



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

December 18, 2017

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

What follows are the key results for October:

- Paid claims were 8.1% higher in October than Plan. Gross incurred claims for October were 11.5% lower than Plan. YTD paid claims were 1.5% higher than Plan and YTD gross incurred claims were 1.3% lower than Plan. The number of open claims at the end of October was 12.1% lower than at the end of September. The Average Daily Dollar Amount in the Claim Inventory in October was 5.8% higher than at the end of September. CHO's third-party claim administrator has experienced reporting 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 and reporting.
- The percentage of Net Outstanding Claims Inventory (which is the total pending Submitted Amount at October 31, 2017) in the 0-30 day period (102.1%) was higher in October than September (99.3%). (The 0-30 day percentage is greater than 100% because the 30+ day category was a negative amount reflecting credits due CHO.) The 0-60 day period inventory (101.3%) was also higher than September (101.0%). The BOI is monitoring the aging of the claim inventory on a weekly basis and can report that, as of November 30, 2017, the percentage of the total Net Outstanding Claim Inventory in the 0-30 day period was 102.2% and for the 0-60 day period 102.1%. (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 October was 10.8% lower than Plan. The membership breakdown was 76.6% individual, 20.7% small group, and 2.7% large group in October, compared with 77.3% individual, 20.2% small group, and 2.5% large group in September. Reported net premium income was 9.1% lower than Plan for October and 1.7% 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 5.6% lower than Plan. Total expenses in October were 13.7% lower than Plan. YTD total expenses are 5.4% lower than Plan.
- The \$3.36 million of net loss reported for October compares to \$1.54 million of net loss projected under the Plan. (Approximately \$1.9 million of the \$3.36 million loss was attributable to the termination of Cost Sharing Reduction payments by CMS in October.) CHO's reported YTD net income of \$3.18 million would have been a net loss of \$7.66 million absent the favorable risk adjustment receivables and additional transitional reinsurance recoveries booked in June; this compares to \$4.86 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. The BOI is concerned with the level of CHO's reported net losses and adverse variation to the Plan. There are some indications that this adverse variance to Plan will continue in November and December. Accordingly, this issue will be given close attention by the BOI.

- CHO's reported bonds, cash, cash equivalents, and short term investments in October were 8.31% lower than Plan and 2.6% lower than in September.

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