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Minnesota Comprehensive Health Association

Final 2020 Fourth Quarter Report

Results for The Minnesota Premium Security Plan

February 8th, 2021

Prepared by:
Wakely Consulting Group

Tyson Reed, FSA, MAAA
Consulting Actuary

Contents

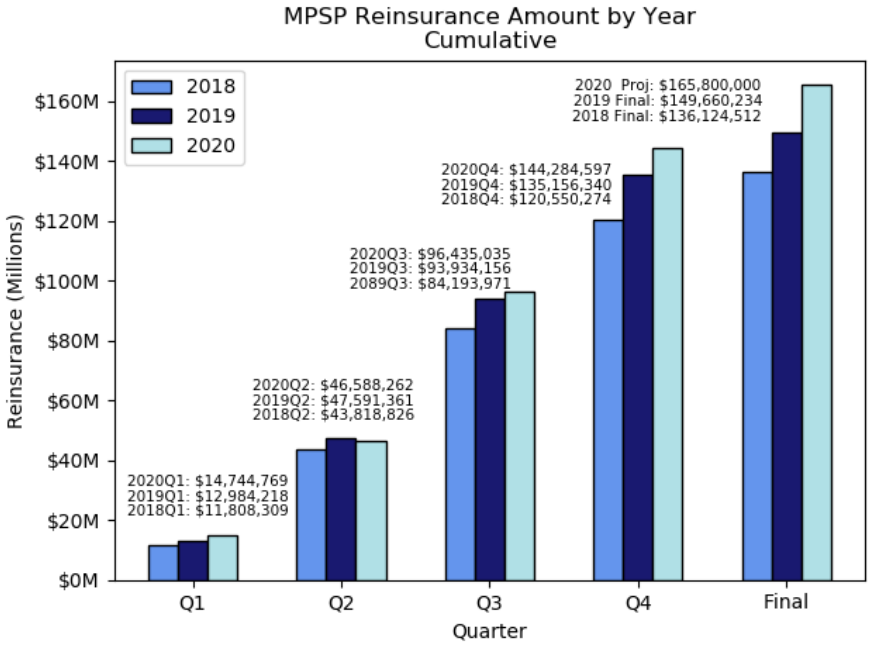
Introduction

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 Minnesota 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 2020 benefit year under the MPSP is $165.8 million which is approximately 10.8% higher than the final 2019 benefit year reinsurance. This estimate is based on claims incurred and paid through December 2020 and has been adjusted for claims yet to be reported and adjudicated. The final 2020 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 2021. The final 2020 reinsurance amount and enrollee count may vary, potentially significantly, from estimated reinsurance amounts included in this report due to uncertainty in the assumptions used to develop this estimate. The biggest differences between the data underlying this projection and the CMS EDGE Server dataset is claims runout. A detailed discussion of the development of the estimated reinsurance is included in the Methodology and COVID-19 sections of this report.



Reported reinsurance for benefit year 2020 using claims submitted and paid through December 2020 totaled approximately $144.3 million for 3,019 distinct enrollees. This amount is 6.8% higher than the reinsurance amount reported in the 2019Q4 report using the same time period. The figure to the right provides the reported quarterly reinsurance and final reinsurance calculations since 2018.

Table 1 below provides enrollment and reinsurance information underlying the 2018, 2019, and 2020 reports.

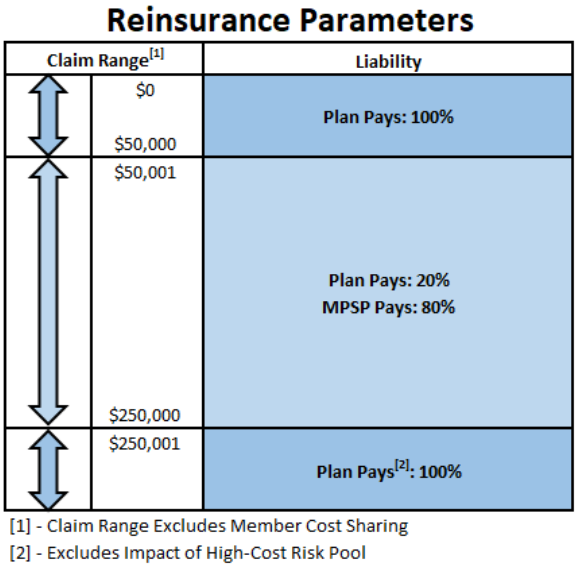
Table 1: Reinsurance Amounts and Enrollee Counts

