



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

June 5, 2020

This statement discusses the key April financial results for Maine Community Health Options (“CHO”) compared to its 2020 Business Plan provided to the Bureau of Insurance (BOI). The 2020 Business Plan gave no consideration to the possible impact of COVID-19. Once such information becomes available, CHO will accordingly modify the 2020 Plan. Through April 30, 2020 CHO’s total reported paid claims on a YTD basis, were \$0.8 million lower than Plan. This variance is most likely due to members not accessing the health care system at the expected level for non-emergency or elective care due to the impact of the COVID-19 pandemic. As the year continues, it is expected that this care will ultimately be provided and the variance will reverse.

CHO reported net income of \$0.05 million for the month of April, which compares to the Plan’s projected net loss of \$0.1 million. Reported YTD net income was \$0.7 million, which compares to the Plan’s expected \$0.6 million net loss for the period. A \$6.9 million change in non-admitted assets during April reduced capital and surplus to \$77.9 million. This change was primarily due to \$6.5 million of advance payments to hospital systems to help ameliorate the impact on them of reduced revenue because of the COVID-19 pandemic. (Such advance payments cannot be carried as an admitted asset by an insurer even though they are to be repaid by yearend.) The other driver of the change was an increase in outstanding premium due to deferred payment arrangements intended to assist members in coping with economic dislocation from the pandemic. (Premium which is unpaid for more than 90 days cannot be carried as an admitted asset.) As of April 30, 2020, capital and surplus were \$6.3 million lower than at December 31, 2019.

The Company’s reported bonds, cash, cash equivalents, and short term investments at the end of April totaled \$166.7 million, a \$3.3 million (1.9%) decrease from \$170.0 million at March 31, 2020. (The decrease is due to the advance payments described above.) 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 its members and their health care providers.

CHO had total membership of 28,907 during April (60.0% individual, 31.8% small group, and 8.2% large group). This reflects a 22.1% drop in total membership from December 31, 2019 when it was 37,130 (69.4% individual, 25.6% small group, and 5.0% large group.) CHO’s actual April membership was slightly higher (3.5%) 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 April 30, 2020) in the 0-30 day period (100%) was slightly higher than the same figure reported for March 31, 2020 (99.8%). 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 May 31, 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 May 31 was reported to be 3.7 days.

During April CHO increased its aggregate net health policy reserves by \$4.2 million from the March 31, 2020 level to a total of \$65.3 million (a \$3.3 million reserve for a 2019 medical loss ratio rebate payment, \$42.6 million in the risk adjustment payable reserve, a \$6.8 million 2020 policy reserve, and a \$12.5 million 2020 premium deficiency reserve). Management advises the BOI that these are deemed conservative steps.