

Washington Health Plans Report Solid Profits Through September 30, 2011

However, Most Plans Show Lower Underwriting Gains than the Same Period in 2010

By David Peel
Publisher and Editor
Washington Healthcare News



Washington domestic health plans recently reported third quarter 2011 financial results and eleven of the fourteen plans were profitable. However, nine of the plans reported lower underwriting gains, and six reported an underwriting loss, suggesting premiums may rise more than usual in 2012. This becomes even more likely when the uncertainties of healthcare reform are considered.

Our report, shown on page three,

shows total revenues, net underwriting gain (loss), investment gain (loss), income taxes and net income (loss) for the fourteen domestic health plans operating in Washington for the periods ending September 30, 2011 and September 30, 2010. We also present member months, the combined total of month ending membership for each nine 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 on the Washington State Department of Insurance Commissioner (OIC) web site. Information not required to be filed with the OIC (self-insured and some Washington State insured business from 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 give us insight into their financial results. Some plans chose not to reply to our request.

Premera Blue Cross and LifeWise Health Plan of Washington spokesperson Amy Carter said, “For Premera, we have seen some growth in membership in 2011 in our Medicare Supplement and Federal Employee Plan business. However, I should note there has been some change to align our reporting practice with federal MLR reporting, which contributes to the increase in member months as well.”

Carter continued, “For LifeWise Health Plan of Washington, we have seen continued growth in 2011 after record-breaking growth in the closing months of 2010. LifeWise is now the leading individual carrier in the state, based on a very popular portfolio of products that offer the balance of benefits and costs that individual customers are looking for in a health plan.”

Regence of Washington spokesperson Rachelle Cunningham described her company’s results, “The decrease in membership was

driven primarily by a drop in our Individual segment. In January 2011, we discontinued our product portfolio from our legacy systems and launched a new portfolio of products on our new administrative platform. As we expected, such a significant product change resulted in almost a 30 percent membership reduction (individual <age65) from Q4 2010 to Q4 2011."

She continued, "We remain committed to serving the individual market, but we also remain concerned about the implications of a marketplace in 2014 in which people may wait until they are diagnosed with a significant medical condition before purchasing insurance. In the meantime, we are developing new products to fulfill the market demand for lower prices. At the same time, we are very well positioned for growth in the large group market, as demonstrated by our winning the five-year contract to administer PPO benefits for King County employees beginning January 2012. We anticipate other large group growth in 2012 and 2013 fueled by the strength of our provider network collaboration."

The Group Health organization consists of Group Health Cooperative, Group Health Options and KPS Health Plans.

Group Health Cooperative and Group Health Options Chief Financial Officer Ric Magnuson told us, "We have seen higher than expected increases in medical care costs in 2011 that have had an impact on our margin. Some of this is in the nature of the insurance business, at times you can see cost spikes, such as those caused by a tough flu season earlier in the year. In some areas, we do see opportunities to improve our

performance through better care coordination and other administrative changes. We have seen growth in 2011 and plan to continue to drive to make our plans an affordable value for purchasers."

Columbia United Providers Chief Executive Officer Ann Wheelock explained her organizations's enrollment growth, "We picked up additional membership in January 2011 as we expanded into King and Pierce Counties. There were two IPA type groups that asked us to contract for Healthy Options with their networks."

KPS Health Plan President Jim Page commented on his company's dramatic financial turnaround, "We gave few concessions to retain existing business. As a consequence, we lost enrollment but also saw improved bottom line results. We benefited from a relatively positive turn in general industry claims trends and undertook several significant initiatives to control claims costs. We continued to manage our administrative costs effectively and our per capita administrative costs decreased as our enrollment decreased. This was no small task to accomplish."

Page continued, "While we feel fortunate to have experienced a bit of a financial turnaround, however, as a small plan a higher than average number of large claims would have an adverse impact on our bottom line."

Per Member Per Month Analysis

One of the more interesting ways to analyze health plan financial results is by reviewing per member per month statistics. As mentioned previously, this allows apples to apples

comparisons of plan financial information.

For example, it can be learned how much a health plan takes to the bottom line for each person it insures through this type of analysis. If the federal government pays a Medicare Advantage plan \$800 a month to provide health benefits for seniors then how much profit does the plan make on each insured?

In United Healthcare's case, its quite a bit. United Healthcare's domestic health plan focuses on senior health insurance through its Medicare Advantage products. They reported a profit of \$41 per member per month through September 30, 2011, down from \$46 during the same time period in 2010. That profit level can be contrasted with SoundPath Health, a Medicare Advantage plan, and their profit of \$1 per member per month or Arcadian Health Plan, another Medicare Advantage plan, and their loss of \$1 per member per month.

United Healthcare seems to be able to consistently wrangle more profit though economies of scale, experience, efficiencies and provider contracting strategies than other plans. While certainly consistent with American capitalism, and our notion of what makes a successful company, it doesn't bode well with physicians facing Medicare reimbursement cuts or seniors facing Medicare Advantage premium increases.

David Peel is the Publisher and Editor of the Washington Healthcare News. He has held executive positions at several health care organizations throughout his twenty five year career. David can be reached at dpeel@healthcarenewssite.com or 425-577-1334.