	Distinct Enrollees	Reinsurance Amount
2020 Projected Reinsurance	3,375	$165,800,000
2020Q4 Reported Reinsurance	3,019	$144,284,597
2019 Final Reinsurance	3,183	$149,660,234
2019Q4 Reported Reinsurance	2,934	$135,156,340
2018 Final Reinsurance	2,925	$136,124,512
2018Q4 Reported Reinsurance	2,660	$120,550,274

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

Methodology

Issuers participating in Minnesota's Non-Grandfathered Individual Commercial Market provided Wakely with January through December 2020 claim experience with paid dates through December 2020 in a template developed by Wakely. The template included both enrollment and claim experience at the issuer level. The template 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 then aggregated these templates and calculated reinsurance payments using the reinsurance parameters shown in the figure below. Wakely validated this amount against the issuer provided calculations.



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.

To assist with the final benefit year 2020 reinsurance 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 - Enrollees 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 2020 will have claims that are adjudicated and paid in 2021. These claims will be partially reimbursed by MPSP for benefit year 2020.

2. Cohort Two - Enrollees with claims that exceeded the reinsurance cap with claims paid through December. For benefit year 2020, enrollees in this cohort will have claims that are adjudicated and paid in 2021. 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 for benefit year 2020 will have claims that are adjudicated and paid in 2021 that are partially reimbursed by MPSP.

For the 2020 projection, issuers provided Wakely with a refresh of the 2018 and 2019 data. Wakely assumed the 2015 through 2017 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 2020Q4 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 2021. 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 2020 claims that will be paid in 2021.

2. Cohort Two - Wakely did not adjust reinsurance for Cohort Two since any additional claims that are paid for these individuals in 2021 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 with adjustments due to market size changes occurring in 2020.

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	$37,882	1.114	$0	$42,193
Cohort Two	$160,000	1.000	$0	$160,000
Cohort Three	$0	1.000	$26,823	$26,823

The formula used to calculate 2020 estimated reinsurance per enrollee is:

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

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

Table 3: Development of Aggregate 2020 Reinsurance Estimate

	Estimated Enrollees	2020 Estimated Reinsurance Per Enrollee	Aggregate Estimated Reinsurance
Cohort One	2,774	$42,193	$117,043,059
Cohort Two	245	$160,000	$39,200,000
Cohort Three	356	$26,823	$9,548,821
Total Enrollees	**3,375**	**$49,718**	**$165,791,880**

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 1.114. Historically, Cohort One's completion has been between 1.108 and 1.146. Wakely did not make an adjustment to this completion factor due to COVID-19. Please see the COVID-19 section for additional discussion regarding using historical data for projection purposes.

2. Wakely assumed 10.5% ($\approx \frac{356}{3{,}375}$) 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. Please see the COVID-19 section for additional discussion regarding using historical data for projection purposes.

3. Wakely assumed that the reinsurance per enrollee in Cohort Three is $26,823. This was based on the average 2015 through 2019 reinsurance for Cohort Three increased by 10% for three years to reflect trend between the mid-point of the experience period (2017) to the mid-point of the projection period (2020). The 10% assumption was developed reviewing the average annual increase between 2015 and 2019 reinsurance per Cohort Three enrollee.

4. In total, Wakely estimates that reported reinsurance will increase by a factor of 1.149 ($\approx \frac{\$165{,}791{,}880}{\$144{,}284{,}597}$) between the December enrollee-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.

Appendix D shows historical experience used to develop assumptions used for projection. The overall estimated 2020 completion rate (1.149) is lower than, but similar to, the completion rate used for preliminary 2018 and 2019 reinsurance estimates (1.152 and 1.159 respectively). Since the 2019 completion (Appendix E) was lower than the 2018 completion, Wakely's methodology selected lower factors.

