



Janet T. Mills
Governor

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

Anne L. Head
DPFR Commissioner



Timothy N. Schott
Acting Superintendent

June 29, 2023

Timothy N. Schott, Acting Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Acting Superintendent:

Pursuant to the provisions of 24 M.R.S. §2307 and in conformity with your instructions, a financial examination has been made of the

**MAINE COMMUNITY HEALTH OPTIONS
D/B/A/ COMMUNITY HEALTH OPTIONS**

as of December 31, 2021. The following report is respectfully submitted.

Office Location: 76 Northern Avenue, Gardiner, Maine 04345
Mailing Address: 34 State House Station, Augusta, Maine 04333
www.maine.gov/insurance

Phone: (207) 624-8475

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**STATE OF MAINE
BUREAU OF INSURANCE**

REPORT OF FINANCIAL EXAMINATION

**MAINE COMMUNITY HEALTH OPTIONS
D/B/A COMMUNITY HEALTH OPTIONS
LEWISTON, ME**

AS OF DECEMBER 31, 2021

NAIC COMPANY CODE: 15077

ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of Maine Community Health Options dated June 29, 2023, was delivered to that insurer on July 19, 2023; and

WHEREAS Maine Community Health Options and Bureau of Insurance staff have agreed to certain modifications with respect to the Report of Examination; and

WHEREAS I find such modifications proper; and

WHEREAS no hearing with respect to the Report of Examination has been requested by Maine Community Health Options;

NOW THEREFORE, I accept the Report of Examination and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S. §226 (3).

Dated: 8/3/2023



Timothy N. Schott, Acting Superintendent

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SCOPE OF EXAMINATION

Maine Community Health Options d/b/a Community Health Options (CHO or the “Company”) was last examined as of December 31, 2017, by the State of Maine Bureau of Insurance (MBOI). This examination covered the period from January 1, 2018 to December 31, 2021.

This examination was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners (NAIC), in conformity with statutory accounting practices, NAIC guidelines, the 2022 Financial Condition Examiners Handbook and the laws, rules, and regulations prescribed or permitted by the State of Maine. The examination consisted of a review of the Company’s operations, controls, corporate governance, valuation of assets, and determination of liabilities at December 31, 2021. The examination also included the identification and evaluation of significant risks that could cause the Company’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination does not attest to the fair presentation of the financial statements included herein. Comments on various balance sheet items, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

This examination report includes significant findings of fact, pursuant to 24-A M.R.S. §225 (1), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature, are not included herein, and are instead separately reported to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

None noted.

CURRENT EXAMINATION COMMENTS

None noted.

THE COMPANY

HISTORY

The Company was incorporated on September 26, 2011, as a nonprofit corporation organized under the laws of the State of Maine and was formed pursuant to the Affordable Care Act (ACA) to serve as the State of Maine’s first Consumer Operated and Oriented Plan (CO-OP) under the provisions of that law. On February 28, 2013, the Company was granted a certificate of authority by the State of Maine to conduct the business of health insurance. In late 2013, the Company commenced writing and issuing policies effective as of January 1, 2014. The Company is domiciled in the State of Maine with its home office located in Lewiston, Maine.

The Company was capitalized through the financing made available by the Center for Consumer Information and Insurance Oversight (CCIIO) within the Centers for Medicare and Medicaid Services (CMS). The Company has received a total of \$132,316,124, comprised of \$12,506,124 in Start-up Loan funding and \$119,810,000 in Solvency Loan funding. No further capitalization from CMS is currently available. The loans are considered surplus notes within the meaning of 24-A M.R.S. §4379(9) and Statement of Statutory Accounting Principles No. 41. Repayment of principal and interest may be made only with the prior approval of the Superintendent of Insurance of the State of Maine and only to the extent the Company has sufficient surplus earnings to make such a payment. CMS' right to payment under the Start-Up and Solvency Loans is subordinated to all other classes of creditors.

In 2020, the United States Supreme Court ruled in favor of the Company and certain other health insurers concerning their entitlement to reimbursement from the United States Government for claim payments subject to the ACA's risk corridors program, during the first three years of the ACA (2014-2016). The Company received cash of approximately \$49.9 million in 2020, net of legal fees, related to the reimbursement of risk corridor amounts.

In 2020, the Company formed Community Options, LLC, a wholly-owned subsidiary domiciled in Maine, to enable the Company to offer ancillary employee benefits to its group members. The subsidiary was licensed by the MBOI as a Resident Producer Agency on October 6, 2020.

