

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

**January 19, 2021**

This statement discusses the key November 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 November 30, 2020, CHO’s total reported paid 2020 claims were \$1.2 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. (By way of comparison, the variance between actual YTD claim payments and the Plan’s projections was –\$4.0 million in June.)

CHO’s reported net loss of \$0.09 million for the month of November is slightly 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 \$0.3 million in November 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 \$50.7 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. Favorable adjustment of non-admitted assets for recouped advance payments to hospital systems, net of the loss for November, resulted in a \$1.9 million increase in capital and surplus to \$134.8 million. As of November 30, 2020, capital and surplus were \$50.6 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, in October an additional \$2.3 million, in November \$1.7 million, and in December the remaining \$0.3 million thereby fully recouping the \$6.5 million advance.

The Company’s reported bonds, cash, cash equivalents, and short-term investments at the end of November totaled \$210.3 million, \$1.4 million higher than at October 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 26,972 during November (58.6% individual, 32.9% small group, and 8.5% large group). This reflects a 1.0% drop in total membership from the prior month when

it was 27,233 (59.0% individual, 32.5% small group, and 8.5% large group.) CHO's actual November membership was slightly lower (1.0%) 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 November 30, 2020) in the 0-30 day period (100%) was the same figure reported for October 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 January 11, 2021, 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 January 11 was reported to be 4.6 days.

During November, CHO reduced its aggregate net health policy reserves by \$1.0 million from the October 31, 2020 level to \$53.8 million. This change is the net result of a \$1.2 million reduction in CHO's 2020 policy reserve, a \$9.9 million reduction in its risk adjustment payable reserve and a \$10.1 million increase in its MLR rebate payable reserve. The Company's aggregate net policy reserves as of November 30 consisted of a \$19.9 million risk adjustment payable reserve, a \$10.4 million 2020 policy reserve, a \$12.5 million premium deficiency reserve, and a \$10.1 million MLR rebate payable reserve. Management advises the BOI that these reserve levels are conservative.