Analysis

This section provides additional detail for the reinsurance amount shown in Table 1. The distribution total in the following tables may not add to 100% due to rounding. In some sections, the 2018 and 2019 distributions are shown next to the 2020 distributions for reference. Wakely expects the final 2020 distribution to be similar to the 2020Q4 distribution since most of the 2020 experience is included in the data underlying this report.

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 2020. For example, if an individual is in the 2020Q3 data template but not the 2020Q2 data template, then he or she is included in the 2020Q3 line. This table illustrates how much of the increase in reinsurance between quarterly reports is attributed to enrollees first exceeding the attachment point and enrollees already exceeding the attachment point incurring additional claims.

Table 4: Reinsurance Amount by Enrollee's First 2020 Report

Cohort	Enrollees	Reinsurance by Quarter				2020 YTD
		2020Q1	2020Q2	2020Q3	2020Q4	
2020Q1	448	$14,744,769	$12,489,446	$8,989,046	$3,793,145	$40,016,407
2020Q2	691	N/A	$19,354,046	$18,328,632	$11,382,577	$49,065,255
2020Q3	964	N/A	N/A	$22,529,113	$15,186,208	$37,715,321
2020Q4	916	N/A	N/A	N/A	$17,487,614	$17,487,614
Total	**3,019**	**$14,744,769**	**$31,843,492**	**$49,846,792**	**$47,849,544**	**$144,284,597**

Notes:

1. Reinsurance amounts increased approximately $47.8 million between the 2020Q3 and 2020Q4 reports.
2. The additional reinsurance decreased between the 2020Q3 report ($49.8 million) and the 2020Q4 reports ($47.9 million). A similar decrease occurred in both 2019 and 2018.
3. There were 916 new enrollees in the 2020Q4 data with approximately $17.5 million in reinsurance. In the 2019Q4 report, this cohort had 873 enrollees and approximately $13.3 million in reinsurance.[1]

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.

[1] Initial 2019 Benefit Year Reinsurance Estimate Under Minnesota Premium Security Plan

Table 5: Reinsurance Amount by Area

Rate Region	2020Q4 Reinsurance	2020Q4 Dist'n	2019Q4 Dist'n	2019 Dist'n	2018Q4 Dist'n	2018 Dist'n
Rating Area 1	$16,236,810	11%	12%	12%	10%	10%
Rating Area 2	$8,085,619	6%	6%	6%	6%	6%
Rating Area 3	$10,165,117	7%	8%	7%	6%	6%
Rating Area 4	$3,197,469	2%	3%	3%	3%	3%
Rating Area 5	$5,316,710	4%	4%	4%	4%	5%
Rating Area 6	$7,153,447	5%	4%	4%	4%	4%
Rating Area 7	$10,807,135	7%	9%	9%	8%	7%
Rating Area 8	$81,610,136	57%	53%	54%	57%	55%
Rating Area 9	$1,712,154	1%	2%	1%	2%	2%
Statewide	**$144,284,597**	**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 2020 completes.

Table 6: Reinsurance Amount by Metal Tier

Metal Tier	2020Q4 Reinsurance	2020Q4 Dist'n	2019Q4 Dist'n	2019 Dist'n	2018Q4 Dist'n	2018 Dist'n
Catastrophic	$580,483	0%	1%	0%	0%	0%
Bronze	$65,082,932	45%	45%	44%	47%	48%
Silver	$41,271,263	29%	28%	29%	29%	29%
Gold	$36,542,731	25%	25%	26%	23%	22%
Platinum	$807,189	1%	1%	1%	1%	1%
Total	**$144,284,597**	**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. 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 2020Q4 distribution is not directly comparable to the 2018Q4 quarterly report.

