

2016 Annual Report





Throughout 2016, Community Health Options worked on multiple fronts to improve the Member, provider, and broker experience in service delivery and systems. We further strengthened our operational capabilities, and are better positioned to deliver value to our membership.

In this Annual Report, we highlight how our commitment to the people and businesses of Maine, in combination with investments in operational improvements, are positively changing the face of health coverage in real and tangible ways.

- ▶ **Bringing better value to our Members**
Being mission-driven, local, and nonprofit makes us better able to focus on results for Members.
- ▶ **Providing essential health benefits throughout our service area of Maine** By providing benefits that promote health and wellbeing, we create quality and convenience for Members and enable employers to focus on building their organizations and the Maine economy.
- ▶ **Investing in more efficient tools** While successfully cutting costs over the past two years, we've also worked to gain new efficiencies in an effort to provide stellar customer support.
- ▶ **Focusing on unparalleled excellence in care management and service** Because we are dedicated to a personal approach to service, we expanded capacity to receive Member and provider calls.



Letter from Doug

Mission driven, local, and non-profit makes us better able to focus on results **for you**



Doug Smith,
Community Health Options
Board Chair

When the first Member-led Board of Directors set the direction for Community Health Options, its vision was – and is – to positively transform the health of Maine people and the Maine economy. In this third annual report to the community we serve you will see that Community Health Options’ direction, decisions, and actions are still shaped and guided by our mission, vision, and values.

Our Maine based team works diligently to provide Members with the best value for their health care dollar because we care about people, business, and communities in Maine. These are things that have not changed. What has changed is that we are becoming a stronger, more nimble organization able to adjust to change.

Annually, about this time of the year, our Management Team and Board start strategic and tactical planning efforts directed at next year and beyond. We are working harder than ever to act and react to potential changes coming out of Washington that might impact Community Health Options and the Members we serve. Our intent is to continue to work together with our health provider partners to promote and improve the health of our Members and Maine communities, while providing competitive health coverage to businesses and individuals in a financially responsible way.

With this intent in mind, we continue to make significant, prudent investments and improvements in our operations, information technology and outreach programs. From medical management systems, premium billing, informatics capabilities, benefits and claims administration systems infrastructure improvements to staff education and competencies the organization is working to better serve the Members, Businesses, and Providers and other partners to transform the Maine health care experience and insurance market.



Letter from Kevin

Providing essential health benefits enables employers to focus on building their organizations and the Maine economy



Kevin Lewis,
Community Health Options
Chief Executive Officer

The year 2016 was fraught with financial difficulty. We entered the year knowing our rates were insufficient relative to the building utilization patterns and realization of medical needs of our membership. While significant financial losses were a shared experience among three quarters of insurers across the country— and many had much greater than our \$58 million deficit – most had greater starting reserves to withstand the widespread financial strain that was commonplace on the Marketplace. Thus our achievement in pulling through financially and returning to Open Enrollment at the end of 2016 represents a significant achievement and turning point for us as a company. Other achievements include:

- ▶ Increased capacity to field calls from Members, providers and brokers;
- ▶ Replacement of our enrollment process with a new system that provides better visibility and safeguards;
- ▶ Installation of enhanced tools to support Member engagement;

We wouldn't have been able to turn the corner without the concerted efforts of our entire team or without the significant support from key providers across our broad network. We continue to make investments in greater efficiencies and greater self-reliance to achieve lower costs, but maintain our steadfast commitment to our mission and finding ways to bring greater value to our partnering providers and Members alike.



Investing in *Maine*



Operational Improvements and Investment in Maine

Operationally, Community Health Options remained focused on providing the highest level of service while making significant operational investments to further enhance the Member, provider, and broker experience.

Our approach to lowering the total costs of coverage continues to be rooted in three fundamental operational pillars:

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Investments in new tools

While successfully cutting costs over the past two years, we've also placed our focus on gaining new efficiencies. Of note, our newly operational enrollment system allows for a more efficient enrollment process, and the ability to better monitor and resolve enrollment issues that arise.

