (1.125 vs 1.126).[2]

2018 Supplemental Data Review

Wakely compared the 2018 reinsurance reported through April 2019 in the supplemental data request against the final reinsurance calculation.[3] The result of this comparison is shown in the table below:

Table Eleven: 2018 Data Reconciliation (Thru April)

Description	Amount
2018 Final Reinsurance	$136,124,512
2018 in 2019Q4 Supplemental Template (thru April 2019)	$136,281,960

Wakely also compared the 2018 supplemental data in the 2019Q4 template to the 2018Q4 reinsurance report which had similar incurred and paid periods.[4]

Table Twelve: 2018 Data Reconciliation (Thru December)

Description	Amount
2018 Data in 2018Q4 Report	$120,550,274
2018 Data in 2019Q4 Supplemental Template (thru December 2018)	$116,544,056

Issuers reported that the discrepancies were the result of claim adjustments occurring after the 2018 data was provided to Wakely during 2019 to use for preliminary 2018 reinsurance projections.

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.

[1] https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/index.html
[2] Initial 2018 Benefit Year Reinsurance Estimate Under Minnesota Premium Security Plan
[3] Final 2018 Benefit Year Reinsurance under Minnesota's Premium Security Plan
[4] Initial 2018 Benefit Year Reinsurance Estimate Under Minnesota Premium Security Plan

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 supersede any previous communications for reinsurance year 2019.

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. 5, Incurred Health and Disability Claims
- ASOP No. 23, Data Quality
- ASOP No. 41, Actuarial Communication

Sincerely,

Tyson Reed

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Appendix A - 2019Q4 Reported 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	174	$51,227	$982	$170,821
$52,508	$58,498	343	$55,642	$4,514	$1,548,146
$58,498	$119,795	1,568	$80,516	$24,412	$38,278,713
$119,795	$200,000	491	$153,782	$83,026	$40,765,581
$200,000	$9,999,999	358	$367,035	$151,936	$54,393,078
Total		**2,934**	**$123,092**	**$46,066**	**$135,156,340**

Notes:

1. Average Reinsurance Per Enrollee = min{(Average Incurred Claims - $50,000) × 80%, $160,000}.
2. The claim intervals originate from the 1332 Waiver Application which have been collapsed to ensure each cohort has at least 100 enrollees.
3. This distribution is expected to change as 2019 completes.

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Appendix B - 2019Q4 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	542	18%
2	G15	Asthma; Chronic Obstructive Pulmonary Disease, Including Bronchiectasis	432	15%
3	HCC008	Metastatic Cancer	406	14%
4	HCC056	Rheumatoid Arthritis and Specified Autoimmune Disorders	385	13%
5	HCC142	Specified Heart Arrhythmias	377	13%
6	HCC130	Congestive Heart Failure	373	13%
7	G13	Respiratory Arrest; Cardio-Respiratory Failure and Shock, Including Respiratory Distress Syndromes	298	10%
8	HCC002	Septicemia, Sepsis, Systemic Inflammatory Response Syndrome/Shock	278	9%
9	HCC023	Protein-Calorie Malnutrition	211	7%
10	HCC048	Inflammatory Bowel Disease	205	7%
11	HCC075	Coagulation Defects and Other Specified Hematological Disorders	202	7%
12	HCC009	Lung, Brain, and Other Severe Cancers, Including Pediatric Acute Lymphoid Leukemia	200	7%
13	HCC156	Pulmonary Embolism and Deep Vein Thrombosis	194	7%
14	HCC012	Breast (Age 50+) and Prostate Cancer, Benign/Uncertain Brain Tumors, and Other Cancers and Tumors	192	7%
15	G02A	Mucopolysaccharidosis; Metabolic Disorders; Endocrine Disorders	175	6%
16	HCC118	Multiple Sclerosis	147	5%
17	HCC088	Major Depressive and Bipolar Disorders	146	5%
18	HCC131	Acute Myocardial Infarction	145	5%
19	HCC120	Seizure Disorders and Convulsions	142	5%
20	HCC253	Artificial Openings for Feeding or Elimination	140	5%