Table 7: Reinsurance Amount by Exchange Status

Exchange Status	2020Q4 Reinsurance	2020Q4 Dist'n	2019Q4 Dist'n	2019 Dist'n	2018 Dist'n
On-Exchange	$99,142,066	69%	69%	69%	68%
Off-Exchange	$45,142,531	31%	31%	31%	32%
Total	**$144,284,597**	**100%**	**100%**	**100%**	**100%**

Reinsurance by Plan Type

This section provides reinsurance amounts by plan type. In the Affordable Care Act, some individuals and families qualify for cost-sharing reduction subsidies (CSR) which lower out-of-pocket costs. There are several different levels of CSRs. The first is 73% which reduces the individual's out-of-pocket cost to approximately 27% (= 1 - 73%) of total medical costs. CSR plans are only available on the exchange. 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 8: Reinsurance Amount by Plan Type

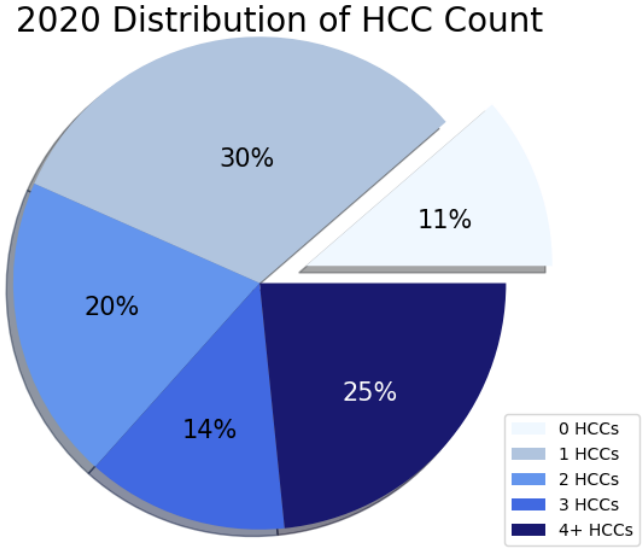
Plan Type	2020Q4 Reinsurance	2020Q4 Dist'n	2019Q4 Dist'n	2019 Dist'n	2018Q4 Dist'n	2018 Dist'n
Standard	$130,038,061	90%	91%	90%	90%	91%
Zero Cost Sharing	$548,939	0%	0%	0%	0%	0%
Limited Cost Sharing	$415,516	0%	0%	0%	0%	0%
73% CSR	$13,282,082	9%	9%	9%	9%	9%
Total	**$144,284,597**	**100%**	**100%**	**100%**	**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 has a diagnosis 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 ACA-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. The enrollees without an HCC may have experienced a traumatic accident with a diagnosis code that is not

used in the HCC model.

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 previous page 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 2020 completes. Appendix B gives the list of the most prevalent HCCs and groupings during benefit year 2020 for enrollees eligible for reinsurance.

To see the 2019 HCC distribution, please see page 9 of the final 2019 report.

Reinsurance by Product

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

COVID-19

As a result of COVID-19, the final 2020 benefit year reinsurance amount may complete differently than 2018 and 2019 reinsurance. This section discusses how COVID-19 could cause the actual reinsurance to vary from the assumptions used in this analysis.

1. **Cohort One - Special Enrollment Period (SEP)** - Between March 23rd and April 21st, issuers enrolled approximately 6,023 new market enrollees through MNSure as a result of the COVID-19 Emergency Special Enrollment Period and an additional 3,459 enrollees enrolled for other special enrollment periods (e.g. loss of income, qualifying events, etc...).[2] These figures exclude enrollees that purchased coverage directly from the issuer. Based on reports from issuers, the Individual market experienced net growth between 2019 and 2020. Since most of the growth occured during the SEP, Wakely reviewed the reinsurance for enrollees with a coverage start

[2] More than 9,400 Minnesotans Enrolled in Private Health Insurance Coverage During MNsure's COVID-19 Emergency Special Enrollment Period – April 22nd, 2020

date between March 23rd and April 21st. The results of this analysis are provided in the table below:

Table 9: Reinsurance with Enrollment Effective Date Between March 23rd and April 21st

Year	Reinsurance	% of Total Q4 Report
2018	$1,630,218	1.4%
2019	$3,974,246	2.9%
2020	$5,150,203	3.6%

It is possible that the completion rate for the SEP enrollees is different than the historical population for Cohort One enrollees since the SEP enrollees have a partial year of experience during 2020. Wakely did not make a special enrollment period adjustment to Cohort One's completion rate due to limited data available to calculate an appropriate durational adjustment. Overall, Wakely expects the impact of the SEP enrollees on Cohort One's completion rate to be small.

