

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

**July 7, 2020**

This statement discusses the key May 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 May 31, 2020, CHO’ total reported paid 2020 claims were \$4.7 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.

CHO reported net income of \$0.1 million for the month of May, which compares to the Plan’s projected net loss of \$0.1 million. Reported YTD net income was \$0.8 million, which compares to the Plan’s expected \$0.6 million net loss for the period. A \$6.9 million change in non-admitted assets during April, which increased by \$0.4 million in May to \$7.3 million, reduced capital and surplus to \$77.7 million. These changes were primarily due to \$6.5 million of advance payments to hospital systems to help ameliorate the impact on them of reduced revenue because of the COVID-19 pandemic. (Such advance payments cannot be carried as an admitted asset by an insurer even though they are to be repaid by yearend.) Another driver of the change was an increase in outstanding premium due to deferred payment arrangements intended to assist members in coping with economic dislocation from the pandemic. (Premium which is unpaid for more than 90 days cannot be carried as an admitted asset.) As of May 31, 2020, capital and surplus were \$6.5 million lower than at December 31, 2019.

The Company’s reported bonds, cash, cash equivalents, and short-term investments at the end of May totaled \$171.9 million, a \$5.2 million (3.1%) increase from \$166.7 million at April 30, 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 its members and their health care providers.

CHO had total membership of 28,632 during May (59.8% individual, 32.1% small group, and 8.1% large group). This reflects a 22.9% 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’ actual May membership was slightly higher (3.0%) 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 May 31, 2020) in the 0-30 day period (100%) was the same figure reported for April 30, 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 June 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’ inventory on June 30 was reported to be 4.4 days.

During May, CHO increased its aggregate net health policy reserves by \$2.9 million from the April 30, 2020 level to a total of \$68.1 million (a \$3.3 million reserve for a 2019 medical loss ratio rebate payment, \$44.2 million in the risk adjustment payable reserve, a \$8.1 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. 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.