

Washington State Health Plans Report Lower First Quarter 2012 Net Income

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Fourteen of the largest health plans in Washington State recently reported first quarter 2012 financial reports and the results were generally disappointing when compared to the same time period in 2011. Nine plans reported a lower underwriting gain (or greater loss) and ten 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 fourteen domestic health plans for the quarters ending March 31, 2012 and March 31, 2011. 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 (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 Blue Cross

Strong financial results continued for Premera Blue Cross although there were decreases in net underwriting gain, investment gain and net income.

Of significance was a large increase in member months (approximately 280 thousand) and lower per member per month total revenues. Spokesperson Eric Earling said, "Changes in Premera's reporting from last year are due primarily to a change in reporting to align with federal MLR reporting standards (specifically, dental membership is now included in the count, where it wasn't before). This is the primary driver of the increase in member months, which likewise brings down the PMPM figure since dental members have a lower PMPM than medical members. Absent the change in reporting for dental membership, Premera saw a slight increase in medical PMPM over 2011."

Premiera's affiliate, LifeWise Health Plan of Washington, didn't fare quite as well with lower figures in the underwriting gain and net income categories. Earling explained, "LifeWise's results get to an incredibly important issue to understand about today's individual market: every local health plan selling individual coverage is losing money and has been doing so since last year. In LifeWise's case, our membership grew significantly based on the popularity of our products. At the same, a significant increase in medical costs for our individual members means LifeWise is now operating at a notable loss in serving our individual customers. Filings through the end of 2011 showed similar financial results for other local health plans in the individual market. This is a significant issue for policymakers to understand as the state prepares for the Exchange in 2014, since sustained losses across the individual market have potentially serious implications for the stability of that market for individual consumers in 2014 and beyond."

Regence BlueShield

Regence was profitable but reported lower results in every category except other income when the first quarter 2012 results are compared to first quarter 2011 results. Spokesperson Georganne Benjamin summed it up this way, "Regence BlueShield had significant membership in the small group and individ-

ual market, those hardest hit by the economy. As a result, as the economy remains sluggish, we continue to lose members in proportion to our participation in those markets. However, we remain committed to serving the individual and small group market."

Benjamin continued, "Additionally, several groups have migrated from being fully funded (which reports membership to state) to self-insured (which is not reported as membership), so to that extent, the state report doesn't capture all our members."

She concluded, "Looking at the rest of 2012, our retention rate is 92%, the highest it's been since 2004. Additionally, we've written more large-group business in the first 6 months of 2012 than we have since 2004, even though groups aren't as large as they used to be – because of the economy, many companies have fewer employees than they did before the recession."

Group Health Cooperative

Group Health Cooperative was also profitable but reported lower results in every category except total revenues and other income. Scott Boyd, Vice President of Finance, explained, "The decline in performance between years for GHC is about equally split between underwriting performance and investment performance. The investment per-

formance is indicative of the current state of the financial markets (most carriers have experienced declines). The underwriting performance is our ongoing work to align revenues and expenses and bring value to the market - though performance was stronger during Q1 2011, performance over the later quarters in 2011 was weak and we are still working on rebalancing and restoring profitability, which resulted in minimal Q1 2012 results."

Group Health Options, a Group Health Cooperative affiliate, reported lower results in the member months, underwriting gain and net income categories. Boyd said, "The decline in performance between years for GHO is about the underwriting performance - similar in nature to that described for GHC - the loss is small on a percentage basis."

Concluding Comments

This type of across the board decline in financial results would historically be considered a normal dip in the underwriting cycle. However, since healthcare reform is in full implementation it must also be considered a factor.

Look for plan actuaries to continue putting additional margin into premium rates going forward until it's absolutely clear the costs of healthcare reform are known. Unfortunately, this will require years of verifiable claims history.

