



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

November 3, 2016

Consistent with the Bureau of Insurance's ("BOI") practice during 2016, this statement concerns Community Health Options' ("CHO") results through September as well as some observations on the fourth quarter.

What follows are the key results for September and YTD:

- Incurred claims were 0.9% higher than Plan in September and paid claims were 30.5% higher for the month. YTD incurred claims were 0.04% lower than Plan and YTD paid claims were 2.6% higher. The high volume of paid claims relative to incurred claims apparently relates to an increase in the velocity of claim payments: the Company ended the month with an outstanding Expected Paid inventory 50.4% lower than August, outstanding Claim Count 35% lower than August, and the Average Net Submitted Claim amount 23.7% lower than August. The September Claim Count, Submitted Claims, Estimated Paid Claims, and Average Net Submitted Claim were each the lowest of any month in 2016. The Company is optimistic this favorable trend will continue and the BOI is monitoring results on a weekly basis.
- The percentage of Net Outstanding Claims Inventory in the 0-30 day period (93.5%) improved in September from August (87.3%). The 0-60 day period inventory (97.1%) was very slightly lower than August (97.5%). Again, the BOI is monitoring the aging of the claim inventory on a weekly basis.
- Membership at the end of September was 4.7% lower than Plan and approximately 1.5% lower than at December 31, 2015. Roughly 75% of membership consisted of individual insurance. The remainder is virtually all small group insurance, with the balance being large group. September premium was 2.5% lower than Plan and YTD premium was 2.9% lower than Plan.
- The split of business between Maine and New Hampshire, the two states where CHO has business in force, was essentially unchanged in September from January (85% Maine, 15% New Hampshire). CHO has withdrawn from writing new business in New Hampshire to focus on its core Maine business, and all its individual policies in New Hampshire will terminate at the end of 2016. (CHO's New Hampshire membership in September was 10,996.)
- Total expenses in September were 29.4% more than Plan for the month, which CHO attributes to the accrual of an annual Affordable Care Act fee. YTD expenses are 0.98% lower than Plan.

- September's net loss was 22.7% worse than Plan and YTD total net losses are 6% worse than Plan. The Premium Deficiency Reserve (PDR) change in September was 22.7% worse than Plan but the YTD PDR drawdown is 2.5% better than Plan. CHO's reported September Capital and Surplus was 3.9% higher than Plan. The BOI's consulting actuary has reviewed CHO's outstanding reserves as of September 30, 2016, and believes them to be adequate.
- CHO reported bonds, cash, cash equivalents, and short term investments 17.8% lower in September than in August and 25% less than Plan. The principal reason for that negative variance appears to be the reported increase in the velocity of claim payments. The BOI will continue to closely monitor CHO's cash position throughout the remainder of 2016.

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In summary, CHO's reported YTD results for 2016 business and operations through the first nine months of 2016 were generally consistent with its Plan. Nevertheless, it is important to note the significant impact fourth quarter results will have on the full year results. The key variables that will most impact yearend result are:

- Will incurred claims remain at the levels experienced in August and September?
- CHO's assumptions concerning reinsurance recoverables. Will these assumptions prove correct? This is primarily a fourth quarter issue because it takes time for individual claim payments to exceed the threshold for reinsurance.
- Expense levels. Can CHO achieve its projected Expense target for the year?

The BOI is closely following results in each of these areas and will continue to report on at least a monthly basis regarding developments.