

Washington Health Plans Report Mixed Financial Results for Year End 2011

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Washington Healthcare News



Fifteen of the largest health plans in Washington recently reported 2011 annual financials and the results were mixed with five reporting a loss. Eleven plans reported a lower underwriting gain (or bigger loss) and nine of the fifteen plans reported lower net income or a greater loss than the same period in 2010.

Our report, shown on page three, shows total revenues, net underwriting gain (loss), investment gain (loss), other income and net income (loss) for fourteen domes-

tic health plans and one national health insurance company operating in Washington for the periods ending December 31, 2011 and December 31, 2010. We also present member months, the combined total of month ending membership for each twelve month period. When the financial figures are divided by member months, a monthly average over the period is obtained that is valuable in comparing one plan to another. Financial statement users can then make apples to apples comparisons of health plans.

All information in this report was obtained through publicly available reports filed with the National Association of Insurance Commissioners (NAIC). Information not required to be filed with the NAIC (self-insured and some Washington insured business from smaller, non-domestic carriers) is not included in this report nor is it referenced in this article.

Comments from Industry Representatives

We asked representatives of the plans to confirm figures in the report and to provide insight into their

financial results. Some plans chose not to reply to our request. However, others provided valuable comments and these follow, sorted by plan size in descending order.

Premera Blue Cross

Strong financial results continued for Premera Blue Cross with increases in every category except investment gain (loss) and other income. Spokesperson Eric Earling said, "Premera had a strong year 2011 based on several factors. We had significant growth in membership. We had success in our work to control rising medical costs, by holding cost increases below the average of our fellow Blue plans nationally. And, we have continued to show results in keeping our own administrative costs low. All of those factors contributed to strong financial performance for the year."

Earling continued, "Looking forward, we believe that leaves Premera well-positioned to implement federal healthcare reform for its customers & weather related market uncertainty that may follow. We expect to continue to operate on a narrow margin in a challenging en-

vironment. For context, our operating margin across our family of companies has been 2.0% over the last five years. Understanding that, our focus continues to be on addressing the issue of rising medical costs, which represent 86 cents on the premium dollar over the last five years. We believe that's a critical issue and everyone in the healthcare system has a role to play to addressing that challenge."

Regence of Washington

Regence had a difficult 2011 with decreases from 2010 in every category of our report. Spokesperson Rachelle Cunningham summed it up this way, "We attribute the loss of membership to continuing effects of the slow economy. Our overall financial results demonstrate that Regence is managing to its nonprofit values."

Group Health Cooperative

Group Health Cooperative also had a difficult 2011 although, due largely to investment gains, reduced their

2011 loss by \$19 million. Scott Boyd, Vice President of Finance, said this about Group Health's decrease in net underwriting loss, "(our) Expense trends were higher than anticipated."

When asked why there was a large increase in Group Health Cooperative investment income, Boyd replied, "We captured some gains from the sale of securities in late 2011 as we made some changes in our investments."

KPS Health Plans

Although total revenues were lower by \$23 million in 2011, KPS Health Plans reported a \$2 million profit, up from a loss of \$600 thousand in 2010. CEO Jim Page explained, "Enrollment losses were due to our exit from the small group market and some net losses of medium and large commercial groups. "

When asked about the KPS improved financial performance, Page said, "Overall improvement

in financial performance was attributable to more favorable claims expense trends and more efficient administrative cost structures."

Concluding Comments

Although too early to say conclusively, Washington plans could already have been negatively impacted by the early stages of healthcare reform. Member months are up, something not seen in many years, and are probably attributed to parents adding children aged 26 and below to their policies. However, since eleven of fifteen plans reported an unfavorable change in net underwriting gain (loss), the costs associated with this new enrollment are probably higher than expected.

Look for plan actuaries to put additional margin into premium rates going forward until it's absolutely clear the costs of healthcare reform are known. Unfortunately, it will require years of predictable claims history before the costs of healthcare reform can be quantified.

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Washington State Health Insurance Company Financial Results¹

For the Twelve Months Ended 12/31/11 compared to the Twelve Months Ended 12/31/10

