

## Washington State Health Plans Report Lower Year-Over-Year Net Income

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Fifteen of the largest domestic health plans in Washington State recently reported third quarter 2012 financial reports and the results continued a trend of lower net income when compared to the same period a year earlier. Ten plans reported a lower underwriting gain (or greater loss) and eleven reported lower net income (or greater loss) than the same period in 2011.

Our report, shown on page three, shows total revenues, net underwriting gain (loss), investment

gain (loss), other income and net income (loss) for the fifteen domestic health plans for the nine months ended September 30, 2012 and September 30, 2011. 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 (per member per month or PMPM) 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 Washington State Office of Insurance Commissioner (OIC). Information not required to be filed with the OIC (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 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 (Premera Blue Cross and Lifewise Health Plan of Washington)*

Strong financial results continued for Premera Blue Cross although there were decreases in net underwriting gain, investment gain and net income. Premera Spokesperson Eric Earling said, “The primary reason for the change is an increase in the overall cost of medical claims as use of medical services has returned to expected levels, after slower than expected growth in such use in 2010 and 2011.”

Earling provided insight into the individual line of business for Lifewise Health Plan of Washington, “While LifeWise Health Plan of Washington remains the most popular individual plan in the state and we have seen modest membership growth this year, LifeWise lost \$11.7 million in 2011, has lost almost \$11 million through the 3rd quarter of 2012, and will likely lose a total of over

\$15 million once financial results for 2012 are complete. Other local health plans are in a similar position in the individual market.”<sup>1</sup>

Earling continued, “LifeWise is losing money because even as our membership has grown, it has also become sicker and less healthy. In addition, a large number of new members are bypassing the state’s standard health questionnaire when applying for coverage. When the State established the questionnaire over a decade ago, it expected about 8% of applicants would be screened into the state high risk pool. Instead, about 40% of our applicants today are bypassing the questionnaire because of a growing number of federal and state exemptions. Those applicants who skip the questionnaire have substantially higher medical costs because they use the healthcare system more. For example, those members bypassing the questionnaire have 40% more hospital admissions and twice the number of prescriptions as our members who took the questionnaire when applying for coverage. Lastly, LifeWise’s losses are larger because the Office of Insurance Commissioner has approved rates lower than what we requested for 2011 and 2012 to cover the cost of providing coverage to our members.”

*Regence (Includes Regence BlueShield and Asuris NW Health)*

Regence was profitable but reported lower enrollment than 2011. Spokesperson Georganne Benjamin explained, “Regence has continued to balance product portfolios and manage risk in underperforming

lines of business. As a result of this strategy, overall membership has decreased.”

Asuris NW Health, a Regence subsidiary, reported healthy financial results with a \$6.5 million increase in net income. Benjamin said, “Asuris has improved its operating margin by focusing on growth in targeted market segments.”

*Group Health (Includes Group Health Cooperative, Group Health Options and KPS Health Plans)*

Group Health Cooperative moved into the black with \$10 million in net income after a loss of over \$13 million through the third quarter of 2011. Interim Chief Financial Officer Scott Boyd said, “This is largely a result of a heavy focus on expense management that is beginning to yield results. Group Health is looking at all elements of its expense structure. We are seeing improvements in most of our expense trends. Particular highlights include improvement in contracted rates, utilization management and staffing levels, both clinical and administrative.”

Group Health Options didn’t fare as well, reporting a loss of \$9.7 million through the third quarter of 2012. This was significantly down from the profit of \$3.4 million through the third quarter of 2011. Boyd explained, “the loss, on a percentage basis, is about 2% as compared to basically 0% in the prior year. So, the change in the performance is only a couple of points. This is primarily due to experience being a bit worse than expected. The expense improvements

we are realizing on Group Health are taking a little longer and are of a little different nature in terms of being realized for Group Health Options, but we expect that performance to be impacted as well over time.”

Jim Page, President of KPS Health Plans, explained his plan’s continued favorable numbers, “Overall KPS has been modestly profitable on our operations over most of the last three years. This is attributable to focusing on lines of business where we can offer competitively priced products and to a more efficient administrative infrastructure.”

### **Concluding Comments**

Healthcare reform is in full swing and the results are showing up in financial reports. We’ll continue to see large variances the next couple of years as significant numbers of new people come into the insurance system and costs remain difficult to predict.

Look for insurance companies to continue to butt heads with the Insurance department on rate increases.

Of significant concern to the plans is the OIC’s belief that accumulated reserves on non-profit insurance company books should factor into rate increase approval decisions. If implemented, and this requires legislative approval, expect to see significant losses for plans until reserves are burned down to levels compliant with any new legislation.

<sup>1</sup> Individual results aren’t reported separately in our report on page 3.