At the end of 2016, we completed the transition from an external partner to developing and implementing a new invoicing and premium accounting system that provides improved account management support to Members, employers, and brokers.

Better value for our Members

With our switch to a new pharmacy benefits manager, we are continuing our efforts to maximize the value that our Members get out of their premium dollar. Enhanced mail order fulfillment and ease of access to information on lowering out-of-pocket costs are both meant to aid consumers and reduce total plan costs.

Health Options also implemented portal enhancements to improve the Member experience. The Health Options Wellness Assessment was added to make it easier for Members to track and celebrate their progress along their wellness journey. We also updated the portal's primary care provider (PCP) assignment functionality, and Members can assign or change a PCP for themselves or for any dependents under the age of 13.

Focus on unparalleled excellence in service

After the 2016 open enrollment season when we were deluged with calls, we ramped up our capacity to receive calls from Members and providers alike, resulting in a dramatic decline in hold times and better consumer access to timely information.

We are committed to giving our network of providers the tools they need to provide better care. In 2017, we will introduce a new provider portal, which will make it easier for providers to access tools such as current patient rosters, Member eligibility, claims detail.

A word from our own Dr. Yindra

Currently in Maine we are experiencing a narcotic substance abuse crisis.

Hardly a day goes by without a news report of a death related to overdose. This has been fueled in the past several years by the use of narcotic medications for the treatment of chronic pain. The legislature in Maine has instituted new laws that regulate and restrict the use of these medications and we have started to see a reduction in their use.

Community Health Options recognizes that we have a role in dealing with this crisis. In support of the legislative effort, we are working with our pharmacy partners to help monitor the excessive use of these restricted medications. In addition, we recognize that many of our Members now suffer from substance abuse disorder and our care management team is working hard to facilitate the treatment that is needed. We recognized that some Members were traveling outside of New England for services that many times did not meet our standards for quality and effectiveness. For that reason, we have made extra efforts to expand our local network of care providers so Members can receive care closer to home and obtain the community support that they need for successful recovery.



John Yindra MD,
Community Health Options
Chief Medical Officer

“Members can receive care closer to home and obtain the community support that they need for successful recovery.”



Improving Population Health

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Expanding targeted support benefits for Members and employees

Our Population Health Team continued to work with Members with complex health diagnoses and needs, removing barriers, supporting transitions of care, and providing education to Members to support self-management of their health conditions.

We launched two pilots to reduce hospital readmissions and Emergency Department utilization. As a result of these

We were able to support Members with substance abuse disorders to receive treatment at in-network facilities, reducing their cost share and supporting standard of care and best practice. In an effort to further support a

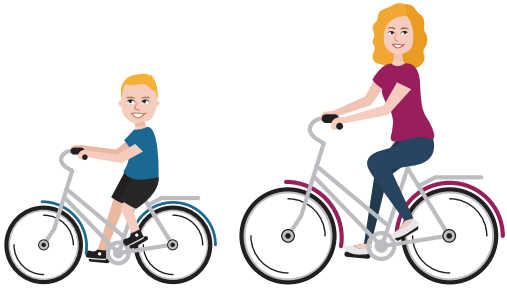
Yoga is a powerful tool



to help improve health outcomes and overall life balance

pilots, Members without primary care providers were supported in establishing care and empowered to address longstanding health issues.

People who are physically active



are less likely to develop heart disease or high blood pressure.

vulnerable population, we outreached to Members with limited financial resources and potentially significant socioeconomic barriers to provide education and support connection with primary care providers and specialists.

Lastly, we continued our efforts to support Members with chronic illness by enhancing the Chronic Illness Support Program, which aims to address and overcome barriers affecting Members' ability to manage their health.

Little Things Mean a Lot in Member Service & Outreach

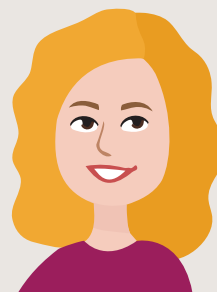
Last year, our Member Service Associates received more than 421,000 calls. Responding to inquiries from Members, potential members, providers, brokers, navigators, and others to answer questions, provide direction, and resolve issues is important to us.

