



DEPARTMENT OF

Professional & Financial Regulation

STATE OF MAINE

• OFFICE OF SECURITIES
• BUREAU OF INSURANCE
• CONSUMER CREDIT PROTECTION
• BUREAU OF FINANCIAL INSTITUTIONS
• OFFICE OF PROF. AND OCC. REGULATION

Bureau of Insurance Statement Regarding Maine Community Health Options – August 1, 2016

The Bureau of Insurance (“BOI”) has committed to post monthly statements on Community Health Options’ (“CHO”) results and this statement concerns results through June.

As explained in the BOI’s statement concerning May results, CHO had accrued in its 2015 Annual Statement an estimated Cost Sharing reconciliation receipt that was \$4.4 million higher than the actual additional amount determined by CMS upon completion of the reconciliation. Partially offsetting that negative result was \$1.2 million of additional Transitional Reinsurance and a Risk Adjustment payment of \$706,000 due to CHO. In its May 31, 2016 statement, the Bureau advised of an approximately \$800,000 addition to the Premium Deficiency Reserve. The net impact of these adjustments is to increase CHO’s net loss for June by \$3.2 million; this will be reflected in its Q2 financial statement to be filed by August 15. It is important to recognize that, aside from the PDR increase, these adjustments (\$2.5 million) do not reflect the results of CHO’s 2016 business and operations.

What follows are the key results for June and YTD:

- Paid claims were 1% higher than Plan in June and incurred claims were 0.6% lower for the month. YTD paid claims were 0.07% higher than Plan and YTD incurred claims were 0.2% lower. CHO’s Plan attempts to reflect the seasonality of incurred claims over the course of the year since claimants must satisfy deductibles earlier in the calendar year.
- As indicated in the BOI’s last statement, some slowdown in claim payment “velocity” was noted; the BOI asked CHO to investigate. CHO attributes this principally to the poor performance by a sub-contractor of its third party claim administrator in processing out-of-state claims. The TPA has directly addressed the issue and the BOI is advised that the backlog has been materially resolved and will not exist within two weeks. The BOI will monitor this issue closely and report further in next month’s statement.
- Membership at the end of June was 4.3% lower than Plan but still 3.7% higher than at the end of 2015. Approximately 77% of membership consists of individual insurance with the rest being virtually all small group insurance. June premium was 4.3% lower than Plan and YTD premium was 1.8% lower than Plan.
- The split of business between Maine and New Hampshire, the two states where CHO does business, was essentially unchanged in June from January (85% Maine, 15% New Hampshire).
- Total expenses in June were 3.9% lower than Plan for the month. YTD expenses are 4.6% lower than Plan.

- Viewing results from the perspective of 2016 business and operations, June's net loss was 19.2% worse than Plan but the YTD total net loss was 0.8% better than Plan. The PDR change in June was 2.7% worse than Plan but the YTD PDR drawdown is 4.3% better than Plan.
- CHO reported bonds, cash, cash equivalents, and short term investments 6.1% lower in June than in May. The Plan projected such investments to drop through July, increase in August (due to reinsurance collections in that month) and then drop again through December. CHO's investments were 2.5% lower than Plan at the end of June.

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In summary, CHO's reported YTD results for 2016 business and operations through the first six months of 2016 were generally consistent with its Plan.