2. **Cohort Three - Special Enrollment Period** - Wakely increased the assumed portion of enrollees in Cohort Three to account for the fact that SEP enrollees have a partial year of experience. Historically, the portion of Cohort Three enrollees is approximately 9.9% of the total reinsurance population. Wakely assumed the 2020 portion will be approximately 10.5%. This assumption is based on the historical size of the Cohort Three enrollees compared to the total market which was then adjusted for changes to the market size occurring in 2020. Wakely did not make an adjustment to the assumed reinsurance per Cohort Three enrollee as a result of the SEP. This is due to limited data to calculate an appropriate durational adjustment. Overall, Wakely expects the impact of the SEP enrollees on Cohort Three's average reinsurance per enrollee to be small.

3. **2020Q4 COVID-19 Cases** - During 2020Q4, Minnesota experienced a significant increase in the number of COVID-19 cases and hospital admissions. As a result, there is increased uncertainty regarding how COVID-19 costs will impact MPSP for 2020. It is possible that some 2020Q4 COVID-19 cases and hospital admissions in the recent wave will be reimbursed by MPSP. At the same time, it is possible that non-COVID-19 related procedures for reinsurance eligible enrollees will be delayed until 2021. It is important to note that any costs associated with COVID-19 incurred during the recent wave which were paid before December 31st, 2020 are included in the experience used for this projection. It is also important to note that hospital inpatient admissions ocurring in 2020 with a discharge date after December 31st, 2020 are not included in benefit year 2020 reinsurance calculation.

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 10: 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 11: 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 an issuer'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 2020; therefore, Wakely did not adjust calculated reinsurance amounts for CSR using the Federal Transitional Reinsurance program methodology. If CSR payments are reinstated during 2020, Wakely will review this assumption and work with issuers to ensure that reinsurance payments made to issuers do not exceed the total amount paid by the issuers for any eligible claim pursuant to Minnesota Statute 62E.23.

Data Review

Wakely compared the portion of enrollees with claims above the attachment point underlying the issuer 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 issuers data being based on incomplete data. For example, the enrollee-level dataset excludes claims that will be adjudicated between January and April of 2021.

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 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

Signed,

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

Appendix A - 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	140	$51,232	$985	$137,929
$52,508	$58,498	315	$55,414	$4,331	$1,364,403
$58,498	$119,795	1,639	$80,253	$24,203	$39,668,025
$119,795	$200,000	539	$153,385	$82,708	$44,579,408
$200,000	$9,999,999	386	$335,435	$151,645	$58,534,832
Total		**3,019**	**$121,999**	**$47,792**	**$144,284,597**

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.
3. This distribution is expected to change as 2020 completes.

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	521	17%
1	HCC056	Rheumatoid Arthritis and Specified Autoimmune Disorders	417	14%
2	HCC008	Metastatic Cancer	407	13%
3	G15	Asthma; Chronic Obstructive Pulmonary Disease, Including Bronchiectasis	406	13%
4	HCC142	Specified Heart Arrhythmias	357	12%
5	HCC130	Congestive Heart Failure	331	11%
6	G13	Respiratory Arrest; Cardio-Respiratory Failure and Shock, Including Respiratory Distress Syndromes	307	10%
7	HCC002	Septicemia, Sepsis, Systemic Inflammatory Response Syndrome/Shock	290	10%
8	HCC048	Inflammatory Bowel Disease	215	7%
9	HCC023	Protein-Calorie Malnutrition	213	7%
10	HCC009	Lung, Brain, and Other Severe Cancers, Including Pediatric Acute Lymphoid Leukemia	198	7%
11	HCC075	Coagulation Defects and Other Specified Hematological Disorders	188	6%
12	HCC156	Pulmonary Embolism and Deep Vein Thrombosis	184	6%
13	G02A	Mucopolysaccharidosis; Metabolic Disorders; Endocrine Disorders	165	5%
14	G08	Disorders of the Immune Mechanism	157	5%
15	HCC012	Breast (Age 50+) and Prostate Cancer, Benign/Uncertain Brain Tumors, and Other Cancers and Tumors	152	5%
16	HCC131	Acute Myocardial Infarction	146	5%
17	HCC253	Artificial Openings for Feeding or Elimination	146	5%
18	HCC088	Major Depressive and Bipolar Disorders	129	4%
19	HCC118	Multiple Sclerosis	129	4%
20	HCC120	Seizure Disorders and Convulsions	122	4%

