

Washington State Health Plans Report Disappointing Financials Through 06/30/12

By David Peel

Publisher and Editor
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Fourteen Washington State domestic health plans recently reported YTD second quarter 2012 financial reports and the results were disappointing when compared to the same time period in 2011. Eight plans reported a lower underwriting gain (or greater loss) and twelve plans reported lower net income (or a greater loss) than the same time 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 six months ended June 30, 2012 and June 30, 2011. We also present member months, the combined total of month ending membership for each six 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 & LifeWise HealthPlan of Washington

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

LifeWise HealthPlan of Washington, a Premera affiliate, reported a \$4 million loss. Spokesperson Eric Earling explained, “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 BlueShield & Asuris NW Health

Regence BlueShield reported positive net income through the 2nd quarter 2012, although less than the same period in 2011. The Asuris

NW Health net income figure was much higher than the same period in 2011. Member months decreased for both Regence entities.

Regence Spokesperson Rachelle Cunningham explained, "Asuris and Regence BlueShield in Washington have been focused on balancing product portfolios and managing risk in underperforming lines of business. As a result, overall membership has decreased in our commercial products, as well as in Medicaid, which we exited; though we are focusing on growth in targeted segments. This strategy also has resulted in higher margin for the Asuris plan."

Group Health Cooperative & Group Health Options

We asked Group Health representatives to comment on their

overall disappointing financial results but did not receive a reply.

Concluding Comments

As mentioned in our report on first quarter 2012 plan financial results, 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 swing it must also be considered a factor. In addition, plan financial results are not showing this level of disintegration in other West Coast States so it's likely that Office of Insurance Commissioner rate regulation decisions are hurting plan financial results.

David Peel is the Publisher of the Washington Healthcare News. He can be reached at 425-577-1334 or dpeel@healthcarenewssite.com.

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Washington State Health Insurance Company Financial Results¹

For the Six Months Ended 06/30/12 compared to the Six Months Ended 06/30/11

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)		
	06/12	06/11	Change	06/12	06/11	Change	06/12	06/11	Change	06/12	06/11	Change	06/12	06/11	Change	06/12	06/11	Change
Dollars																		
Premiera Blue Cross	3,979	3,422	557	1,263,212	1,228,841	34,371	37,802	56,140	-18,338	25,447	28,150	-2,703	2,733	-242	2,975	57,149	72,128	-14,979
Regence BlueShield	3,541	3,765	-224	1,096,830	1,110,712	-13,882	-5,210	-10,850	5,640	28,323	40,920	-12,597	-972	-2,187	1,215	17,578	29,551	-11,973
Group Health Cooperative	2,156	2,216	-60	1,069,949	1,041,008	28,941	6,987	2,424	4,563	9,655	30,937	-21,282	0	0	0	16,642	33,360	-16,718
Group Health Options	1,320	1,423	-103	506,884	505,940	944	-13,062	1,936	-14,998	2,588	2,438	150	0	0	0	-10,475	2,533	-13,008
Molina Healthcare of WA	2,135	2,061	74	479,544	409,045	70,499	17,581	10,464	7,117	611	594	17	0	0	0	5,953	6,871	-918
Community HP of WA	1,671	1,688	-17	381,283	348,768	32,515	-14,045	-2,148	-11,897	7,712	1,447	6,265	-910	-45	-865	-7,243	-746	-6,497
UnitedHealthcare of WA	323	328	-5	257,103	261,263	-4,160	1,059	24,398	-23,339	1,769	1,288	481	0	0	0	-7,958	16,440	-24,398
Arcadian Health Plan	255	255	0	199,474	208,492	-9,018	-9,192	-1,218	-7,974	580	3,640	-3,060	24	0	24	-8,052	2,421	-10,473
LifeWise HP of WA	668	594	74	163,032	139,885	23,147	-7,918	-455	-7,463	1,983	2,094	-111	-32	109	-141	-4,030	1,032	-5,062
Asuris NW Health	418	468	-50	124,083	131,379	-7,296	8,474	537	7,937	1,048	1,298	-250	-38	-35	-3	6,161	1,277	4,884
SoundPath Health	99	67	32	64,894	19,749	45,145	379	146	233	170	86	84	-26	-76	50	523	156	367
Columbia United Providers	367	355	12	64,345	67,969	-3,624	1,281	2,325	-1,044	31	64	-33	0	0	0	853	1,661	-808
KPS Health Plans	153	182	-29	59,331	65,080	-5,749	401	4,064	-3,663	121	-88	209	-218	-128	-90	304	3,783	-3,479
Timber Prod. Mfg. Trust	66	71	-5	15,105	12,600	2,505	1,570	1,558	12	2	67	-65	-109	0	-109	1,464	1,625	-161
Per Member Per Month⁶																		
Premiera Blue Cross	3,979	3,422	557	317	359	-42	10	16	-7	6	8	-2	1	0	1	14	21	-7
Regence BlueShield	3,541	3,765	-224	310	295	15	-1	-3	1	8	11	-3	0	-1	0	5	8	-3
Group Health Cooperative	2,156	2,216	-60	496	470	26	3	1	2	4	14	-9	0	0	0	8	15	-7
Group Health Options	1,320	1,423	-103	384	356	28	-10	1	-11	2	2	0	0	0	0	-8	2	-10
Molina Healthcare of WA	2,135	2,061	74	225	198	26	8	5	3	0	0	4	0	0	0	3	3	-1
Community HP of WA	1,671	1,688	-17	228	207	22	-8	-1	-7	5	1	4	-1	0	-1	-4	0	-4
UnitedHealthcare of WA	323	328	-5	796	797	-1	3	74	-71	5	4	2	0	0	0	-25	50	-75
Arcadian Health Plan	255	255	0	782	818	-35	-36	-5	-31	2	14	-12	0	0	0	-32	9	-41
LifeWise HP of WA	668	594	74	244	235	9	-12	-1	-11	3	4	-1	0	0	0	-6	2	-8
Asuris NW Health	418	468	-50	297	281	16	20	1	19	3	3	0	0	0	0	15	3	12
SoundPath Health	99	67	32	655	295	361	4	2	2	2	1	0	0	-1	1	5	2	3
Columbia United Providers	367	355	12	175	191	-16	3	7	-3	0	0	0	0	0	0	2	5	-2
KPS Health Plans	153	182	-29	388	358	30	3	22	-20	1	0	1	-1	-1	-1	2	21	-19
Timber Prod. Mfg. Trust	66	71	-5	229	177	51	24	22	2	2	1	-1	-2	0	-2	22	23	-1

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 12/11, 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.
- Per Member Per Month is any of the financial figures divided by Member Months for the particular plan.