

Washington State Health Plans Report Strong First Quarter 2013 Financials

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Fifteen of the largest domestic health plans in Washington State recently filed first quarter 2013 financial reports and the results were strong with ten reporting higher net income than the same quarter in 2012. Thirteen of the plans reported net income and only two reported a net loss.

Our report on page four 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 five presents key financial statistics. When the financial figures on page four 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 five. 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 analyze the numbers, keep in mind there are significant 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 or didn’t get back to us within the deadline we requested. However, others provided valuable comments and these follow, sorted by plan size in descending order.

Premera Blue Cross (includes Life-Wise HP of WA)

Premera’s fully insured financial results for the first quarter 2013 were similar to the same quarter in 2012. However, according to spokesperson Eric Earling, their self-funded business (not shown on the reports) is where their business is growing.

Earling explained, “Premera’s results are a great reminder that the employer market for healthcare coverage continues to move toward self-funded benefits rather than traditional insured coverage. We’ve seen that trend continue as employers understand their options with new costs related to the ACA and our total membership with employer customers continues to grow.”

LifeWise HP of WA results were much better in the first quarter of 2013 versus the first quarter of 2012. Earling said, “LifeWise’s results are a good example of the volatility of the individual market, which is a good issue to keep in mind as Exchanges are implemented under federal healthcare reform. While LifeWise is no longer losing money serving our individual customers, our experience the last several years with that market is a great reminder that unexpected increases in medical costs can quickly result in financial losses given the narrow margins in which we operate.”

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

Group Health Cooperative reported first quarter net income of \$56.9 million, the most of all plans. All key financial indicators improved except member months which were lower than the same quarter in 2012.

Interim Chief Financial Officer Scott Boyd said, “Group Health has been implementing a large scale cost reduction program to improve results. We have seen the benefits of this work in both the fourth quarter 2012 and the first quarter 2013.”

Group Health Options (GHO) re-

ported net income of \$2.7 million during the first quarter of 2013 compared to a net loss of \$2.0 million during the first quarter of 2012.

Boyd explained, “Profitability has improved between the time periods, though the change is a relatively minimal couple of percentage points (\$4.7 million change on \$231.0 million in revenues) and the gain is minimal (\$2.7 million). The expense management work of the organization is contributing to the Options performance, though not yet to the degree that it is for Group Health Cooperative. We expect to see continued improvement over time. In addition to the expense work, there has also been work on the pricing of the Options products to ensure they are appropriately priced for the costs and experience.”

Regence

Regence financial results improved in all categories except member months. Regence was the second largest Washington State health plan but is now third due to the growth of Group Health Cooperative.

Spokesperson Rachelle Cunningham provided insight into the numbers, “Claims experience remains favorable, though less so than in 2012; investment income contributed to net income, as did the application of available tax credits.”

The Asuris NW Health numbers were lower in all categories except investment gain (loss) and statutory capital.

Cunningham explained, “Enrollment was lower which effected revenues and the other financial figures.”

Molina Healthcare of Washington

Molina Healthcare of Washington experienced rapid growth in the first quarter of 2013 with member months increasing to 1.25 million. However, net income was lower at \$2.7 million versus 2012’s \$5.4 million.

Spokesperson Laura Hart attributed the decreased net income to a premium rate cut implemented by the State of Washington on July 1, 2012.

Columbia United Providers

All figures, except investment income, were lower in the first quarter of 2013 compared to the first quarter of 2012 for Columbia United Providers. Much of this could be attributed to enrollment lost during 2012’s open enrollment for Healthy Options members.

However, other factors impacted the numbers as President and CEO Ann Wheelock explained, “The numbers reflect the very high cost of certain disabled members who are new to Healthy Options managed care as of November 2012 in Clark County. As we only have risk for managed Medicaid business, these cases significantly impact our results, and are not masked by other non-Medicaid business in our financials.”

KPS Health Plans

While revenues and member months were lower in the first quarter of 2013 relative to the first quarter of 2012, all other financial indicators were favorable.

President and CEO Jim Page said, “Our lower enrollment is related to losing some commercial group

business to much larger carriers than KPS. Higher profitability is due to favorable claims cost trends and pricing our products at levels that have resulted in some modest profitability over the past couple of years.”

Concluding Comments

The first quarter figures were better than expected and indicate the plans are doing a good job managing the implementation of health-care reform.

Our next financial report will cover the six months ended June 30, 2013 compared to the six months ended June 30, 2012.

