Bureau of Insurance Statement Regarding Maine Community Health Options

August 15, 2017

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

What follows are the key results for June:

- During June, CHO accrued risk adjustment receivables and transitional reinsurance recoveries announced during the month by CMS. In the aggregate, these had an approximately $10.2 million positive impact. While the results of the CMS reconciliation were related to CHO’s 2016 membership and claim experience, they became known and therefore were booked in June 2017. The result is that the surplus available to protect CHO against possible adverse events has improved from $42.0 million as of May 31 to $52.9 million as of June 30, a 25.9% improvement.

- Paid claims were 10.9% higher in June than Plan. Gross incurred claims for June were 7.2% lower than plan. YTD paid claims were 1.6% higher than Plan and YTD gross incurred claims were 2.3% lower than Plan. The number of open claims at the end of June was 29.3% lower than at the end of May. The Average Daily Dollar Amount in the Claim Inventory in June was 9.4% lower than at the end of May.

- The percentage of Net Outstanding Claims Inventory (which is the total pending Submitted Amount at June 30, 2017) in the 0-30 day period (101.7%) was lower in June than May (102.3%). The 0-60 day period inventory (102.1%) was slightly higher than May (102.0%). (These numbers are greater than 100% because the 60+ day category was a negative amount reflecting credits due CHO. Additionally, the company is using a new claim inventory reporting format this month, which they believe to be more accurate.) The BOI is monitoring the aging of the claim inventory on a weekly basis and can report that as of the end of July the percentage of the total Net Outstanding Claim Inventory in the 0-30 day period was 104.9% and for the 0-60 period 106.6%.

- Membership at the end of June was 5.8% lower than Plan. The membership breakdown was 76.7% individual, 21.3% small group and 2.0% large group, unchanged from May. Reported net premium income was 33.1% higher than plan for June and 3.5% higher than plan YTD. Adjusting these figures to disregard the impact of the $9.1 million risk adjustment reconciliation accrual discussed above, the current monthly net premium income was 7.1% lower than the Plan and YTD net premium income was 3.1% lower than Plan. Total expenses in June were 8.5% above Plan. YTD total expenses are 0.9% lower than Plan.

- The reported $10.1 million of net income in June was principally due to the favorable risk adjustment receivables and additional transitional reinsurance recoveries described above.
Absent those amounts attributable to prior years, the results for June would have been a small net loss, which was anticipated in the Plan. CHO’s reported YTD net income of $12.6 million would have been $2.4 million absent the described recoveries for prior years; this compares to $4.3 million YTD 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.

- CHO’s reported bonds, cash, cash equivalents, and short term investments in June were 37.9% lower than Plan and 32.1% lower than in May. The BOI understands that this shortfall primarily reflects timing issues in the recovery of premium credits from CMS and was substantially corrected in July.

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