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## Bureau of Insurance Statement Regarding Maine Community Health Options – May 31, 2016

The Bureau of Insurance (“BOI”) has committed to post monthly statements on Community Health Options’ (“CHO”) results. This statement concerns CHO’s results through April 30, 2016 as reported to the BOI.

Recent BOI statements noted some methodological questions concerning the monthly and quarterly CHO plan estimates of incurred claims (paid claims plus changes in reserves during the reporting period) against which actual results are compared. In its last statement the BOI reported that it was still reviewing information recently provided by CHO and its actuaries. (This information consisted of revised 2016 monthly projections.)

The actual incurred claim amounts in CHO’s monthly reports to the BOI were calculated using a margin factor applied to paid claims but its projected monthly results did not use the same factor in estimating incurred claims; this caused a mismatch. CHO and its consulting actuaries at Milliman accordingly revised their 2016 projections so that the same margin factor is now used in the projections as in its monthly financial reporting. This results in a slightly higher projected 2016 operating loss (less than \$1 million more) and an equivalent increase in the premium deficiency reserve (the estimated amount of the difference between CHO’s 2016 premium and its 2016 losses and expenses). The BOI’s consulting actuary has completed review of CHO’s revised 2016 monthly projections (the “Plan”), including the planned increase in the premium deficiency reserve, and advised that they are, in his view, reasonable. The BOI will therefore use the Plan as a “yardstick” to help evaluate CHO’s financial performance as the year progresses.

What follows are the key results for April and year-to-date compared to the updated Plan:

- CHO’s individual and group membership at the end of April was 2.5% lower than the Plan. Net premium income for April was 3% lower than the Plan; it was 1.5% lower than the Plan on a YTD basis.
- The amount of total incurred claims was 0.05% lower than Plan for the month of April and 2.6% lower YTD.
- Total expenses were 12.2% lower than Plan for April and 3.5% lower YTD.
- CHO drew-down its premium deficiency reserve by 15.6% less than projected in the Plan through the end of April. (This draw-down was the amount necessary to offset operating losses so as to yield a \$0 Net Income or Loss.) Through April, CHO has drawn-down 28% of the Premium Deficiency Reserve amount carried at December 31, 2015.

89.9% of CHO’s claim inventory at the end of April was 0-30 days old. This compares to 91.2% at the end of March and 88.3% at the end of February.

CHO reported bonds, cash, cash equivalents, and short term investments 3.1% lower than at March 31, 2016 but 1.5% higher than at December 31, 2015.

In summary, CHO’s reported results for April and through the first four months of 2016 were generally consistent with its Plan.