

## §6215-A. Reserves

A provider shall establish and maintain the following reserves: [PL 1995, c. 625, Pt. A, §29 (NEW).]

**1. Mortgage debt.** A liquid amount equal to the aggregate amount of all principal and interest payments due during the fiscal year on any mortgage loan or other long-term financing of the facility, which reserve may be held by a lender, mortgagee or trustee for bondholders in a debt service reserve fund or similar fund, including, without limitation, any reserve fund of the Maine Health and Higher Educational Facilities Authority established pursuant to Title 22, chapter 413; [PL 1995, c. 625, Pt. A, §29 (NEW).]

**2. Operating reserve.** A liquid amount equal to 20% of the total cash operating expenses, other than principal and interest payments on any mortgage loan or other long-term financing of the facility, projected for the forthcoming 12-month period, which reserve may be held by the provider in an operating fund; provided, however, that the percentage of the total cash operating expenses must be increased from 20% to 25% in the case of a provider who offers an extensive health care guarantee. For purposes of this section, "extensive health care guarantee" means a term in a continuing care agreement requiring the provision of health care to the subscriber on a prepaid basis for more than one year; and [PL 1995, c. 625, Pt. A, §29 (NEW).]

**3. Reserve liabilities; actuarial value.** Each provider shall establish and maintain reserve liabilities that place a sound value on the provider's liabilities under its contracts with subscribers. The reserve must equal the excess of the present value of future benefits promised under the continuing care agreement over the present value of future revenues and any other available resources, based on conservative actuarial assumptions. The provider shall provide every 3 years to the superintendent an actuarial valuation or statement of actuarial opinion as to the adequacy of the reserve, signed by a qualified actuary, that, based on reasonable assumptions, the continuing care retirement community's assets, including the present value of estimated future maintenance fees and any other available resources, are at least equal to the present value of estimated future liabilities.

Unless otherwise approved by the superintendent, the actuarial opinion must be based on reasonable assumptions with the following provisions and margins.

- A. The liabilities of a continuing care retirement community must include, but not be limited to:
- (1) An amount equal to the present value of future health care expenses guaranteed pursuant to the continuing care contract; and
  - (2) The liabilities under this section must be calculated for the continuing care retirement community population existing on the valuation date under assumptions that, in the actuary's opinion, fairly represent the expected value of future costs and population decrements adjusted by the margins specified in paragraph B. [PL 1995, c. 625, Pt. A, §29 (NEW).]
- B. Margins required to be included in the valuation assumptions to be added to the actuary's best estimate assumptions are as follows.
- (1) Health care costs per resident or per health care facility bed must be assumed to increase at a rate at least one percentage point higher than the general inflation rate.
  - (2) A mortality margin of 5% must be subtracted from that assumed for active residents and 10% subtracted from those in the health care facilities.
  - (3) A health care utilization margin of 5% must be added to the assumed rates at which residents require permanent transfer to a health care facility.

(4) The discount rate used to calculate present values may not be more than 2 1/2 percentage points higher than the rate used in the valuation of long-term life insurance contracts to be issued in the year of valuation in this State.

(5) All other assumptions must include margins that are adequate in the opinion of the actuary.  
[PL 1995, c. 625, Pt. A, §29 (NEW).]

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The superintendent may adopt reasonable rules further defining the standards contained in this section. [PL 1995, c. 625, Pt. A, §29 (NEW).]

#### SECTION HISTORY

PL 1995, c. 625, §A29 (NEW).

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