Appendix B - 2019Q4 Enrollee Count by HCC

Limited to HCCs with at least 100 Enrollees

Rank	HCC	HCC Description	Enrollee Count[1]	% of Reinsurance Eligible Enrollees
21	G08	Disorders of the Immune Mechanism	140	5%
22	HCC115	Myasthenia Gravis/Myoneural Disorders and Guillain-Barre Syndrome/Inflammatory and Toxic Neuropathy	122	4%
23	HCC047	Acute Pancreatitis/Other Pancreatic Disorders and Intestinal Malabsorption	116	4%
24	HCC045	Intestinal Obstruction	116	4%
25	HCC122	Non-Traumatic Coma, Brain Compression/Anoxic Damage	108	4%
26	HCC163	Aspiration and Specified Bacterial Pneumonias and Other Severe Lung Infections	102	3%

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

Appendix C - 2019Q4 Reported Reinsurance Amount and Enrollees by Product

Carrier	Product ID	Product Name	Exchange Status	Enrollee Count[1,2]	Reinsurance
UCare	85736MN023	UCare Individual and Family Plans	On-Exchange	459	$22,736,780
Medica	31616MN042	Medica Applause	On-Exchange	446	$19,141,437
HealthPartners	34102MN007	GHI AM Off Exchange	Off-Exchange	379	$15,547,798
HealthPartners	34102MN001	GHI On Exchange	On-Exchange	368	$14,943,513
Medica	31616MN044	Engage by Medica	On-Exchange	234	$13,169,523
BP	57129MN009	Blue Plus Metro	On-Exchange	180	$8,524,764
BP	57129MN008	Blue Plus Metro	Off-Exchange	189	$8,229,386
Medica	31616MN042	Medica Applause	Off-Exchange	119	$6,295,284
BP	57129MN007	Blue Plus Western	On-Exchange	134	$4,780,215
BP	57129MN015	Blue Plus Southeast	On-Exchange	<100	$3,876,128
BP	57129MN006	Blue Plus Western	Off-Exchange	<100	$3,051,211
BP	57129MN014	Blue Plus Southeast	Off-Exchange	<100	$1,943,867
Medica	31616MN044	Engage by Medica	Off-Exchange	<100	$1,876,041
BP	57129MN052	Blue Plus Strive	On-Exchange	<100	$1,698,355
BP	57129MN017	Blue Plus Northeast	On-Exchange	<100	$1,690,584
Medica	31616MN043	North Memorial Acclaim by Medica	On-Exchange	<100	$1,172,492
BP	57129MN016	Blue Plus Northeast	Off-Exchange	<100	$872,890
BP	57129MN051	Blue Plus Strive	Off-Exchange	<100	$824,811
PreferredOne	88102MN021	Ultimate Choice	Off-Exchange	<100	$789,863
Medica	31616MN045	Altru Prime by Medica	On-Exchange	<100	$765,946
HealthPartners	34102MN008	GHI NAM Off Exchange - HP Ind	Off-Exchange	<100	$688,648
Medica	31616MN020	Medica HSA	Off-Exchange	<100	$562,644
Medica	31616MN021	Medica Value	Off-Exchange	<100	$445,661
Medica	31616MN018	Medica Solo	Off-Exchange	<100	$322,870

Appendix C - 2019Q4 Reported Reinsurance Amount and Enrollees by Product

Carrier	Product ID	Product Name	Exchange Status	Enrollee Count[1,2]	Reinsurance
Medica	31616MN040	Engage by Medica	On-Exchange	<100	$225,576
PreferredOne	88102MN001	PreferredHealth View	Off-Exchange	<100	$208,074
Medica	31616MN043	North Memorial Acclaim by Medica	Off-Exchange	<100	$204,302
Medica	31616MN045	Altru Prime by Medica	Off-Exchange	<100	$200,789
HealthPartners	34102MN009	GHI NAM Off Exchange - HP Ind Ded	Off-Exchange	<100	$188,011
Medica	31616MN038	North Memorial Acclaim by Medica	On-Exchange	<100	$99,741
Medica	31616MN037	Medica Applause	On-Exchange	<100	$71,061
Medica	31616MN040	Engage by Medica	Off-Exchange	<100	$8,075
			Total	**2,962**	**$135,156,340**

Notes:

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

Appendix D - 2019 Projection Factor Development

Based on Carrier 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 D - 2019 Projection Factor Development

