



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 9, 2017

Consistent with the Bureau of Insurance's ("BOI") practice, this statement concerns Community Health Options' ("CHO") results for September and compares those results to CHO's updated 2017 Business Plan.

What follows are the key results for September:

- Paid claims were 17.5% lower in September than Plan. Gross incurred claims for September were 2.0% higher than Plan. YTD paid claims were 0.8% higher than Plan and YTD gross incurred claims were 0.1% lower than Plan. The number of open claims at the end of September was 70.1% higher than at the end of August. The Average Daily Dollar Amount in the Claim Inventory in September was 44.1% higher than at the end of August. CHO's third-party claim administrator has experienced processing problems which in turn has impacted the paid, open claims count, and claim inventory results reported above. CHO reports this has also caused it to book a more conservative incurred claim reserve. The Company is implementing a new claim administration platform as of January 1, 2018 with a new vendor which is expected will improve the accuracy and efficiency of claim processing.
- The percentage of Net Outstanding Claims Inventory (which is the total pending Submitted Amount at September 30, 2017) in the 0-30 day period (99.0%) was lower in September than August (102.5%). The 0-60 day period inventory (100.8%) was also lower than August (103.9%). (These numbers are greater than 100% because the 60+ day category was a negative amount reflecting credits due CHO.) The BOI is monitoring the aging of the claim inventory on a weekly basis and can report that, as of October 31, 2017, the percentage of the total Net Outstanding Claim Inventory in the 0-30 day period was 102.1% and for the 0-60 day period 101.2%. (The claim TPA processing issues described above have not resulted in a material increase in the aging of CHO's claim inventory.)
- Membership for the month of September was 9.8% lower than Plan. The membership breakdown was 77.3% individual, 20.2% small group, and 2.5% large group in September, compared with 76.9% individual, 20.7% small group, and 2.4% large group in August. Reported net premium income was 12.2% lower than Plan for September and 0.9% lower than Plan YTD. Adjusting to disregard the impact of the \$9.1 million risk adjustment reconciliation accrual booked in June, the YTD net premium income was 5.3% lower than Plan. Total expenses in September were 8.1% lower than Plan. YTD total expenses are 4.4% lower than Plan.
- The \$3.38 million of net loss reported for September compares to \$174,891 of net loss projected under the Plan. CHO's reported YTD net income of \$6.54 million would have been a net loss of \$4.30 million absent the favorable risk adjustment receivables and additional

transitional reinsurance recoveries booked in June; this compares to \$6.40 million YTD net income projected in the Plan. These comparisons are offered in order to illustrate how 2017 operating results compared to Plan without the impact of the described reconciliations which are attributable to operations in prior years.

- CHO's reported bonds, cash, cash equivalents, and short term investments in September were 6.8% lower than Plan and 12.0% greater than in August.

The BOI will continue to closely monitor CHO's performance and post monthly statements about its results.

The BOI notes that on October 12, 2017, the U.S. Department of Health & Human Services announced that the United States would, with immediate effect, stop reimbursing Cost-Sharing Reduction payments made by CHO and other insurers to low-income enrollees in qualified health plans. CHO estimated it would have received a total of approximately \$5.7 million in CSR reimbursements between October and December. The cessation of CSR reimbursements will therefore likely cause a reduction in CHO's surplus by an equivalent amount. CHO reported \$46.8 million of surplus at September 30, 2017 and an estimated Risk Based Capital Ratio of 371%. By way of context, as of December 31, 2016, CHO reported surplus of \$38.6 million and a Risk Based Capital Ratio of 218%. Based upon presently available information, the cessation of CSR reimbursements, combined with expected operating losses in the last quarter of the year, will generate a year-end surplus and Risk Based Capital Ratio for CHO in a range similar to 2016.

The possibility of the termination of CSR reimbursements has been known for some time. Consequently, health insurers in Maine were directed to submit their 2018 rates for ACA-related insurance on a "with" or "without" CSR reimbursement basis. The approved 2018 rates for CHO transferred to CMS to be used during 2018 open enrollment (beginning November 1, 2017) were the "without" reimbursement rates. Therefore, CHO's 2018 rates for ACA-related insurance reflect the current state of affairs and have been determined to be adequate.