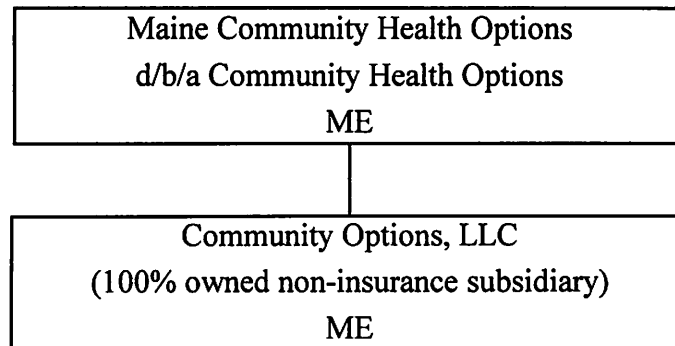
The MBOI closely monitors the Company's operations and financial results. The Company reported net losses of \$20,010,944 for 2021. As of December 31, 2021, the Company reported surplus of \$120,389,917. Selected financial information is provided in the following table:

	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Admitted Assets	\$184,016,793	\$218,975,407	\$182,400,876	\$170,659,367
Liabilities	63,626,876	78,835,404	98,211,955	113,325,811
Surplus	120,389,917	140,140,003	84,188,921	57,333,556
Net Underwriting Gain (Loss)	(23,065,986)	55,612,156	23,315,895	25,006,650
Net Income (Loss)	(20,010,944)	56,502,466	25,186,844	25,286,819
Total Revenues	164,254,590	243,934,497	242,544,604	380,316,002
Net Cash from Operations	(43,566,626)	42,999,018	799,044	99,596,671
Members	22,984	26,130	37,062	50,052

MANAGEMENT AND CONTROL

CHO is a nonprofit, member-led corporation. Members consist of all individuals covered under health insurance policies issued by the Company. Members have the sole and exclusive power and authority to elect a majority of the Company's directors and to approve the merger, consolidation, dissolution, or sale of substantially all of the assets of the Company. Each member who is age 18 or older is eligible to vote and shall have a single vote.

The corporate ownership structure follows:



CORPORATE RECORDS

The Company’s articles of incorporation, bylaws, and minutes of the board of directors meetings held during the period under examination were reviewed.

CORPORATE GOVERNANCE

The Company is governed and overseen by its board of directors and its management team.

A majority of the Company’s board of directors must be elected by members, subject to the limitations defined under federal statutes and regulations governing CO-OPs. As of December 31, 2021, the board of directors of the Company consisted of the following members:

<u>Name</u>	<u>Title</u>
Jeff Norris	Chair
Michelle Betz	Director
Rebecca Conrad	Director
Fred Craigie, M.D.*	Director
Sarah Hines*	Director
Holly Korda	Director
Asher Kramer	Director
Robert Lorenzo	Director
Heidi Lukas*	Director
Rocell Marcellino	Director
Sharon Reishus	Director
David Shipman*	Director
Judiann Ferretti Smith	Director
Mitchell Stein*	Director
Sarah Sullivan*	Director
Ronnie Weston	Director

As of December 31, 2021, the officers of the Company consisted of the following individuals:

<u>Name</u>	<u>Title</u>
Kevin Lewis	Chief Executive Officer
Robert J. Hillman*	Senior Vice President, Chief Operating Officer
Margaret Kelley*	Senior Vice President, Chief Clinical Officer

William Kilbreth
Joanne Lauterbach

Senior Vice President, Chief Information Officer
Senior Vice President, Chief Financial Officer

*Subsequent to December 31, 2021, Fred Craigie, M.D., Sarah Hines, Heidi Lukas, David Shipman, Mitchell Stein, and Sarah Sullivan are no longer Directors; Paul Andrews, Leslie Clark, Jerod Cronkite, Cheryl Greaney, Jim Harrison, Ralph Johnson, and Cory McKenna were appointed or elected as Directors; David Stuart replaced Robert J. Hillman as Chief Operating Officer; and Dr. Lori Tishler replaced Margaret Kelley and was appointed Chief Medical Officer.

TRANSACTIONS WITH AFFILIATES

In 2021, the Company made a capital contribution of \$15,000 to its subsidiary, Community Options, LLC. As of December 31, 2021, no other transactions with the subsidiary have been reported.

TERRITORY & PLAN OF OPERATION

The Company offers health insurance products for individuals, small groups, and large groups. The Company offers coverage on and off the Federally Facilitated Marketplace. On October 2, 2017, the Company was approved for a health maintenance organization (HMO) line of business in Maine and on January 1, 2018 wrote its first HMO policies. Prior to 2018, the Company only offered preferred provider organization (PPO) products.

The Company became licensed in New Hampshire on May 27, 2014 and began offering health insurance products for individuals and groups effective January 1, 2015. In October of 2016, the Company withdrew from the New Hampshire market to focus on its primary market in Maine. The Company has retained its license in New Hampshire, but as of December 31, 2021, the Company writes business solely in Maine.

In 2020, the Company launched its administrative services only (ASO) line of business, PioneerASO. As of December 31, 2021, the Company does not have any ASO clients.

