

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE

IN RE:)	
MAINE COMMUNITY HEALTH OPTIONS)	REVISED RESPONSE TO
INDIVIDUAL RATE HEARING)	QUESTION 3 OF THE
)	SECOND INFORMATION
)	REQUEST OF THE
)	SUPERINTENDENT
Docket No. INS-16-1002)	

Maine Community Health Options (“Community Health Options”) responds to the request of the Superintendent by providing a revised written response to Question 3 of the Second Information Request of the Superintendent. This submission is consistent with our agreement to supplement the responses provided should the information change or more information become available at any time during the pendency of this proceeding.

Requests:

3. Is an adjustment to the 2017 proposed rates needed based on a recent reduction in the CSR amounts received for 2015 affecting claims experience for that year? Please explain.

No adjustment is needed to the 2017 proposed rates based on the results of the reconciliation of the CSR Advance Payments received for plan years 2014 and 2015.

The Cost Share Reduction (CSR) program is a federal program designed to offer an additional level of benefit to QHP enrollees who earn less than 250% of the Federal Poverty Level or enrollees of American Indian descent. This program provides for more generous cost share than would otherwise be available at no additional cost to the enrollee.

Issuers are compensated for the additional expense associated with the reduced cost sharing through a monthly Advance CSR Payment which is estimated and calculated as a function of the plan premium although the ultimate amount to be recovered by the issuer is unrelated to the plan premium. A final CSR Reconciliation is performed in the 2nd quarter following the plan year to “true-up” the actual amount the issuer should have received, and the final payment is due or received in the 3rd quarter. Under the reconciliation, there are three methods used to calculate the final CSR reconciliation; however, only the Standard Methodology is generally accepted as adequate. The Standard Method calls for every claim paid under a CSR eligible plan variant to be re-priced as if it were paid under the Base Plan. The amount the Issuer may recover to offset lower enrollee CSR cost share equals the difference between the Plan Paid Amount under the CSR less the Plan Paid Amount re-calculated under the Base Plan, irrespective of plan premium.

Included in its year-end 2015 financial statements, Health Options estimated it would receive, through the final reconciliation process, an additional \$0 and \$5.4M in CSR payments above and beyond those already received for 2014 and 2015, respectively. However, through the CSR reconciliation for plan years 2014 and 2015, Health Options determined that it would actually owe approximately \$1.5M for 2014 and receive approximately \$2.6M for 2015; for a net received of \$1.1M. As a result, Health Options will need to reverse the 2015 overestimate of \$2.8M and record the 2014 overpayment of \$1.5M; the impact of each is to increase incurred claims. Health Options will reflect the combined \$4.3M impact on incurred claims in its 2nd quarter 2016 NAIC Statement filing and expects to receive the \$1.1M net CSR true-up during the 3rd quarter of 2016.

While the true-up serves to amend the incurred claims previously reported, it has no impact on the actual claims experienced. In other words, the 2015 experience, upon which 2017 pricing is based, is not overstated by the lower CSR payments. The basis for pricing is the allowed claims cost rather than the paid claims cost. Because of this, the fact the enrollee receives a reduced cost share is irrelevant.

In projecting its 2017 experience for purposes of pricing, Health Options has adjusted its 2015 experience to reflect the impact of anticipated changes in the mix of CSR and non-CSR members and their utilization; however, there is no separate pricing associated with the CSR plans.

July 15, 2016

Submitted by:

/s/Kevin Lewis

Kevin Lewis,

Chief Executive Officer

/s/Nancy H. Johnson

Nancy H. Johnson, Esq.,

Assistant Vice President, Compliance and Regulatory Affairs