



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

January 11, 2017

Consistent with the Bureau of Insurance's ("BOI") practice, this statement concerns Community Health Options' ("CHO") results through November 2016.

What follows are the key results for November and YTD:

- Incurred claims were 8.0% lower than Plan in November and paid claims were 7.3% lower for the month. YTD incurred claims were 2.2% lower than Plan and YTD paid claims were 1.0% higher. The November Claim Count was slightly (0.9%) below the monthly average for 2016. The Average Daily Dollar Amount in Inventory was the lowest for the ten months of 2016 reported (starting with February). The Company remains optimistic this favorable trend will continue and the BOI is monitoring results on a weekly basis.
- The percentage of Net Outstanding Claims Inventory (which is the total pending Submitted Amount at November 30, 2016) in the 0-30 day period (103.6%) was higher in November than October (100.2%). The 0-60 day period inventory (104.4%) was higher than October (102.1%). (The numbers are greater than 100% because the 91+ day category was a negative amount reflecting credits due CHO.) Again, the BOI is monitoring the aging of the claim inventory on a weekly basis.
- Membership at the end of November was 5.6% lower than Plan and approximately 5.6% lower than at December 31, 2015. Roughly 75% of membership consisted of individual insurance. The remainder is virtually all small group insurance (24%), with the balance (1%) being large group. November premium was 6.4% lower than Plan and YTD premium was 3.7% lower than Plan. The BOI views the November premium numbers with some uncertainty due to CHO's inability to reconcile certain underlying third party administrator premium reporting for the month. CHO has brought this function in-house effective December 1, 2016 and it is expected that December's reports will bring greater clarity.
- CHO's New Hampshire membership in November was 10,219. New Hampshire business currently accounts for 14.4% of CHO's total business in force, a slight decrease from 15.3% in January. CHO has withdrawn from writing new business in New Hampshire to focus on its core Maine business, and all its individual policies in New Hampshire will terminate at the end of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.
- Total expenses in November were 8.3% lower than Plan for the month. YTD expenses are 2.5% lower than Plan.

- November's \$4.5 million net loss was \$2.6 million (134.6%) worse than Plan and the \$47.1 million YTD total net losses are \$5.3 million (12.8%) worse than Plan. The Premium Deficiency Reserve was drawn down completely in November, which means that the actual losses realized through November 30 exceed the full-year losses projected in the Plan. The principal driver of CHO's worse-than-Plan net losses is premium being lower than Plan. Claims and Expenses have been generally consistent with Plan.
- CHO reported bonds, cash, cash equivalents, and short term investments were 11.8% lower in November than in October and 26.6% less than Plan. The principal reason for that negative variance appears to be the reported increase in the velocity of claim payments and lower than planned Net Premium Income. The BOI will continue to closely monitor CHO's cash position throughout the remainder of 2016.

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It is presently expected that CHO's January 1, 2017 membership will fall within a reasonable range of the targeted level which is materially lower than at January 1, 2016.

As with other insurers, December results will have a significant impact on results for the entire year. The BOI is therefore closely following CHO's operating results as it also works with the Company to refine and finalize the 2017 Plan. The BOI will report further once the December results become available.