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Washington State Health Insurance Company Financial Results¹

For the Three Months Ended 03/31/12 compared to the Three Months Ended 03/31/11

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)		
	03/12	03/11	Change	03/12	03/11	Change	03/12	03/11	Change	03/12	03/11	Change	03/12	03/11	Change	03/12	03/11	Change
Dollars																		
Premiera Blue Cross	1,991	1,711	280	624,433	606,435	17,998	19,213	30,332	-11,119	10,422	14,227	-3,805	828	399	429	26,258	34,242	-7,984
Regence BlueShield	1,783	1,906	-123	550,764	556,145	-5,381	-4,176	13,121	-17,297	13,889	23,504	-9,615	-596	-837	241	8,615	33,820	-25,205
Group Health Cooperative	1,077	1,113	-36	530,644	519,197	11,447	3,128	15,046	-11,918	5,119	16,311	-11,192	0	0	0	8,247	31,357	-23,110
Group Health Options	665	707	-42	255,077	251,605	3,472	-1,934	4,510	-6,444	1,337	1,163	174	0	0	0	-1,965	3,434	-5,399
Molina Healthcare of WA	1,067	1,034	33	227,953	195,092	32,861	8,900	2,710	6,190	283	345	-62	0	0	0	5,392	1,833	3,559
Community HP of WA	841	843	-2	189,724	171,380	18,344	-9,705	-4,494	-5,211	763	546	217	-468	-30	-438	-9,409	-3,979	-5,430
UnitedHealthcare of WA	161	164	-3	129,771	131,672	-1,901	5,116	7,231	-2,115	805	678	127	0	0	0	-1,525	4,820	-6,345
Arcadian Health Plan	127	129	-2	106,058	106,040	18	4,880	3,293	1,587	285	2,423	-2,138	0	0	0	3,750	4,364	-614
LifeWise HP of WA	328	289	39	80,837	68,896	11,941	-4,356	1,035	-5,391	1,014	947	67	-11	99	-110	-2,276	1,278	-3,554
Asuris NW Health	213	236	-23	62,521	63,875	-1,354	6,905	1,145	5,760	577	712	-135	-36	0	-36	4,875	1,284	3,591
Columbia United Providers	184	173	11	36,105	32,346	3,759	814	1,391	-577	13	42	-29	0	0	0	538	1,040	-502
KPS Health Plans	78	92	-14	29,130	32,644	-3,514	396	2,640	-2,244	24	-85	109	-113	-4	-109	319	2,552	-2,233
SoundPath Health	49	34	15	29,021	9,954	19,067	446	210	236	79	38	41	-10	-54	44	515	194	321
Timber Prod. Mfg. Trust	40	35	5	7,330	6,318	1,012	964	549	415	24	-7	31	0	0	0	988	541	447
Per Member Per Month⁶																		
Premiera Blue Cross	1,991	1,711	280	314	354	-41	10	18	-8	5	8	-3	0	0	0	13	20	-7
Regence BlueShield	1,783	1,906	-123	309	292	17	-2	7	-9	8	12	-5	0	0	0	5	18	-13
Group Health Cooperative	1,077	1,113	-36	493	466	26	3	14	-11	5	15	-10	0	0	0	8	28	-21
Group Health Options	665	707	-42	384	356	28	-3	6	-9	2	2	0	0	0	0	-3	5	-8
Molina Healthcare of WA	1,067	1,034	33	214	189	25	8	3	6	0	0	0	0	0	0	5	2	3
Community HP of WA	841	843	-2	226	203	22	-12	-5	-6	1	1	0	-1	0	-1	-11	-5	-6
UnitedHealthcare of WA	161	164	-3	806	803	3	32	44	-12	5	4	1	0	0	0	-9	29	-39
Arcadian Health Plan	127	129	-2	835	822	13	38	26	13	2	19	-17	0	0	0	30	34	-4
LifeWise HP of WA	328	289	39	246	238	8	-13	4	-17	3	3	0	0	0	0	-7	4	-11
Asuris NW Health	213	236	-23	294	271	23	32	5	28	3	3	0	0	0	0	23	5	17
Columbia United Providers	184	173	11	196	187	9	4	8	-4	0	0	0	0	0	0	3	6	-3
KPS Health Plans	78	92	-14	373	355	19	5	29	-24	0	-1	1	-1	0	-1	4	28	-24
SoundPath Health	49	34	15	592	293	300	9	6	3	2	1	0	0	-2	1	11	6	5
Timber Prod. Mfg. Trust	40	35	5	183	181	3	24	16	8	1	0	1	0	0	0	25	15	9

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 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.
- Per Member Per Month is any of the financial figures divided by Member Months for the particular plan.