Beginning in November 2021, starting with the open enrollment period for 2022 coverage, the State of Maine launched a State-based Marketplace and fully transitioned from the Federally Facilitated Marketplace. The Company's individual members are primarily comprised of individual members who purchased coverage on the Marketplace, whether State-based or Federally Facilitated.

REINSURANCE

Beginning in 2018, the ACA risk adjustment program includes a high-cost risk pooling component. The high-cost risk pool (HCRP) adds a reinsurance-like element to the risk adjustment program. For high-cost enrollees, an insurer will receive an adjustment to their transfer amounts equal to 60% of the costs above \$1,000,000 in a benefit year.

Beginning on January 1, 2019, the Company participates in the Maine Guaranteed Access Reinsurance Association (MGARA), which operates as a reinsurance program for the higher risk segment of Maine's individual health insurance market. In 2019, the attachment points for reimbursement were 90% of claims paid between \$47,000 and \$77,000, and 100% of claims paid in excess of \$77,000, net of amounts recoverable from the HCRP. In 2020 and 2021, the attachment points increased to 90% of claims paid between \$65,000 and \$95,000, and 100% of claims paid in excess of \$95,000, net of amounts recoverable from the HCRP.

In 2021, the Company also maintained excess of loss reinsurance with an attachment point of \$900,000. For individual and small group members, excluding members assigned to the MGARA reinsurance program, the reinsurer provides coinsurance of 80% for claim expenses up to \$1,000,000 per member, and coinsurance of 20% for claim expenses over \$1,000,000 up to \$5,000,000 per member. For large group members, the reinsurer provides coinsurance of 80% for claims expenses up to \$5,000,000 per member. Prior to 2021, the Company maintained similar reinsurance programs, with some minor differences, including varying attachment points of \$750,000 in 2020, \$600,000 in 2019, and \$550,000 in 2018.

FINANCIAL STATEMENTS

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Revenue and Expenses, and the Statement of Capital and Surplus are as presented by management and audited by the Company's external auditors. It should be noted that these financial statements have not been audited by the MBOI and thus the MBOI does not express an opinion on the financial statements as a whole.

**STATEMENT OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS
AS OF DECEMBER 31, 2021**

Assets

Bonds	\$ 140,171,020
Cash and cash equivalents	27,008,213
Investment income due and accrued	931,554
Uncollected premiums in the course of collection	1,728,676
Accrued retrospective premiums	4,700,000
Amounts recoverable from reinsurers	6,382,572
Health care receivables	3,094,758
Total assets	<u>\$ 184,016,793</u>

Liabilities

Claims unpaid less reinsurance ceded	\$ 10,637,731
Accrued medical incentive pool and bonus amounts	589,207
Unpaid claims adjustment expenses	941,695
Aggregate health policy reserves	42,169,580
Premiums received in advance	4,786,931
General expenses due or accrued	3,446,534
Ceded reinsurance premiums payable	797,962
Amounts withheld or retained for the account of others	2,107
Borrowed money	191,076
Aggregate write-ins for other liabilities	64,053
Total liabilities	<u>\$ 63,626,876</u>

Capital and Surplus

Surplus notes	\$ 132,316,124
Unassigned funds	(11,926,207)
Total capital and surplus	<u>120,389,917</u>
Total liabilities, capital and surplus	<u>\$ 184,016,793</u>

**STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2021**

Member Months	284,476
Net premium income	\$ 164,039,529
Aggregate write-ins for other health care related revenues	<u>215,061</u>
Total revenues	164,254,590
Hospital/medical benefits	99,125,157
Other professional services	5,152,111
Outside referrals	13,180
Emergency room and out-of-area	35,115,697
Prescription drugs	26,421,893
Incentive pool, withhold adjustments and bonus amounts	<u>155,000</u>
Subtotal	165,983,038
Less: Net reinsurance recoveries	<u>26,634,678</u>
Total hospital and medical	139,348,360
Claims adjustment expenses	11,319,822
General administrative expenses	25,029,634
Increase in reserves for life and accident and health contracts	<u>11,622,760</u>
Total underwriting deductions	<u>187,320,576</u>
Net underwriting loss	<u>(23,065,986)</u>
Net investment income earned	1,436,029
Net realized capital gains	<u>4,859</u>
Net investment gains	<u>1,440,888</u>
Net loss from agents' or premium balances charged off	(385,846)
Aggregate write-ins for other income (vendor settlement)	<u>2,000,000</u>
Net loss after capital gains, before federal tax	(20,010,944)
Federal and foreign income taxes incurred	<u>0</u>
Net loss	<u>\$ (20,010,944)</u>