# Washington State Health Insurance Company Financial Results<sup>1</sup>

## For the Nine Months Ended 09/30/12 compared to the Nine Months Ended 09/30/11

Full Service Medical Plans Only - Sorted by Total Revenues - 000's Omitted<sup>2</sup>

[wahcnews.com](http://wahcnews.com)

Health Plan Name	Member Months <sup>3</sup>			Total Revenues			Net Underwriting Gain (Loss) <sup>4</sup>			Investment Gain (Loss) & Miscellaneous			Other Income <sup>5</sup>			Net Income (Loss)		
	09/12	09/11	Change	09/12	09/11	Change	09/12	09/11	Change	09/12	09/11	Change	09/12	09/11	Change	09/12	09/11	Change
<b>Dollars</b>																		
Premiera Blue Cross	5,962	5,996	-34	1,914,889	1,871,952	42,937	52,923	80,158	-27,235	39,091	40,315	-1,224	4,098	-619	4,717	79,943	99,214	-19,271
Regence BlueShield	5,183	5,605	-422	1,622,583	1,657,219	-34,636	-29,067	-35,401	6,334	39,834	51,484	-11,650	-1,450	-3,508	2,058	10,427	25,160	-14,733
Group Health Cooperative	3,161	3,323	-162	1,587,853	1,544,901	42,952	-6,367	-53,751	47,384	16,389	40,391	-24,002	0	0	0	10,023	-13,360	23,383
Group Health Options	1,951	2,113	-162	760,363	760,262	101	-16,602	1,846	-18,448	3,734	3,781	0	0	0	0	-9,661	3,371	-13,032
Molina Healthcare of WA	3,352	3,103	249	753,506	619,936	133,570	27,539	22,585	4,954	875	876	-1	0	0	0	12,764	14,596	-1,832
Community HP of WA	2,649	2,523	126	624,355	529,400	94,955	-14,696	3,944	-18,640	9,138	2,222	6,916	-1,384	-16	-1,368	-6,941	6,150	-13,091
UnitedHealthcare of WA	567	492	75	396,976	388,136	8,840	10,538	33,699	-23,161	2,601	1,859	742	-25	0	-25	6,142	20,132	-13,990
Arcadian Health Plan	384	378	6	302,105	308,548	-6,443	-5,506	-4,216	-1,290	1,034	3,946	-2,912	90	0	90	-3,481	-269	-3,212
LifeWise HP of WA	1,008	904	104	244,728	212,181	32,547	-10,979	-5,260	-5,719	3,330	3,452	-122	-23	75	-98	-5,060	-1,217	-3,843
Asuris NW Health	608	697	-89	182,442	196,616	-14,174	9,953	-217	10,170	1,591	1,875	-284	-40	1	-41	8,550	2,100	6,450
SoundPath Health	150	102	48	95,530	33,460	62,070	65	-10	75	264	169	95	-71	-107	36	257	51	206
Columbia United Providers	496	537	-41	86,406	103,066	-16,660	2,633	4,823	-2,190	44	91	-47	0	0	0	1,757	3,300	-1,543
KPS Health Plans	223	270	-47	88,044	94,889	-6,845	63	2,093	-2,030	2,643	70	2,573	-299	-227	-72	2,374	1,866	508
Timber Prod. Mfg. Trust	97	108	-11	22,071	18,959	3,112	1,505	1,843	-338	34	71	-37	-109	0	-109	1,430	1,914	-484
Amerigroup Washington <sup>6</sup>	49	0	49	14,786	0	14,786	-3,352	-3	-3,349	7	0	7	0	0	0	-3,345	-3	-3,342
<b>Per Member Per Month<sup>7</sup></b>																		
Premiera Blue Cross	5,962	5,996	-34	321	312	9	9	13	-4	7	7	0	1	0	1	13	17	-3
Regence BlueShield	5,183	5,605	-422	313	296	17	-6	-6	1	8	9	-1	0	-1	0	2	4	-2
Group Health Cooperative	3,161	3,323	-162	502	465	37	-2	-16	14	5	12	-7	0	0	0	3	-4	7
Group Health Options	1,951	2,113	-162	390	360	30	-9	1	-9	2	2	0	0	0	0	-5	2	-7
Molina Healthcare of WA	3,352	3,103	249	225	200	25	8	7	1	0	0	0	0	0	0	4	5	-1
Community HP of WA	2,649	2,523	126	236	210	26	-6	2	-7	3	1	3	-1	0	-1	-3	2	-5
UnitedHealthcare of WA	567	492	75	700	789	-89	19	68	-50	5	4	1	0	0	0	11	41	-30
Arcadian Health Plan	384	378	6	787	816	-30	-14	-11	-3	3	10	-8	0	0	0	-9	-1	-8
LifeWise HP of WA	1,008	904	104	243	235	8	-11	-6	-5	3	4	-1	0	0	0	-5	-1	-4
Asuris NW Health	608	697	-89	300	282	18	16	0	17	3	3	0	0	0	0	14	3	11
SoundPath Health	150	102	48	637	328	309	0	0	1	2	2	0	0	-1	1	2	1	1
Columbia United Providers	496	537	-41	174	192	-18	5	9	-4	0	0	0	0	0	0	4	6	-3
KPS Health Plans	223	270	-47	395	351	43	0	8	-7	12	0	12	-1	-1	-1	11	7	4
Timber Prod. Mfg. Trust	97	108	-11	228	176	52	16	17	-2	0	1	0	-1	0	-1	15	18	-3
Amerigroup Washington	49	0	49	302	0	302	-68	0	-68	0	0	0	0	0	0	-68	0	-68

**Notes:**

- All information from the Washington State Office of Insurance Commissioner 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 12/12, 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.
- Amerigroup Washington is a new Medicaid plan with enrollment effective 07/01/12.
- Per Member Per Month is any of the financial figures divided by Member Months for the particular plan.