

Bureau of Insurance Statement Regarding Maine Community Health Options

October 7, 2020

This statement discusses the key August financial results for Maine Community Health Options (“CHO”) compared to its original and recently 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 August 31, 2020, CHO’s total reported paid 2020 claims were \$2.2 million lower than the original 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 June was \$4.0 million and in July \$2.6 million.)

CHO’s reported net income of \$0.06 million for the month of August, is better than the revised Plan’s projected net loss of \$0.07 million. Reported YTD net income was \$0.8 million, which compares to the revised Plan’s expected \$0.6 million of net income for the period. August’s net income caused a small increase (\$0.01 million) in capital and surplus to \$78.1 million. As of August 31, 2020, capital and surplus were \$6.1 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 August totaled \$164.3 million, \$8.1 million lower than at July 31, 2020. The Company reports this is due to it not receiving any APTC in August (typically approximately \$7 million) as those funds were used to pay the 2019 risk adjustment payable. An additional \$1.2 million was drawn down to pay the remaining risk adjustment payable balance. 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 27,890 during August (58.9% individual, 32.7% small group, and 8.4% large group). This reflects a 24.9% 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 August membership was slightly higher (1.1%) 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 August 31, 2020) in the 0-30 day period (100%) was the same figure reported for July 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 September 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 September 30 was reported to be 0.9 days.

During August, CHO reduced its aggregate net health policy reserves by \$5.9 million from the July 31, 2020 level, primarily due to payment of the 2019 risk adjustment payable amount, to a total of \$64.9 million (a \$9.5 million reserve for the 2019 medical loss ratio rebate payment which is payable by September 30, 2020, \$29.8 million in the 2020 risk adjustment payable reserve, a \$13.1 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. On September 25, 2020, CHO received, after netting its legal expenses, approximately \$50.1 million. CHO's August financial statements do not reflect that recovery, which will appear in the September financial statements.