



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

April 2, 2018

In its March 22, 2018 statement, the Bureau of Insurance (“BOI”) reported on Community Health Options’ (“CHO”) results through January 2018. The BOI also noted that CHO was working with its consulting actuaries to analyze the drivers of 2017 results and evaluate whether a 2018 premium deficiency reserve was required. The Company was granted an extension to file its annual statement in order to complete that evaluation and share it with the BOI. That process has been completed and CHO filed its 2017 annual statement on March 30, 2018. The 2017 results as reported were consistent with those described in the BOI’s statement of March 1, 2018. Most significantly, surplus dropped by \$4.9 million during 2017 to \$33.7 million as of yearend. Based upon the analysis by CHO’s consulting actuaries, which was reviewed by the BOI’s actuaries and found reasonable, it was determined that a premium deficiency reserve was not required for 2018.

CHO delivered its 2018 Business Plan to the BOI on March 27, 2018, so the Plan’s “projected” results for January and February are the actual results. Starting with the BOI’s statement on CHO’s March results, a comparison to Plan can begin to be made. This statement reports the February results as provided by the Company to the BOI.

CHO reported net income of \$8.6 million for the month of February. As of February 28, 2018, the Company’s total reported surplus was \$44.6 million, a \$10.9 million (32.4%) increase from December 31, 2017.

The Company reported bonds, cash, cash equivalents, and short term investments in February totaling \$105.6 million, a 68.2% increase over the \$62.8 million CHO reported at December 31, 2017. These assets exceed the Company’s accrued liabilities for member and provider-related obligations and the BOI remains comfortable that CHO has the assets to meet its current obligations to members and their health care providers.

CHO had total membership of 55,081 at the end of February (81.8% individual, 15.5% small group, and 2.7% large group). This reflects a 44.5% increase in membership from December when the Company had total membership of 38,124 (75.7% individual, 20.7% small group, and 3.6% large group). The mix of member metal level plans has changed significantly with a reduction in the proportion of members with Silver plans and an increase in the proportion of Bronze plans. In general, CHO’s aggregate expected loss exposure is reduced by that change in mix.

February’s reported results need to be considered in context. Health insurers generally have better experience earlier in the calendar year before members satisfy deductibles and other cost sharing thresholds. January’s and February’s results are therefore not necessarily predictive of results in subsequent months. Also, CHO’s transition to a new claim administration platform in

January reduced its cash outflow in January and February since claim payments to health care providers were significantly delayed and a backlog created. A substantial portion of the increase in assets during 2018 is due to this development. During March, CHO made very substantial claim payments to health care providers. (March payments alone were roughly 81% greater than the total paid in January and February.) It is expected that the backlog will be eliminated in April. Finally, because CHO's membership significantly increased from 2017 to 2018, an increase in assets due to the additional premium revenue would be expected.