Based on Carrier Submitted Templates

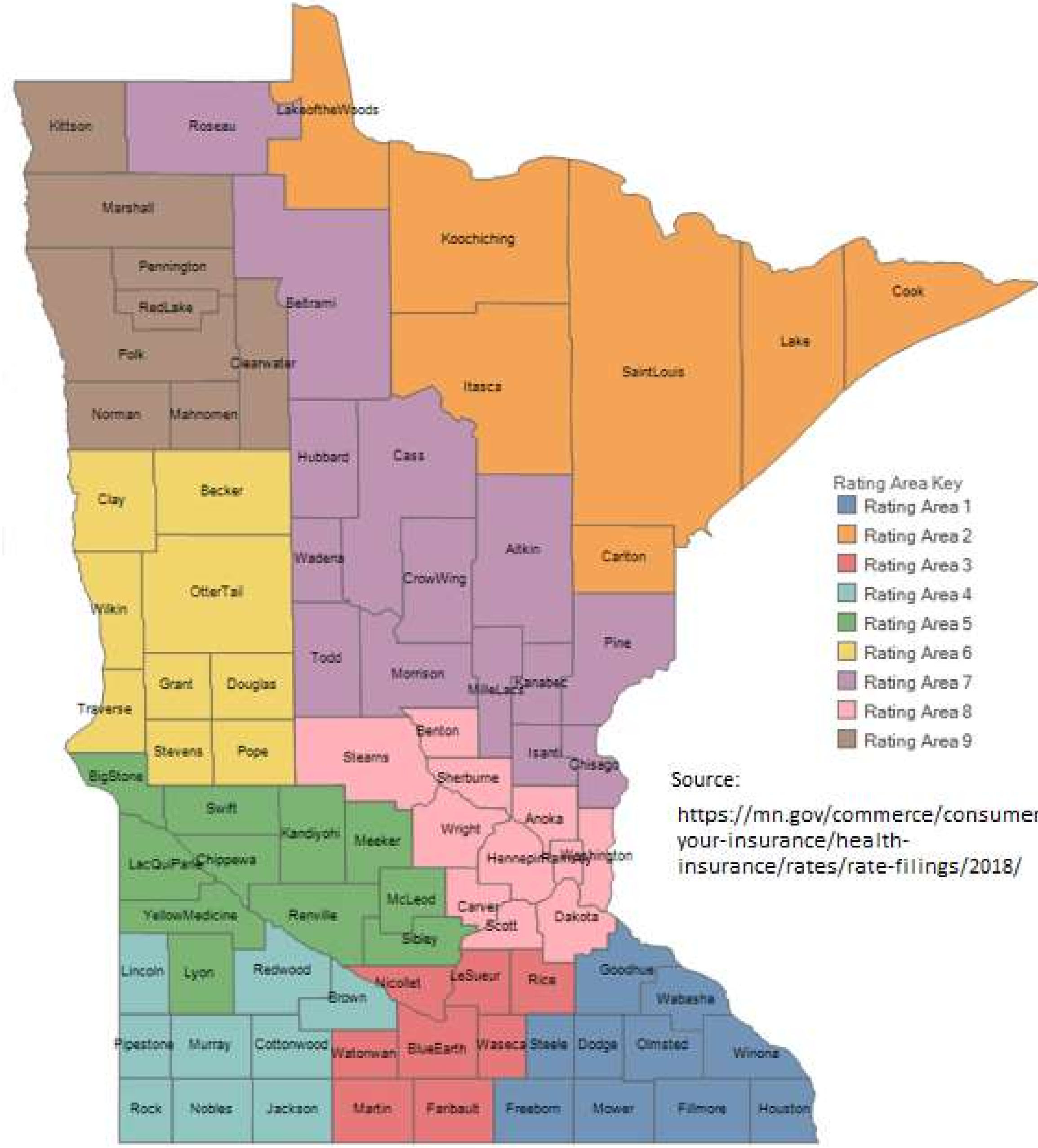
2017

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	2,412	83%	$87,904,056	$100,236,544	1.140
Cohort Two - Enrollees Exceeding Attachment Point Based on Runout Thru December Exceeding Reinsurance Cap by December 2018	179	6%	$28,640,000	$28,640,000	1.000
Cohort Three - Enrollees Exceeding Attachment Point Based on Runout After January 2019	330	11%	$0	$7,405,416	
Total 2018	**2,921**	**100%**	**$116,544,056**	**$136,281,960**	**1.169**

Premium Rating Areas



Source:
https://mn.gov/commerce/consumers/your-insurance/health-insurance/rates/rate-filings/2018/