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Washington State Health Insurance Company Financial Results¹

For the Three Months Ended 03/31/13 compared to the Three Months Ended 03/31/12

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		
	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change
Premiera Blue Cross	1,979	1,991	-12	626,599	624,433	2,166	9,817	19,213	-9,396	24,010	10,422	13,588	24,866	26,258	-1,392	1,204,204	1,015,693	188,511
Group Health Cooperative	1,005	1,077	-72	565,749	530,644	35,105	48,612	3,128	45,485	8,332	5,119	3,213	56,944	8,247	48,697	585,487	458,941	126,546
Regence BlueShield	1,657	1,783	-126	550,813	550,764	49	-1,005	-4,176	3,171	15,576	13,889	1,687	14,271	8,614	5,657	1,119,791	1,048,104	71,687
Molina Healthcare of WA	1,250	1,067	183	304,162	227,953	76,209	4,228	8,900	-4,673	333	283	50	2,718	5,392	-2,674	117,114	104,452	12,662
Community HP of WA	939	841	98	243,840	189,724	54,116	2,140	-9,705	11,845	742	763	-22	2,502	-9,409	11,911	131,452	99,098	32,354
Group Health Options	565	665	-100	231,007	255,077	-24,070	2,714	-1,934	4,648	1,149	1,337	-189	2,722	-1,965	4,687	112,471	116,120	-3,649
UnitedHealthcare of WA	328	161	167	199,198	129,771	69,427	-4,453	5,117	-9,569	1,166	805	361	-2,164	-1,525	-639	88,064	92,843	-4,779
LifeWise HP of WA	324	328	-4	91,845	80,837	11,008	2,838	-4,356	7,194	1,629	1,014	614	2,844	-2,276	5,120	48,741	47,625	1,116
Asuris NW Health	187	213	-27	59,616	62,521	-2,905	3,148	6,905	-3,756	584	577	8	2,340	4,875	-2,536	67,715	57,534	10,181
Arcadian Health Plan	67	127	-60	51,639	106,058	-54,419	7,791	4,880	2,912	464	285	179	7,267	3,750	3,517	79,909	46,462	33,447
SoundPath Health	49	49	0	36,887	29,021	7,866	-1,094	446	-1,541	101	79	21	841	515	326	16,127	4,731	11,396
KPS Health Plans	64	78	-14	25,593	29,130	-3,537	956	396	561	96	24	72	746	319	427	15,158	11,079	4,079
Columbia United Providers	129	184	-55	23,544	36,105	-12,560	-1,210	814	-2,024	17	13	4	-775	538	-1,313	23,243	22,636	607
Amerigroup Washington ⁶	80	0	80	22,779	0	22,779	1,685	-33	1,718	78	1	77	1,962	-32	1,994	32,146	3,519	28,627
Timber Prod. Mfg. Trust	37	40	-2	8,484	7,345	1,139	1,453	964	489	36	24	12	1,526	988	538	7,915	6,003	1,912

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 03/13, 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.
- Amerigroup Washington is a new Medicaid plan with enrollment effective July 1, 2012.

Washington State Health Insurance Company Key Financial Statistics¹

For the Three Months Ended 03/31/13 compared to the Three Months Ended 03/31/12

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				03/13		03/12		Change	
	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12			
Premiera Blue Cross	1,979	1,991	-12	317	314	3	5	10	-5	12	5	7	13	13	-1	1,826	1,531	295		
Group Health Cooperative	1,005	1,077	-72	563	493	70	48	3	45	8	5	4	57	8	49	1,747	1,278	469		
Regence BlueShield	1,657	1,783	-126	333	309	24	-1	-2	2	9	8	2	9	5	4	2,028	1,763	264		
Molina Healthcare of WA	1,250	1,067	183	243	214	30	3	8	-5	0	0	0	2	5	-3	281	294	-13		
Community HP of WA	939	841	98	260	226	34	2	-12	14	1	1	0	3	-11	14	420	353	67		
Group Health Options	565	665	-100	409	384	25	5	-3	8	2	2	0	5	-3	8	598	524	74		
UnitedHealthcare of WA	328	161	167	608	806	-198	-14	32	-45	4	5	-1	-7	-9	3	807	1,730	-924		
LifeWise HP of WA	324	328	-4	284	247	37	9	-13	22	5	3	2	9	-7	16	452	436	16		
Asuris NW Health	187	213	-27	319	293	26	17	32	-16	3	3	0	13	23	-10	1,088	809	279		
Arcadian Health Plan	67	127	-60	773	835	-62	117	38	78	7	2	5	109	30	79	3,587	1,097	2,490		
SoundPath Health	49	49	0	746	591	155	-22	9	-31	2	2	0	17	10	7	979	289	690		
KPS Health Plans	64	78	-14	402	373	28	15	5	10	2	0	1	12	4	8	713	426	287		
Columbia United Providers	129	184	-55	182	196	-14	-9	4	-14	0	0	0	-6	3	-9	540	369	171		
Amerigroup Washington ⁷	80	0	80	284	0	284	21	0	21	1	0	1	24	0	24	1,201	0	1,201		
Timber Prod. Mfg. Trust	37	40	-2	227	186	42	39	24	15	1	1	0	41	25	16	636	455	181		

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 03/13, 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 divided by the number of months in the reporting period.
- American Medical Association with miscellaneous affiliation. July 1, 2013