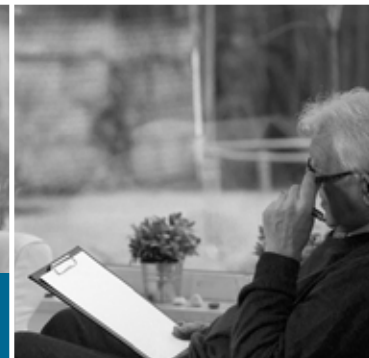


Working Together



for the



Health



of the



Whole

Community



2015 Annual Report



Community Health Options is a non-profit health insurance company offering a variety of plans to individuals and groups, both on and off the Marketplace. As a Member-led organization, we focus on improving health status, enhancing the Member experience of care, and lowering total costs. Based in Maine, Community Health Options is fully licensed in both Maine and New Hampshire.

Senior Leadership

- Kevin Lewis, CEO
- Robert Hillman, COO
- Joyce McPhetres, CHRO
- Ed Vozzo, CFO
- Dr. John Yindra, CMO
- William Kilbreth, CIO
- Greg McCarthy, VP Operations
- Nancy Johnson, AVP Compliance and Regulatory Affairs
- Maggie Kelley, AVP Medical Services
- Jane Cariello, AVP Service Operations
- Charissa Kerr, Controller
- Sharon Ware, Director, Business Development
- Michael Gendreau, Director, Outreach, Education and Communications
- Barbara Lovejoy, Director, Human Resources

Board of Directors

- Dana Baldwin
- David Shipman
- David Shultz
- Douglas Wilson
- Felicity Myers
- Fred Craigie, PhD
- Jim Davis
- Laura Ronan
- Mike Woodard
- Rocell Marcellino
- Ronnie Weston
- Sarah Hines
- Tonua Fedusenko
- Trish Riley
- W. Douglas Smith



Community Health Options is the most professional insurance company I've ever dealt with. It's a lot like the companies of 30 years



ago, where customer service was a priority and every individual was treated with dignity."



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Everyone plays



a part.

3

And together

we're improving the Health of the Community

Community Health Options is working to transform the health and well-being of people in Maine and New Hampshire by offering thoughtfully designed benefits. We believe that a health plan should partner with and empower its

with our Members, strengthening our operations to improve the Member, provider, and broker experience, and partnering with communities to ensure that high-quality healthcare is accessible and affordable for all.

Some of our achievements in 2015 include:

- ▶ Installing a completely Member-elected Board of Directors
- ▶ Achieving full National Committee for Quality Assurance (NCQA) certification
- ▶ Providing Members with rebates based on positive 2014 financial performance
- ▶ Being named one of the Best Places to Work in Maine
- ▶ Conducting Member Orientation and Health Insurance Literacy sessions throughout Maine and New Hampshire

... everyone has a part to play in bringing about change and moving toward a healthier future ...

Members throughout their healthcare experience and help expand access to needed care. We know that this transformation does not happen overnight. We are committed to being there for our Members, the business community, brokers, and our providers, understanding that everyone has a part to play in bringing about change and moving toward a healthier future.

In this Annual Report, we explore how we are building relationships

One of the most significant changes for our organization in 2015 was in our name. We officially became Community Health Options, and the emphasis on "Community" is not accidental. It's a reflection of something we deeply believe: everyone has a part to play, and by working together as a community we can improve and transform the health and wellbeing of our Members and the local economy.

We see the seeds of our transformative vision taking root when Members take full advantage of their health plans to get the care they need, when they need it, in the appropriate setting, and when they rely on their preventive care benefits to stay well. When Members, businesses, and providers work together, we can reduce the cost of care, keep premiums lower, and save Members money. By working together, we all benefit.

Together we win

as our Members play an active role in their health.



Everyone

plays



a part.

4

View from our Board Chair, Doug Smith



Our organization has created 170 new, local, and sustainable jobs and recruited a talented team that shares a strong work ethic and works diligently to provide service to our Members.

