

Washington Health Plans Incur Heavy Losses in the First Quarter of 2014

By David Peel
Publisher and Editor
Washington Healthcare News



Fourteen of the largest domestic health plans in Washington State recently filed financial reports for the three months ended March 31, 2014 and the results were disappointing with twelve plans reporting a net loss. Of additional concern is that only two plans reported a loss in the same quarter a year earlier.

These figures represent only one quarter. However, it's the first quarter associated with full implementation of the Affordable Care Act.

Our report on page three highlights financial results and shows member months (the combined total of month ending membership for each three month period), total revenues, net underwriting gain (loss), investment gain (loss), net income (loss) and statutory capital.

Our report on page four presents key financial statistics. When the financial figures on page three are divided by member months, a monthly average is obtained that is valuable in comparing one plan to another. These "per member per month" averages are presented in the middle section of the page.

Finally, we present statutory capital per average member in the right hand section of page four. This is essentially the amount of "cushion" on a per member basis a company has available to cover inadequate cost estimates. Alternatively, this is the liquidating value of the company per average insured person.

As you review the numbers, keep in mind there are differences in the type of membership each plan serves.

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 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, didn't comment or didn't get back to us within the requested deadline. However, others provided valuable comments and these follow, sorted by plan size in descending order.

Premera Blue Cross (includes LifeWise HP of WA)

Premera reported a net loss of \$23.3 million in the first quarter of 2014 compared to a profit of \$24.9 million in the first quarter of 2013.

LifeWise HP of WA reported a net loss of \$6.2 million in the first quarter of 2014 compared to a prof-

it of \$2.8 million in the first quarter of 2013.

Spokesperson Eric Earling said, “Our losses for both companies were the result of ACA implementation costs and an increase in medical claims. The increase in medical claims comes from natural fluctuations and potential pent-up demand from incoming individual customers.”

Group Health (includes Group Health Cooperative and Group Health Options)

Group Health Cooperative reported net income of \$95.3 million for the first quarter of 2014 compared to net income of \$56.9 for the first quarter of 2013. Group Health was one of the two plans that reported a profit.

Group Health Options (GHO) reported a net loss of \$8.7 million for the first quarter of 2014 compared to net income of \$2.7 million during the first quarter of 2013.

Group Health attributed their improved financial results on operational efficiencies. Spokesperson Ed Boyle said, “Group Health is

pleased with the organization’s ongoing cost-repositioning work from last year, which has been reported in the media, and focused on continuing to offer consumers high-quality care and coverage at market-competitive prices. This work will continue and we’re excited about the positive benefits it is – and will continue – providing the more than 600,000 members Group Health serves throughout Washington state.”

Regence (includes Asuris NW Health)

Regence reported a net loss of \$30.9 million in the first quarter of 2014 compared to a profit of \$14.3 million in the first quarter of 2013. Asuris NW Health reported a net loss of \$3.8 million in the first quarter of 2014 compared to a profit of \$2.3 million in the first quarter of 2013.

Spokesperson Rachele Cunningham said, “The biggest contributor to the year-over-year change in financial performance across all plans was the statutory accounting requirement that the entire insurer fee payable in September 2014 be expensed in

January 2014. The result was much higher operating expenses, lower underwriting and net results.”

Cunningham continued, “For Regence BlueShield, 2014 results were negatively impacted by 2013 claims coming in higher than expected likely due to a rush on benefits in the fourth quarter prior to ACA implementation; as well as a drop in enrollment, which was expected since Regence chose not to participate on the state Exchange. This membership decline also impacted results for Asuris.”

Concluding Comments

ACA implementation has resulted in additional costs that will ultimately be paid by plan customers and taxpayers. Whether these costs will be offset by cost efficiencies and enrollment gains is yet to be known.

Our next financial report will cover the six months ended June 30, 2014 compared to the six months ended June 30, 2013.

David Peel can be reached at dpeel@healthcarenewssite.com or 425-577-1334.

Reprinted with permission from the Washington Healthcare News. To learn more about the Washington Healthcare News visit wahcnews.com.

Washington State Health Insurance Company Financial Results¹ For the Three Months Ended 03/31/14 compared to the Three Months Ended 03/31/13

