



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**

**January 11, 2018**

Consistent with the Bureau of Insurance's ("BOI") practice, this statement concerns Community Health Options' ("CHO") results for November and compares those results to CHO's updated 2017 Business Plan.

What follows are the key results for November:

- Paid claims were 7.9% lower in November than Plan. Gross incurred claims for November were 2.5% lower than Plan. YTD paid claims were 0.6% higher than Plan and YTD gross incurred claims were 1.4% lower than Plan. (Since CHO's membership is substantially lower than what was estimated in the updated 2017 Plan (see below), the BOI would expect to see lower claims YTD and in November than reported.) The number of open claims at the end of November was 22.4% higher than at the end of October. The Average Daily Dollar Amount in the Claim Inventory in November was 20.1% lower than at the end of October. For several months CHO's former third-party claim administrator experienced reporting problems which in turn impacted the paid, open claims count, and claim inventory results reported above. CHO reports that the resulting uncertainty caused it to book a more conservative incurred claim reserve. The November monthly results do not appear to be due to such reporting issues. The Company implemented a new claim administration platform on January 1, 2018 with a new vendor which is expected to improve the accuracy and efficiency of claim processing and reporting.
- The percentage of Net Outstanding Claims Inventory (which is the total pending Submitted Amount at November 30, 2017) in the 0-30 day period (102.3%) matched the revised figure for October (102.3%). (The 0-30 day percentage is greater than 100% because the 30+ day category was a negative amount reflecting credits due CHO.) The 0-60 day period inventory (102.2%) was slightly higher than October (101.3%). The BOI is monitoring the aging of the claim inventory on a weekly basis and can report that, as of January 10, 2018, all but \$0.1 million of the claims submitted through December 15, 2017 have been processed and paid. Due to the transition to the new claim administration platform, claims submitted after December 15, 2017 are being loaded onto the new platform for adjudication and will begin to be paid in the third week of January, 2018. The goal is for properly submitted claims to be processed within thirty days but because of the described transition, it may take up to forty-five days to process claims submitted since December 15, 2017. CHO expects to soon process claims faster and well within the thirty days from submission target.
- Membership for the month of November was 11.9% lower than Plan. The membership breakdown was 76.2% individual, 21.1% small group, and 2.7% large group in November, compared with 76.6% individual, 20.7% small group, and 2.7% large group in October. Reported net premium income was 13.3% lower than Plan for November and 2.7% lower than Plan YTD. Adjusting to disregard the impact of the \$9.1 million risk adjustment

reconciliation accrual booked in June, the YTD net premium income was 6.3% lower than Plan. Total expenses in November were 14.1% lower than Plan. YTD total expenses are 6.3% lower than Plan.

- The \$6.10 million of net loss reported for November compares to \$1.46 million of net loss projected under the Plan. Approximately \$2 million of the \$6.10 million loss was attributable to the termination of Cost Sharing Reduction payments by CMS. The remaining November loss is primarily due to substantially higher per member claim obligations than expected. CHO's reported YTD net loss of \$2.92 million would have been a net loss of \$13.76 million absent the favorable risk adjustment receivables and additional transitional reinsurance recoveries booked in June; this compares to \$3.40 million YTD net income projected in the Plan. These comparisons are offered in order to illustrate how 2017 operating results compared to Plan without the impact of the described reconciliations which are attributable to operations in prior years. The BOI is concerned with the level of CHO's reported net losses and adverse variation to the Plan in November. Indications are that this adverse variance to Plan will continue in December. Accordingly, this issue will be given close attention by the BOI.
- CHO's reported bonds, cash, cash equivalents, and short term investments in November were 12.74% lower than Plan and 3.0% lower than in October.

The BOI will continue to closely monitor CHO's performance and post monthly statements about its results.