During its formation, Community Health Options established a set of values by which our team operates everyday and a vision and mission

that guide our strategic decisions and actions. Our vision is to be a leader in transforming and improving individual and community health and positively affecting local economies. Our mission is to partner locally with Members, businesses and health professionals to provide affordable, high-quality benefits that promote health and wellbeing.

This is the second annual report to the community we serve. As a non-profit organization, our Members are also our "shareholders." We are accountable to our Members for performance but also our adherence to stated values, mission, and vision. We expect to hear from them if this is not the case.

While 2015 was a challenging year, it would have been more so if not for the patience, diligence, and extra efforts of our team members, the Board, and our partners. In particular, we have worked together with our health provider partners to promote and improve

the health of our Members and community, while providing competitive health coverage to businesses and individuals.

To support these efforts in 2015, Community Health Options made significant, prudent investments and improvements in our operations, information technology and outreach programs. From medical management systems and new telephony solutions to Member education and new Member portals, Health Options is working to better serve our Members, businesses, and providers who are changing the landscape of health insurance, transforming the healthcare experience, and expanding access to needed care for the people we serve in Maine and New Hampshire.

Wm. Douglas Smith
Doug Smith, Chair

Together
we win

as healthy communities support healthy Members.



Reflections from our CEO, Kevin Lewis



We're pleased that so many Maine and New Hampshire residents chose Community Health Options as their health insurer. As a non-profit, Member-centered health insurer, we're focused on improved health outcomes and lower total costs of care for our Members.

In 2015, we increased our service area from Maine to include New Hampshire. We brought medical management in-house. We doubled our total membership. But 2015 was not without its difficulties. The cost of medical and pharmacy claims outstripped premiums and produced a financial deficit, a phenomenon widely experienced by insurers throughout the country.

Also in 2015, we provided over \$3 million in rebate checks to our 2014 Members who were premium payers. This rebate was due to the profits gained in 2014.

This disconnect between 2014 and 2015 reveals the newness of the individual market and the inherent turbulence that accompanies a rapidly growing market. From 2014 to 2016, the individual market in Maine grew three times its previous size.

We've had to make adjustments to weather the higher claims costs. We significantly pared back administrative costs through a broad-scale concerted

Together, we are making a difference and invigorating the health insurance market so it works better for all . . .

effort. Many providers have also stepped up to provide rate reductions.

What has not changed, however, is our commitment to our Members and to providing the very best value for their premium dollars. In addition, we continue to make investments in our operations and service model to ensure the high caliber of support and fulfillment that is expected of a locally-based company. We seek Member feedback, and ask for their engagement. Together, we are making a difference and invigorating the health insurance market so it works better for all involved. Thanks to our Members for being part of the difference.

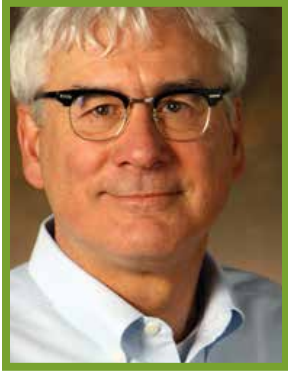
Kevin Lewis, Chief Executive Officer

Together
we win

when we promote partnerships between
Members and care providers.



Thoughts from our CMO, Dr. John Yindra



Enhancing the Health and Well-Being of our Members

2015 was a challenging year for health plans in general and for Health Options. Membership in Maine and New Hampshire was nearly 76,000, and for some, this was the first time they had health coverage and access to much needed healthcare services. As a result, our Members utilized healthcare services heavily and the services they received were very expensive. While the cost of that care was unexpected, we believe that it is critical that people get the care they need.

healthcare system. The more that I learn about our healthcare system and insurance in general, the more I realize that our Members need help not only to understand their benefits but also to efficiently access all of the various providers in order to get the best outcomes possible.

As we continue to grow and mature as a health insurance company, we all have a part to play in achieving our mission to improve the health of our Members while reducing the cost of medical care. Members can have a positive impact by becoming well-informed, thoughtful consumers of healthcare by using a program developed by the American Board of Internal Medicine called Choosing Wisely®. It is my belief that engaged and informed consumers are an essential component of the effort to improve the quality and to control the costs of healthcare in the future.