At the end of 2016, we implemented a new enrollment system that allows us more control over all aspects of Member enrollment, particularly for our on-exchange Members. Member Services also expanded its ability to respond to complicated enrollment and eligibility issues, resolving more than 10,900 cases in 2016.

In a similar fashion, we focused our efforts on increasing our Members'

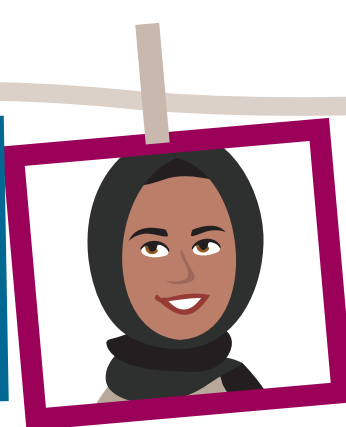
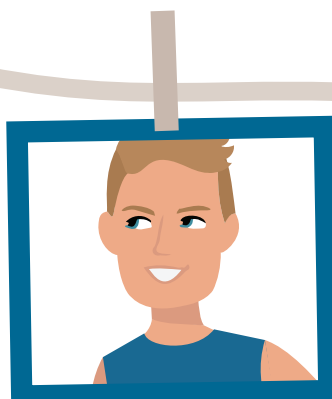
understanding of how health insurance works through Member orientation sessions that we held throughout Maine and via webinar. That understanding has helped them with more informed choices and better control of their care plans.

In 2016 we also launched an educational web series that provided businesses with access to innovative programs, resources, and employer-directed best practices from industry experts, leading-edge employers, and peers. Topics covered included: Change Management, How Great Managers Motivate Employees, Foundations of Leadership, and Recruiting and Retaining Millennials.



"I love working with people who have a real purpose; who are committed to improving the lives of our Members and making a difference in Maine."

—Health Options Employee



Our Financials 10

Early signs indicate we will achieve a modest level of profitability in 2017 in line with our Member-driven mission.

Financial Summary

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 the goal, such that we do not burden Health Options with additional debt or retain excessive earnings at the expense of our Members.

In 2015 and 2016, collected premiums were less than the sum of our Members' claims and our administrative expenses, resulting in operational losses. Looking forward, we have reduced administrative expenses, updated plan designs, and increased rates in order to restore normal profitability for plan year 2017. Early signs indicate we will achieve a modest level of profitability in 2017 in line with our Member-driven mission.

Balance Sheet ▶ December 31, 2016

Assets

Bonds	45,655,271
Cash & Short Term Investments	19,466,960
Subtotals, cash and invested assets	65,122,231
Investment income due and accrued	172,030
Uncollected premiums	2,631,390
Amounts recoverable from reinsurers	24,487,373
Electronic data processing equipment and software	182,883
Healthcare and other amounts receivable	9,389,222
Total Assets	\$101,985,129

Liabilities

Claims unpaid	49,765,001
Accrued medical incentive pool and bonus amounts	589,370
Unpaid claims adjustment expenses	1,191,989
Premiums received in advance	3,177,520
General expenses due or accrued	6,407,416
Ceded reinsurance premiums payable	2,085,759
Amounts withheld or retained for the account of others	10,357
Aggregate write-in for other liabilities	140,428
Total Liabilities	\$63,367,840

Surplus notes	132,316,124
Unassigned funds (surplus)	(93,698,835)
Total capital and surplus	\$ 38,617,289

Total liabilities, capital, and surplus **\$101,985,129**



Based in Maine, 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.



Senior Leadership

Kevin Lewis, CEO
Robert Hillman, COO
Joyce McPhetres, CHRO
Ed Vozzo, CFO
Dr. John Yindra, CMO
William Kilbreth, CIO
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	Laura Ronan
Fred Craigie, PhD	David Shipman
Jim Davis	David Shultz
Tonua Fedusenko	W. Douglas Smith
Sarah Hines	Ronnie Weston
Rocell Marcellino	Douglas Wilson
Felicity Myers	Mike Woodard
Trish Riley	