

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

**August 17, 2020**

This statement discusses the key June 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. Through June 30, 2020, CHO’s total reported paid 2020 claims were \$4.0 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 has increased its 2020 policy reserve accordingly. (The variance in May was \$4.7 million but the change in June was likely due to it being a month with five claim payment dates. Most months only have four.)

CHO reported a net loss of \$0.1 million for the month of June, which is consistent with the Plan’s projected net loss of \$0.1 million. Reported YTD net income was \$0.6 million, which compares to the Plan’s expected \$0.8 million net loss for the period. A \$0.5 million reduction in non-admitted assets during June caused an increase in capital and surplus to \$78.0 million. As of June 30, 2020, capital and surplus were \$6.2 million lower than at December 31, 2019. As described in the BOI’s earlier monthly statements, this reduction is primarily 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 advance payments, while non-admitted assets, are expected to be recouped by yearend through either setoffs against amounts otherwise payable or cash repayments.

The Company’s reported bonds, cash, cash equivalents, and short-term investments at the end of June totaled \$172.4 million, a \$0.5 million (0.3%) increase from \$171.9 million at May 31, 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 28,338 during June (59.6% individual, 32.3% small group, and 8.1% large group). This reflects a 23.7% 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 June membership was slightly higher (2.3%) 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 June 30, 2020) in the 0-30 day period (100%) was the same figure reported for May 31, 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 August 4, 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 August 4 was reported to be 4.9 days.

During June, CHO increased its aggregate net health policy reserves by \$0.1 million from the May 31, 2020 level to a total of \$68.2 million (a \$3.3 million reserve for a 2019 medical loss ratio rebate payment, \$44.2 million in the risk adjustment payable reserve, an \$8.2 million 2020 policy reserve, and a \$12.5 million 2020 premium deficiency reserve). Management advises the BOI that these are deemed conservative steps.

On June 23, 2020, CHO and the United States filed a Joint Stipulation for Entry of Judgment in favor of CHO in its long-running litigation regarding the Government's risk corridor obligations to the Company. CHO is expected to receive, after netting its legal expenses, approximately \$50.1 million prior to December 31, 2020. CHO's financial statements do not reflect that expected recovery.