Members can have a positive impact by becoming well-informed, thoughtful consumers of healthcare . . .

For medical services, 2015 was also a year of growth and innovation as we created efficiencies in the administration of the health plan. We fully integrated our population health and utilization management teams, making it easier to help our Members with complicated health issues as they navigate an intricate

John Yindra
John Yindra, M.D., Chief Medical Officer

Together we win

as we pay attention to the whole person.

Everyone

plays

a part.

7

Local, High-Touch Care Management

We believe that a health plan should partner with and empower its Members throughout their healthcare experience. Through meaningful partnerships with providers and local community resources, last year our Care Management team provided support to Members who needed help coordinating their care. Our nurses, social workers, registered dietician, and care navigators helped thousands of Members in 2015 get the care they needed based on their personal values and preferences. We helped Members engage with primary care providers to decrease avoidable Emergency Department use, and we increased post-discharge follow up with behavioral health providers by nearly

Our nurses, social workers, registered dietitians, and care navigators helped thousands of Members in 2015 get the care they needed . . .

40%. We also partnered with community care teams, area agencies on aging, and peer support programs to help Members get the services they needed in their own communities.

In January 2015, we brought Utilization Management (UM) services in-house. UM works closely with providers to ensure that Members receive the right care at the right time and in the right setting. To do so, we hired a team of healthcare professionals who are familiar with local facilities and providers. We processed over 40,000 authorization requests in 2015, and in spite of the higher-than-anticipated volume, we met our decision turn-around times 93% of the time. We enhanced our prior approval requirements in December of 2015 and will launch a new provider portal to make the authorization submission process even more efficient.

“ We were able to find a health plan that fits our needs and our budget. It also gives us peace of mind knowing we have a health plan that provides us with meaningful benefits.

Your member services associates we have spoken with when we've had questions were super knowledgeable and answered our questions the first time.”

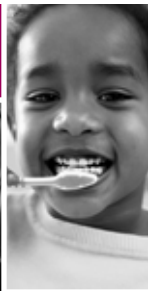
—Robyn S.

Together
we win

as our care managers coordinate the delivery of a comprehensive approach.



plays a part.



Everyone

8

Multi-Channel Member Education and Information

Last year, our member service associates received over 381,000 calls. Responding to these inquiries from Members, potential members, providers, brokers, navigators, and others helps expand access and spread information – and helps solve problems. Member Services also expanded its ability to respond to complicated enrollment and eligibility issues, resolving more than 11,870 cases in 2015.

In a similar fashion, we focused our efforts on increasing our Members' understanding of how health insurance works. Through a collaboration with the Maine Primary Care Association, our Outreach and Education Team conducted a series of Health Insurance Literacy workshops throughout Maine.

And, in an effort to help Members better understand their health plan benefits, we held Member Orientation sessions in 71 communities throughout Maine and New Hampshire.

“Your service is incredible! Every person who has helped us has been thorough, kind, knowledgeable, and so very helpful. We are so thankful and grateful to have affordable health insurance and a company that takes the time to truly help its Members.”

–Stacie J.

Through a collaboration with the Maine Primary Care Association, our Outreach and Education Team conducted a series of Health Insurance Literacy workshops throughout Maine.

Together
we win

when we make health insurance work for our Members.



plays



Everyone



a part.

9

Improving Systems

Community Health Options is dedicated to improving our Members' journeys toward better health and wellbeing. In our 2014 Annual Report, we introduced the Member portal, which continues to provide direct access to plan information and critical documents. For the 2015 health plan year, we made additional improvements to enhance our Member portal by increasing access to wellness and health information and improving financial reporting, making it easier for Members to track out-of-pocket costs and download and print important documents.

In 2015, we continued to make significant investments and improvements in information technology. We began the year by launching our new medical management system, and ended the year with a new telephony solution across the entire enterprise. The new phone system provides enhanced controls and reporting, which means our Member Services team can provide better service to our Members.