Appendix B - 2020Q4 Enrollee Count by HCC - Continued

Limited to HCCs with at least 100 Enrollees

Rank	HCC	HCC Description	Enrollee Count[1]	% of Reinsurance Eligible Enrollees
21	HCC045	Intestinal Obstruction	121	4%
22	HCC047	Acute Pancreatitis/Other Pancreatic Disorders and Intestinal Malabsorption	112	4%
23	HCC115	Myasthenia Gravis/Myoneural Disorders and Guillain-Barre Syndrome/Inflammatory and Toxic Neuropathy	111	4%
24	HCC163	Aspiration and Specified Bacterial Pneumonias and Other Severe Lung Infections	101	3%

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

Appendix C - Estimated Reinsurance Amount and Claimants by Product

Issuer	Product ID	Product Name	Exchange Status	Claimants[2]	Reinsurance
UCare	85736MN023	UCare Individual and Family Plans	On-Exchange	571	$31,591,577
Medica	31616MN042	Medica Applause	On-Exchange	409	$18,980,630
HealthPartners	34102MN007	GHI AM Off Exchange	Off-Exchange	373	$17,109,857
HealthPartners	34102MN001	GHI On Exchange	On-Exchange	340	$14,532,838
Medica	31616MN044	Engage by Medica	On-Exchange	209	$12,204,280
Medica	31616MN042	Medica Applause	Off-Exchange	178	$8,206,449
BP	57129MN008	Blue Plus Metro	Off-Exchange	177	$6,726,364
BP	57129MN009	Blue Plus Metro	On-Exchange	158	$6,380,191
BP	57129MN007	Blue Plus Western	On-Exchange	135	$5,308,462
BP	57129MN015	Blue Plus Southeast	On-Exchange	<100	$4,354,460
BP	57129MN014	Blue Plus Southeast	Off-Exchange	<100	$2,635,555
Medica	31616MN044	Engage by Medica	Off-Exchange	<100	$2,508,479
BP	57129MN006	Blue Plus Western	Off-Exchange	<100	$2,361,773
BP	57129MN052	Blue Plus Strive	On-Exchange	<100	$2,110,381
BP	57129MN017	Blue Plus Northeast	On-Exchange	<100	$1,304,810
BP	57129MN051	Blue Plus Strive	Off-Exchange	<100	$1,147,742
Medica	31616MN043	North Memorial Acclaim by Medica	On-Exchange	<100	$1,027,561
PreferredOne	88102MN021	Savers	Off-Exchange	<100	$779,000
BP	57129MN016	Blue Plus Northeast	Off-Exchange	<100	$707,827
BP	57129MN054	Blue Plus Minnesota Value	On-Exchange	<100	$668,150
PreferredOne	88102MN001	PreferredHealth	Off-Exchange	<100	$578,667
Medica	31616MN021	Medica Value	Off-Exchange	<100	$546,810
Medica	31616MN045	Altru Prime by Medica	On-Exchange	<100	$497,070
BP	57129MN053	Blue Plus Minnesota Value	Off-Exchange	<100	$458,809

