

Bureau of Insurance Statement Regarding Maine Community Health Options

November 13, 2020

This statement discusses the key September 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 September 30, 2020, CHO’s total reported paid 2020 claims were \$1.9 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. As the year continued, it was expected that this care would ultimately be provided, and the variance would be reduced. CHO earlier increased its 2020 policy reserve accordingly. (The variance between actual YTD claim payments and the Plan’s projections was –\$4.0 million in June, –\$2.6 million in July, and –\$2.2 million in August.)

CHO’s reported net income of \$49.9 million for the month of September is substantially better than the revised Plan’s projected net loss of \$0.08 million. The favorable September net income is principally due to receipt from the United States, as the result of successful litigation, of the risk corridor amounts due for 2014, 2015, and 2016. Reported YTD net income was \$50.7 million, which compares to the revised Plan’s expected \$0.6 million of net income for the period. September’s net income and adjustment of non-admitted assets caused a significant increase (\$52.3 million) in capital and surplus to \$130.4 million. As of September 30, 2020, capital and surplus were \$46.2 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 the 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 of that \$6.5 million through setoffs against claims otherwise payable.

The Company’s reported bonds, cash, cash equivalents, and short-term investments at the end of September totaled \$208.5 million, \$44.3 million higher than at August 31, 2020. This was primarily attributable to the receipt of the risk corridor recovery. 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 27,537 during September (59.0% individual, 32.6% small group, and 8.4% large group). This reflects a 1.3% drop in total membership from the prior month when it was 27,890 (58.9% individual, 32.7% small group, and 8.4% large group.) CHO's actual September membership was slightly lower (0.5%) 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 September 30, 2020) in the 0-30 day period (100%) was the same figure reported for August 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 October 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 October 31 was reported to be 2.9 days.

During September, CHO reduced its aggregate net health policy reserves by \$9.5 million from the August 31, 2020 level, primarily due to payment of the 2019 medical loss ratio rebate, to a total of \$55.4 million (a \$29.8 million 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 reserve levels are conservative.