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			Net Income			Statutory Capital ⁵		
	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change
Premiera Blue Cross	2,130	1,979	151	728,439	626,599	101,839	-32,786	9,817	-42,603	10,809	24,010	-13,201	-23,264	24,866	-48,130	1,314,006	1,204,204	109,802
Group Health Cooperative	1,052	1,005	47	611,447	565,749	45,698	44,035	48,612	-4,578	51,235	8,332	42,903	95,270	56,944	38,325	875,815	585,487	290,328
Regence BlueShield	1,467	1,657	-189	471,928	550,813	-78,885	-52,537	-1,005	-51,531	19,297	15,576	3,721	-30,935	14,271	-45,206	1,125,035	1,119,791	5,245
Molina Healthcare of WA	1,276	1,250	26	361,100	304,162	56,938	1,915	42,273	-40,358	276	333	-58	-7,246	2,718	-9,964	115,819	117,114	-1,295
UnitedHealthcare of WA	585	328	258	310,071	199,198	110,873	-5,271	-4,453	-818	1,160	1,166	-7	-5,454	-2,164	-3,290	153,289	88,064	65,225
Community HP of WA	897	939	-41	247,874	243,840	4,034	-6,447	2,140	-8,588	820	742	78	-6,259	2,502	-8,761	132,161	131,452	709
Group Health Options	462	565	-103	196,388	231,007	-34,619	-8,774	2,714	-11,488	1,022	1,149	-127	-8,681	2,722	-11,403	102,515	112,471	-9,956
Amerigroup Washington	209	80	128	92,499	22,779	69,720	1,232	1,685	-452	430	78	352	-2,191	1,962	-4,153	70,013	32,146	37,867
LifeWise HP of WA	258	324	-66	81,167	91,845	-10,678	-7,416	2,838	-10,254	738	1,629	-891	-6,164	2,844	-9,008	55,728	48,741	6,987
Asuris NW Health	157	187	-30	46,443	59,616	-13,172	-4,493	3,148	-7,641	506	584	-78	-3,840	2,340	-6,179	59,632	67,715	-8,083
SoundPath Health	49	49	0	34,387	36,887	-2,500	-2,140	-1,094	-1,046	53	101	-48	-2,118	841	-2,958	16,754	16,127	627
Columbia United Providers	137	129	8	28,362	23,544	4,818	-821	-1,210	389	35	17	18	-511	-775	265	22,488	23,243	-755
KPS Health Plans	66	64	2	28,061	25,593	2,468	-535	956	-1,491	113	96	17	-635	746	-1,381	18,408	15,158	3,250
Arcadian Health Plan	21	67	-46	18,752	51,639	-32,887	6,080	7,791	-1,711	507	464	43	4,654	7,267	-2,613	75,517	79,909	-4,392

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 03/14, monthly membership for January through March 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.
- Statutory Capital is an insurance company's retained earnings as defined by Washington State statute. It approximates the cash value of a company if liquidated in a short period of time.

Washington State Health Insurance Company Key Financial Statistics¹

For the Three Months Ended 03/31/14 compared to the Three Months Ended 03/31/13

Full Service Medical Plans Only - Sorted by Total Revenues

wahcnews.com

Health Plan Name	Member Months ^{2,3}						Per Member Per Month ⁴												Statutory Capital Per Average Member ⁶		
	Total Revenues			Net Underwriting Gain (Loss) ⁵			Investment Gain (Loss) & Miscellaneous			Net Income			03/14			03/13			Change		
	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change
Premiera Blue Cross	2,130	1,979	151	342	317	25	-15	5	-20	5	12	-7	-11	13	-23	1,850	1,826	25			
Group Health Cooperative	1,052	1,005	47	581	563	18	42	48	-6	49	8	40	91	57	34	2,497	1,747	750			
Regence BlueShield	1,467	1,657	-189	322	333	-11	-36	-1	-35	13	9	4	-21	9	-30	2,300	2,028	272			
Molina Healthcare of WA	1,276	1,250	26	283	243	40	2	34	-32	0	0	0	-6	2	-8	272	281	-9			
UnitedHealthcare of WA	585	328	258	530	608	-78	-9	-14	5	2	4	-2	-9	-7	-3	786	807	-21			
Community HP of WA	897	939	-41	276	260	16	-7	2	-9	1	1	0	-7	3	-10	442	420	22			
Group Health Options	462	565	-103	425	409	16	-19	5	-24	2	2	0	-19	5	-24	666	598	69			
Amerigroup Washington	209	80	128	443	284	160	6	21	-15	2	1	1	-11	24	-35	1,007	1,201	-194			
LifeWise HP of WA	258	324	-66	315	284	31	-29	9	-38	3	5	-2	-24	9	-33	648	452	196			
Asuris NW Health	157	187	-30	297	319	-22	-29	17	-46	3	3	0	-25	13	-37	1,143	1,088	55			
SoundPath Health	49	49	0	701	746	-45	-44	-22	-22	1	2	-1	-43	17	-60	1,025	979	46			
Columbia United Providers	137	129	8	207	182	24	-6	-9	3	0	0	0	-4	-6	2	492	540	-49			
KPS Health Plans	66	64	2	427	402	25	-8	15	-23	2	2	0	-10	12	-21	839	713	126			
Arcadian Health Plan	21	67	-46	887	773	114	288	117	171	24	7	17	220	109	111	10,714	3,587	7,127			

Notes:

- All information from the Washington State Office of Insurance Commissioner web site.
- 000's omitted. This 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 03/14, monthly membership for January through March is added together to get a combined total.
- Per Member Per Month is any of the financial figures divided by Member Months for the particular plan.
- 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.
- Statutory Capital Per Average Member is Statutory Capital divided by Member Months and then multiplied by the number of months in the reporting period.