We are committed to continuing to give our network providers the tools they need in order to provide better care. In 2016, we will introduce a new provider portal, which will give our providers more information to help make it easier for Members to get the care they need when they need it. A new customer relationship management solution will enable us to better integrate all parts of our company in servicing our Members, brokers, and providers.

To enhance security in 2015, we conducted an independent security review and test of our network and data infrastructure. Keeping our Members' information secure is a high and on-going priority.

“When I got home after a recent surgery, I was touched (and pleasantly surprised!) by a call from Community Health Options just to ask if I needed anything! I recuperated in half the time—and there is no question that follow-up call had a hand in my speedy recovery.”

—Mary Ann P.

**Together
we win**

as we continue to make healthcare easy for our Members and providers.



New Solutions for Business

Community Health Options provides businesses with new solutions for quality affordable health insurance. As a result, our presence has increased competition and made a meaningful difference in the group market. Most notable is our 2015 expansion to New Hampshire and the development of a broker network in that state. To support the growing broker network in New Hampshire, we added a Group Sales Manager and Account Manager to our team.

Our Business Development team facilitated a series of broker orientation sessions to introduce our local broker service teams, educate on our electronic tools, and provide support through all levels of writing new and renewing group business. Additionally, our Business Development team worked closely with employers and brokers to support them while we ensured that their employees understand our health plans.

Our Outreach and Education Team conducted Member Orientation Sessions in Maine and New Hampshire, providing education for our new and existing individual and group Members about how insurance works, Health Options' processes and forms, and how to self-serve on the website and secure Member portal.

Looking ahead, we will offer an Employer Group Educational Webinar Series where employers can access information about innovative programs, resources, and employer-directed best practices from industry experts, leading-edge employers, and peers. The Employer Group Educational Webinars are designed to assist employers in retaining great employees.

“With a smaller (insurance) company comes better responsiveness to our needs. (Your) staff has always gotten back to us on matters of billing, insurance cards for our employees, and claims (support).”

We've been happy as a management group to feel that we have a working partner providing us excellent coverage at affordable rates. We see the positive impact on employee morale that we're able to keep insurance affordable for them and their families.”

—Richard Lagarde,
Controller, Prescott Metal



2015 Financial Report

Community Health Options strives to earn just enough profit to maintain regulatory required capital, repay our foundational loans, and provide for smart, sustainable growth. Our incorporating documents require us to give back any excess profit above this goal. It is our philosophy to price our products sufficiently to achieve that goal, such that we do not burden Health Options with additional debt or retain excessive earnings at the expense of our Members.

In 2015, collected premiums were less than the sum of our Members' claims and our administrative expenses, resulting in an operational loss. Additionally, our 2016 premiums based upon rates set in the summer of 2015, will be similarly insufficient. We have forecast the anticipated 2016 loss and combined it with the loss we experienced in 2015 to equal the total shortfall included on the adjacent Balance Sheet. Looking forward, we have reduced administrative expenses, updated plan designs, and increased rates in order to restore normal profitability for Plan Year 2017.

Balance Sheet ▶ December 31, 2015

Assets

Bonds	41,307,062
Cash & Short Term Investments	76,405,962
Subtotals, cash and invested assets	117,713,024
Investment income due and accrued	149,543
Uncollected premiums	3,900,159
Amounts recoverable from reinsurers	36,565,310
Electronic data processing equipment and software	382,519
Healthcare (\$3,404,838 in 2015) and other amounts receivable	8,845,052

Total Assets

\$167,555,607

Liabilities

Claims unpaid	56,354,564
Accrued medical incentive pool and bonus amounts	349,385
Unpaid claims adjustment expenses	1,990,637
Aggregate health policy reserves	43,072,541
Premiums received in advance	7,610,274
General expenses due or accrued	5,228,611
Ceded reinsurance premiums payable	3,082,272
Amounts withheld or retained for the account of others	16,099
Risk Adjustment Liability	67,430

Total Liabilities

\$117,771,813

Estimated ACA Insurer Fee	2,907,530
Surplus notes	132,316,124
Unassigned funds (surplus)	(85,439,860)

Total capital and surplus

\$49,783,794

Total liabilities, capital, and surplus

\$167,555,607