



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

May 7, 2018

CHO delivered its 2018 Business Plan to the BOI on March 27, 2018. Accordingly, this statement regarding CHO's March results is the first of the year in which the BOI is able to compare actual results to Plan.

CHO reported net income of \$1.1 million for the month of March (159% of Plan) and its year to date net income at the end of March was \$12.3 million. (Both revenues and expenses were lower than projected in the Plan.) As of March 31, 2018, the Company's total reported surplus was \$45.97 million, a \$12.2 million (36.2%) increase from December 31, 2017 and a \$1.4 million (3.1%) increase from February 28, 2018. The increase in surplus from February to March was tempered by an approximately \$4 million increase in hospital and medical benefit reserve margin.

The Company reported bonds, cash, cash equivalents, and short term investments in March totaling \$106.1 million, a \$43.4 million increase from the \$62.8 million CHO reported at December 31, 2017 and a minor increase (0.5%) over the amount reported for February. 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 54,493 at the end of March (81.5% individual, 15.8% small group, and 2.7% large group). This reflects a 1.1% decrease in total membership from February 28, 2018 and is 0.3% less than Plan.

The percentage of Net Outstanding Claims Inventory (which is the total pending Submitted Amount at March 31, 2018) in the 0-30 day period (82.2%) was slightly higher than the figure for February 28, 2018 (81.4%). The 0-60 day period inventory (91.0%) was slightly lower than February (91.4%). The BOI is monitoring the aging of the claim inventory on a weekly basis and can report that, as of May 1, 2018, figures have improved both for the percentage of Net Outstanding Claim Inventory in the 0-30 period (91.95%) and in the 0-60 day period (95.85%). The goal is for properly submitted claims to be processed within thirty days and CHO has reported that it expects to soon process claims faster and well within that 0-30 day target.

Results for March and year to date 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. Results in the first several months of the year, therefore, are 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, February, and March 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 and April CHO made very substantial claim payments to health care providers. CHO advises that the backlog has now been nearly eliminated. Finally, because CHO's membership significantly increased from 2017 to 2018, an increase in assets due to the additional premium revenue would be expected.