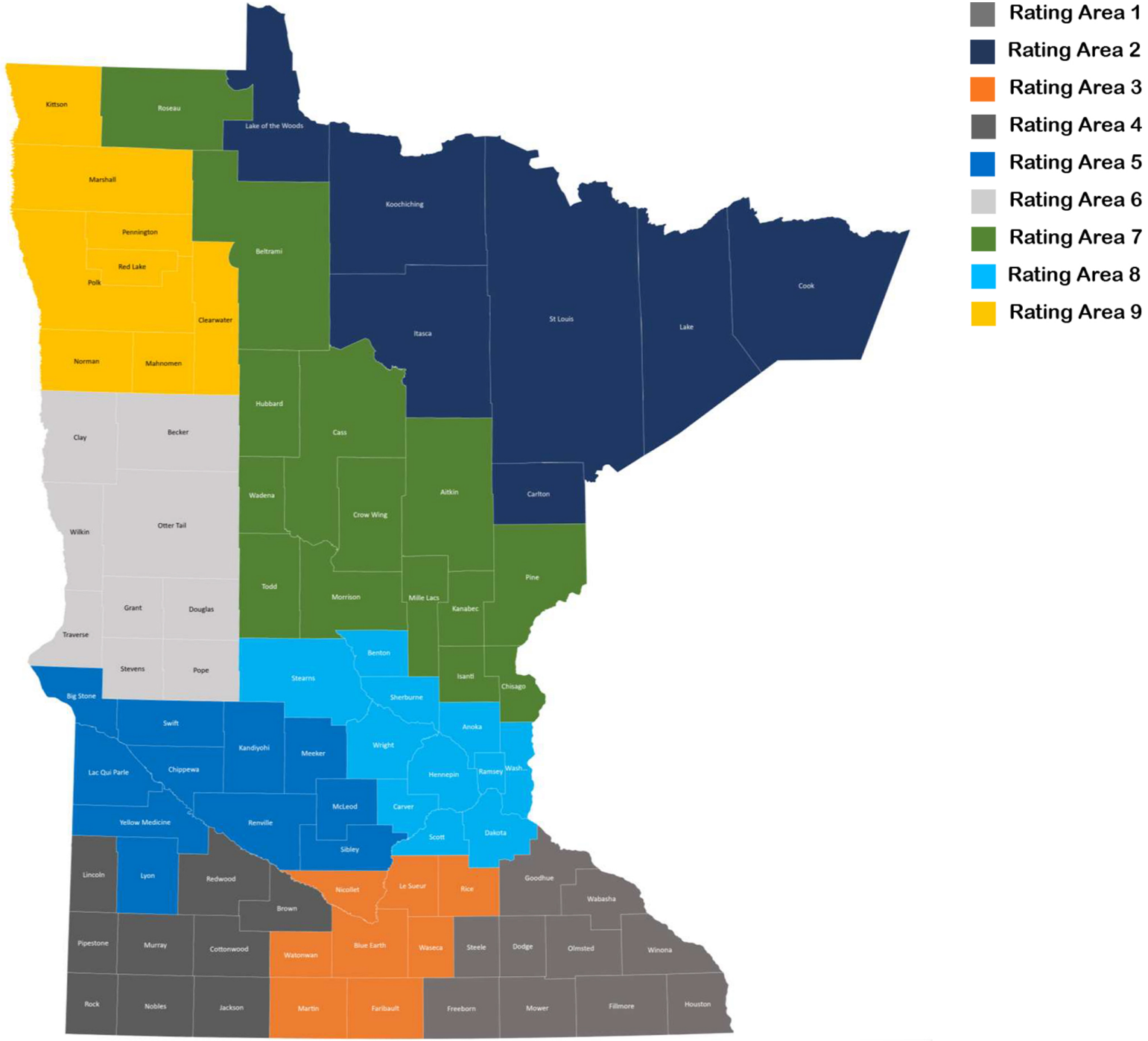
Appendix C - Estimated Reinsurance Amount and Claimants by Product

Issuer	Product ID	Product Name	Exchange Status	Claimants[2]	Reinsurance
HealthPartners	34102MN008	GHI NAM Off Exchange - HP Ind	Off-Exchange	<100	$427,517
Medica	31616MN020	Medica HSA	Off-Exchange	<100	$397,074
HealthPartners	34102MN009	GHI NAM Off Exchange - HP Ind Ded	Off-Exchange	<100	$280,337
Medica	31616MN046	Ridgeview Distinct by Medica	On-Exchange	<100	$181,656
Medica	31616MN018	Medica Solo	Off-Exchange	<100	$167,654
			Total	**3,024**	**$144,284,597**

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 - 2020 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 - 2020 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 - 2020 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	2,659	84%	$94,950,960	$106,232,394	1.119
Cohort Two - Enrollees Exceeding Attachment Point Based on Runout Thru December Exceeding Reinsurance Cap by December 2019	217	%7	$34,720,000	$34,720,000	1.000
Cohort Three - Enrollees Exceeding Attachment Point Based on Runout After January 2020	284	9%	$0	$7,668,532	
Total 2019	**3,160**	**100%**	**$129,670,960**	**$148,620,926**	**1.146**