



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 – July 6, 2016

The Bureau of Insurance (“BOI”) has committed to post monthly statements on Community Health Options’ (“CHO”) results. This statement is being posted somewhat later than has been the practice in order to include, along with May results, the information made available by CMS late in the day on June 30, 2016 concerning Risk Adjustment and additional Transitional Reinsurance. Earlier, CMS provided information to CHO concerning the reconciliation of Cost Sharing advances to actual Cost Sharing payments, which is reported in this statement as well.

At the beginning of 2016, CHO had accrued an estimated Cost Sharing reconciliation receipt that was \$4.4 million higher than the actual additional amount determined by CMS upon completion of the reconciliation. Partially offsetting that negative result was \$1.2 million of additional Transitional Reinsurance and a Risk Adjustment payment of \$706,000 due to CHO. These developments, in combination with the approximately \$800,000 addition to the Premium Deficiency Reserve generally discussed in the Bureau’s May 31, 2016 statement, produce a net negative impact on surplus which is presently being quantified. Adjustments will be reflected in CHO’s public Q2 financial statement.

What follows are the key results for May and YTD:

- Paid claims were 11.9% higher than Plan in May and incurred claims were 9.7% higher for the month. YTD paid claims were 0.01% lower than Plan and YTD incurred claims were 0.02% lower. CHO’s Plan attempts to reflect the seasonality of incurred claims over the course of the year since claimants must satisfy deductibles earlier in the calendar year.
- 85.3% of CHO’s claim inventory fell within the 0-30 day period which compares to 89.9% in April. The pending claim count in May dropped by 15.4% from April.
- Membership at the end of May was 3.2% lower than Plan but still 5.7% higher than at the end of 2015. Approximately 77% of membership consists of individual insurance with the rest being virtually all small group insurance. May premium was 0.75% lower than Plan and YTD premium was 1.3% lower than Plan.
- The split of business between Maine and New Hampshire, the two states where CHO does business, was unchanged in May from January (85% Maine, 15% New Hampshire).
- Total expenses in May were 9.8% lower than Plan for the month. YTD expenses are 4.7% lower than Plan.
- May’s net loss was 25.7% worse than Plan but the YTD total net losses are 6.1% better than Plan. Through May, 40.5% of the Premium Deficiency Reserve established as of December 31, 2015 has been drawn-down. (This draw-down was the amount necessary to offset operating losses so as to yield a \$0 Net Income or Loss.) CHO drew-down its Premium Deficiency Reserve through May by 6.1% less than projected in the Plan for the same period.

CHO reported bonds, cash, cash equivalents, and short term investments 9.7% lower in May than in April which is YTD 8.3% lower than at December 31, 2015.

Notwithstanding the worse than Plan paid and incurred losses in May, CHO’s reported YTD results through the first five months of 2016 were generally consistent with its Plan.