**STATEMENT OF CAPITAL AND SURPLUS
YEAR ENDED DECEMBER 31, 2021**

Capital and surplus, December 31, 2020	\$ 140,140,003
Net loss	(20,010,944)
Change in nonadmitted assets	<u>260,858</u>
Change in capital and surplus	<u>(19,750,086)</u>
Capital and surplus, December 31, 2021	<u>\$ 120,389,917</u>

COMMENTS ON THE FINANCIAL STATEMENTS

NOTE 1 – RESERVES

Lewis & Ellis, Inc. (“consulting actuary”) was engaged to provide actuarial assistance with the financial examination of the Company as of December 31, 2021. The consulting actuary’s review included: participation in interviews and discussions with key personnel, including the Appointed Actuary, to gain an understanding of the corporate structure, products, services, and reserving and pricing processes, and to assess actuarial risks; review of controls to mitigate certain reserving and pricing risks; and review of the 2021 Statement of Actuarial Opinion and Actuarial Memorandum prepared by the Appointed Actuary. The reserves as reported by the Company were determined to be reasonable based on the review performed by the consulting actuary.

NOTE 2 – CAPITAL AND SURPLUS

The following table describes the capital and surplus changes for the four-year period since the MBOI’s last examination of the Company, dated December 31, 2017:

Capital and surplus, December 31, 2017	\$ 33,734,794
Net income or (loss)	86,965,185
Change in nonadmitted assets	<u>(310,062)</u>
Capital and surplus, December 31, 2021	<u>\$ 120,389,917</u>

Of the approximately \$87.0 million increase in net income since the last examination, \$49.9 million was due to the United States Supreme Court’s risk corridor reimbursement decision discussed in the History section of this report.

SUBSEQUENT EVENTS

On January 1, 2022, the MGARA reinsurance program converted from a prospective model to a retrospective model. In 2022, MGARA covered 100% of claims paid between \$76,000 and \$250,000.

In January 2022, the Company and the United States Government entered into a joint stipulation agreement wherein the parties agreed that the Company was entitled to payment under section 1402 of the ACA in the amount of \$846,493 for unpaid Cost Share Reduction (CSR) amounts through December 31, 2017. Payment was received during the first quarter of 2022. The case regarding CSR payments for 2018 and beyond remains ongoing. The outcome is unknown at the time of this report.

The Company had accrued a net liability of \$1,200,000 for possible risk adjustment payments for 2021 to be paid in 2022. On June 30, 2022, CMS announced the Company would receive a net risk adjustment transfer amount of \$7,991,093. In addition, the Company had accrued a liability of \$6,569,580 for possible medical loss ratio (MLR) rebates for 2021 to be paid in 2022. The Company’s actual payment amount for 2021 MLR rebates totaled \$8,064,904 for individual plan members; no MLR rebates were paid for small and large group employer plans.

Beginning in 2023, Maine's individual and small group markets merged. The merger pools the risks of the two markets and extends MGARA reinsurance to include the small group market beginning on January 1, 2023. In addition, MGARA coverage changed to 100% of claims paid between \$90,000 and \$275,000 in 2023.

In the second quarter of 2023, the Company relocated its home office to New Gloucester, Maine.

In March of 2020, the federal government temporarily suspended Medicaid requirements to redetermine eligibility in order to prevent people from losing their health coverage during the COVID-19 pandemic. The suspension ended on March 31, 2023. As a result, beginning in April of 2023, the Maine Department of Health and Human Services (DHHS) will review the eligibility of everyone enrolled in MaineCare, Maine's Medicaid program, and disenroll individuals no longer eligible. A special enrollment period for obtaining coverage through the State-based Marketplace outside of the annual open enrollment period will be offered from April 15, 2023 through July 31, 2024.

SUMMARY OF RECOMMENDATIONS

There are no report level recommendations.

**STATE OF MAINE
COUNTY OF KENNEBEC, SS**

Vanessa J. Sullivan, being duly sworn according to law deposes and says that, in accordance with authority vested in her by Timothy N. Schott, Acting Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, she has made an examination of the condition and affairs of the

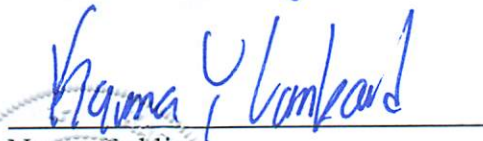
**MAINE COMMUNITY HEALTH OPTIONS
D/B/A COMMUNITY HEALTH OPTIONS**

located in Lewiston, Maine as of December 31, 2021, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. The following examiners from the Bureau of Insurance assisted:

Arias Wan, CPA, CFE
Jeremy C. Finch
Colin J. Greeley


Vanessa J. Sullivan, CFE

Subscribed and sworn to before me
This 3 day of August, 2023


Notary Public
My Commission Expires:


Karma Y. Lombard
Notary Public, State of Maine
My Commission Expires June 12, 2030