Full Service Medical Plans Only - Sorted by Total Revenues - 000's Omitted²

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Health Plan Name	Member Months ³			Total Revenues			Net Underwriting Gain (Loss) ⁴			Investment Gain (Loss) & Miscellaneous			Other Income ⁵			Net Income (Loss)			
	12/11	12/10	Change	12/11	12/10	Change	12/11	12/10	Change	12/11	12/10	Change	12/11	12/10	Change	12/11	12/10	Change	
Dollars																			
Premiera Blue Cross ⁶	8,017	6,791	1,226	2,501,043	2,375,361	125,682	96,295	74,322	21,973	45,307	58,009	-12,702	-1,471	4,660	-6,131	119,164	119,011	153	
Regence BlueShield ⁶	7,412	8,296	-884	2,209,782	2,320,200	-110,418	-53,975	10,481	-64,456	54,629	68,806	-14,177	-4,159	-19,351	15,192	-10,200	51,295	-61,495	
Group Health Cooperative ⁶	4,259	4,303	-44	1,973,238	1,874,011	99,227	-85,896	-78,165	-7,731	72,344	45,281	27,063	0	0	0	-13,551	-32,884	19,333	
Group Health Options ⁶	2,789	2,609	180	1,015,869	862,265	153,604	6,399	10,002	-3,603	4,817	2,649	2,168	52	0	52	7,871	7,436	435	
Molina Healthcare of WA	4,170	4,141	29	834,782	757,620	77,162	39,188	40,037	-849	1,142	1,113	29	0	0	0	25,911	26,628	-717	
Community HP of WA	3,363	3,233	130	706,398	610,158	96,240	6,121	16,027	-9,906	3,853	5,359	-1,506	1,442	0	1,442	11,416	21,385	-9,969	
UnitedHealthcare Ins. Co. ⁶	4,369	3,383	986	568,949	650,902	-81,953	22,333	822	21,511	5,682	5,299	383	0	0	0	26,545	3,832	22,713	
UnitedHealthcare of WA	657	550	107	510,567	440,435	70,132	36,625	39,123	-2,498	2,546	2,204	342	12	0	12	25,549	27,168	-1,619	
Arcadian Health Plan	501	480	21	406,023	379,651	26,372	-8,237	1,776	-10,013	4,256	2,311	1,945	0	0	0	-2,337	3,626	-5,963	
LifeWise HP of WA ⁶	1,233	1,016	217	287,031	220,415	66,616	-11,760	5,577	-17,337	5,190	4,523	667	127	266	-139	-4,645	6,942	-11,587	
Asuris NW Health ⁶	922	988	-66	259,657	246,568	13,089	1,604	5,081	-3,477	2,582	2,019	563	-282	-533	251	2,762	4,082	-1,320	
Columbia United Providers	722	548	174	136,786	103,334	33,452	6,087	6,231	-144	124	208	-84	0	0	0	4,137	4,224	-87	
KPS Health Plans ⁶	352	422	-70	126,571	149,163	-22,592	2,497	-1,900	4,397	117	1,790	-1,673	-197	-558	361	2,372	-558	2,930	
SoundPath Health	137	85	52	50,118	51,713	-1,595	-1,455	20	-1,475	240	148	92	-115	-161	46	-1,330	-5	-1,325	
Timber Prod. Mfg. Trust	140	166	-26	25,201	26,431	-1,230	2,127	-341	2,468	123	266	-143	0	0	0	2,250	-75	2,325	
Per Member Per Month⁷																			
Premiera Blue Cross ⁶	8,017	6,791	1,226	312	350	-38	12	11	1	6	9	-3	0	1	-1	15	18	-3	
Regence BlueShield ⁶	7,412	8,296	-884	298	280	18	-7	1	-9	7	8	-1	-1	-2	2	-1	6	-8	
Group Health Cooperative ⁶	4,259	4,303	-44	463	436	28	-20	-18	-2	17	11	6	0	0	0	-3	-8	4	
Group Health Options ⁶	2,789	2,609	180	364	330	34	2	4	-2	2	1	1	0	0	0	3	3	0	
Molina Healthcare of WA	4,170	4,141	29	200	183	17	9	10	0	0	0	0	0	0	0	6	6	0	
Community HP of WA	3,363	3,233	130	210	189	21	2	5	-3	1	2	-1	0	0	0	3	7	-3	
UnitedHealthcare Ins. Co. ⁶	4,369	3,383	986	130	192	-62	5	0	5	1	2	0	0	0	0	6	1	5	
UnitedHealthcare of WA	657	550	107	777	801	-24	56	71	-15	4	4	0	0	0	0	39	49	-11	
Arcadian Health Plan	501	480	21	810	791	19	-16	4	-20	8	5	4	0	0	0	-5	8	-12	
LifeWise HP of WA ⁶	1,233	1,016	217	233	217	16	-10	5	-15	4	4	0	0	0	0	-4	7	-11	
Asuris NW Health ⁶	922	988	-66	282	250	32	2	5	-3	3	2	1	0	-1	0	3	4	-1	
Columbia United Providers	722	548	174	189	189	1	8	11	-3	0	0	0	0	0	0	6	8	-2	
KPS Health Plans ⁶	352	422	-70	360	353	6	7	-5	12	0	4	-4	-1	-1	1	7	-1	8	
SoundPath Health	137	85	52	366	608	-243	-11	0	-11	2	2	0	-1	-2	1	-10	0	-10	
Timber Prod. Mfg. Trust	140	166	-26	180	159	21	15	-2	17	1	2	-1	0	0	0	16	0	17	

Notes:

- All information from the National Association of Insurance Commissioners web site.
- 000's omitted means the last three digits of each figure is removed. For example, the number 1,000 becomes 1.
- Member Months is the combined total of each month's ending membership. For example, to get Member Months through 12/11, monthly membership for January through December is added together to get a combined total.
- Net Underwriting Gain (Loss) is Net Income prior to Income taxes, Investment Gains and Losses and Miscellaneous revenues and expenses. It is a thought to be an accurate measure of the adequacy of premium revenue and can be a good predictor of future premium increases or decreases.
- A negative Other Income number means it was an expense.
- Figures from the Supplemental Health Care Exhibit - Part 1 of the carrier's annual statement.
- Per Member Per Month is any of the financial figures divided by Member Months for the particular plan.
- Figures confirmed by healthplan management.