



## **Bureau of Insurance Statement Regarding Maine Community Health Options**

**December 10, 2020**

This statement discusses the key October financial results for Maine Community Health Options (“CHO”) compared to its original and revised 2020 Business Plan provided to the Bureau of Insurance (BOI). The original 2020 Business Plan gave no consideration to the possible impact of COVID-19. Through October 31, 2020, CHO’s total reported paid 2020 claims were \$0.8 million lower than the original Plan. Management believed this variance was most likely due to members not accessing the health care system at the expected level for non-emergency or elective care because of the impact of the COVID-19 pandemic. CHO earlier increased its 2020 policy reserve assuming that this care would ultimately be provided, and the variance reduced. (The variance between actual YTD claim payments and the Plan’s projections was –\$4.0 million in June, –\$2.6 million in July, –\$2.2 million in August, and –\$1.9 million in September.)

CHO’s reported net income of \$0.08 million for the month of October is better than the revised Plan’s projected net loss of \$0.1 million. Prior to policy reserve adjustments, CHO had a net underwriting loss of \$1.6 million in October due to an increase in claim costs. This underwriting loss was offset by a corresponding reduction in the 2020 policy reserve. Reported YTD net income was \$50.8 million which is primarily due to the net \$49.9 million recovery in September from the United States of risk corridor amounts due for 2014, 2015 and 2016. October net income and favorable adjustment of non-admitted assets for recouped advance payments to hospital systems, resulted in a \$2.4 million increase in capital and surplus to \$132.8 million. As of October 31, 2020, capital and surplus were \$48.6 million higher than at December 31, 2019. The BOI’s earlier monthly statements described a reduction in surplus due to advance payments of \$6.5 million to hospital systems to help them cope with the impact of the COVID-19 pandemic and an increase in premium unpaid for more than ninety days. The BOI reported that these advance payments, while non-admitted assets, were expected to be recouped by yearend through either setoffs against amounts otherwise payable or cash repayments. During September, CHO recouped approximately \$2.2 million, and in October an additional \$2.3 million of that \$6.5 million through setoffs against claims otherwise payable.

The Company’s reported bonds, cash, cash equivalents, and short-term investments at the end of October totaled \$208.9 million, \$0.4 million higher than at September 30, 2020. These assets exceed the Company’s accrued liabilities for member- and provider-related obligations and the BOI remains comfortable that CHO has adequate assets to meet its current obligations to members and their health care providers.

CHO had total membership of 27,233 during October (59.0% individual, 32.5% small group, and 8.5% large group). This reflects a 1.1% drop in total membership from the prior month when it

was 27,537 (59.0% individual, 32.6% small group, and 8.4% large group.) CHO's actual October membership was slightly lower (0.8%) than the Plan projection for the month.

The reported percentage of the Net Outstanding Claims Inventory (which is the total pending Net Submitted Dollar Amount at October 31, 2020) in the 0-30 day period (100%) was the same figure reported for September 30, 2020 (100%). The BOI is monitoring the aging of the claim inventory on a weekly basis, so more recent information is available. CHO reports that as of November 30, 2020, the percentage of Net Outstanding Claim Submissions in the 0-30 day period was 100% of the total. The age of the average claim in CHO's inventory on November 30 was reported to be 5.2 days.

During October, CHO reduced its aggregate net health policy reserves by \$1.6 million from the September 30, 2020 level, primarily due to adjustments to offset October's net underwriting loss, to a total of \$53.8 million (a \$29.8 million 2020 risk adjustment payable reserve, a \$11.5 million 2020 policy reserve, and a \$12.5 million 2020 premium deficiency reserve). Management advises the BOI that these reserve levels are conservative.