Washington State Domestic Health Plan Financial Results¹ For the Nine Months Ended 09/30/11 compared to the Nine Months Ended 09/30/10

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

Health Plan Name	Member Months ³			Total Revenues			Net Underwriting Gain (Loss) ⁴			Investment Gain (Loss) & Miscellaneous			Income Taxes ⁵			Net Income (Loss)		
	09/11	09/10	Change	09/11	09/10	Change	09/11	09/10	Change	09/11	09/10	Change	09/11	09/10	Change	09/11	09/10	Change
Dollars																		
Premiera Blue Cross	5,996	5,109	887	1,871,952	1,780,529	91,423	80,158	48,773	31,385	39,696	49,085	-9,389	-20,640	-21,722	1,082	99,214	76,137	23,077
Regence BlueShield	5,605	6,285	-680	1,657,219	1,746,148	-88,929	-35,401	15,391	-50,792	47,977	49,537	-1,560	12,585	-7,626	20,211	25,160	57,303	-32,143
Group Health Cooperative	3,323	3,232	91	1,544,901	1,413,511	131,390	-53,751	-16,204	-37,547	40,391	17,362	23,029	0	0	0	-13,360	1,158	-14,518
Group Health Options	2,113	1,918	195	760,262	627,665	132,597	1,846	6,080	-4,234	3,781	2,041	1,740	-2,257	-3,208	951	3,371	4,914	-1,543
Molina Healthcare of WA	3,103	3,080	23	619,936	561,760	58,176	22,585	27,641	-5,056	876	873	3	-8,864	-9,755	891	14,596	18,759	-4,163
Community HP of WA	2,523	2,414	109	529,400	455,468	73,932	3,944	10,774	-6,830	2,206	4,165	-1,959	0	0	0	6,150	14,939	-8,789
UnitedHealthcare of WA	492	411	81	388,136	333,304	54,832	33,699	27,008	6,691	1,859	1,630	229	-15,426	-9,902	-5,524	20,132	18,736	1,396
Arcadian Health Plan	378	356	22	308,548	282,255	26,293	-4,216	5,256	-9,472	3,947	1,968	1,979	0	-2,285	2,285	-269	4,940	-5,209
LifeWise HP of WA	904	736	168	212,181	161,629	50,552	-5,260	5,639	-10,899	3,527	3,633	-106	515	-3,134	3,649	-1,218	6,138	-7,356
Asuris NW Health	697	742	-45	196,616	183,794	12,822	-217	7,064	-7,281	1,876	962	914	442	-2,310	2,752	2,100	5,716	-3,616
Columbia United Providers	537	409	128	103,066	77,001	26,065	4,823	3,887	936	91	177	-86	-1,614	-1,422	-192	3,300	2,642	658
KPS Health Plans	270	317	-47	94,889	112,598	-17,709	2,093	-2,524	4,617	-157	255	-412	-69	0	-69	1,866	-2,269	4,135
SoundPath Health	102	63	39	37,968	44,164	-6,196	-10	639	-649	62	118	-56	0	0	0	51	757	-706
TimberProd. Mfg. Trust	108	127	-19	18,960	19,993	-1,033	1,843	-252	2,095	71	222	-151	0	0	0	1,914	-30	1,944
Per Member Per Month⁶																		
Premiera Blue Cross	5,996	5,109	887	312	349	-36	13	10	4	7	10	-3	-3	-4	1	17	15	2
Regence BlueShield	5,605	6,285	-680	296	278	18	-6	2	-9	9	8	1	2	-1	3	4	9	-5
Group Health Cooperative	3,323	3,232	91	465	437	28	-16	-5	-11	12	5	7	0	0	0	-4	0	-4
Group Health Options	2,113	1,918	195	360	327	33	1	3	-2	2	1	1	-1	-2	1	2	3	-1
Molina Healthcare of WA	3,103	3,080	23	200	182	17	7	9	-2	0	0	0	-3	-3	0	5	6	-1
Community HP of WA	2,523	2,414	109	210	189	21	2	4	-3	1	2	-1	0	0	0	2	6	-4
Arcadian Health Plan	378	356	22	789	811	-22	68	66	3	4	4	0	-31	-24	-7	41	46	-5
LifeWise HP of WA	904	736	168	235	793	23	-11	15	-26	10	6	5	0	-6	6	-1	14	-15
Asuris NW Health	697	742	-45	282	248	34	0	8	-13	4	5	-1	1	-4	5	-1	8	-10
Columbia United Providers	537	409	128	192	188	4	9	10	-10	3	1	1	1	-3	4	3	8	-5
KPS Health Plans	270	317	-47	351	355	-4	8	-8	16	-1	0	0	-3	-3	0	6	6	0
SoundPath Health	102	63	39	372	701	-329	0	10	-10	1	2	-1	0	0	0	1	12	-12
TimberProd. Mfg. Trust	108	127	-19	176	157	18	17	-2	19	1	2	-1	0	0	0	18	0	18

Notes:
1. All information from the State of Washington, Office of Insurance Commissioner web site.
2. 000's omitted means the last three digits of each figure is removed. For example, the number 1,000 becomes 1.
3. Member Months is the combined total of each month's ending membership. For example, to get Member Months through 09/11, monthly membership for January through September is added together to get a combined total.
4. 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.
5. A negative Income Taxes number means it was an expense.
6. Per Member Per Month is any of the financial figures divided by Member Months for the particular plan. For example, Premiera Blue Cross Total Revenues at 09/11 of 1,871,952 divided by Member Months of 5,996 equals a Per Member Per Month Total Revenue figure of 312.