

Oregon Healthcare News

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Articles, Interviews and Statistics for the Healthcare Executive

Oregon Health Plans Report Solid Profits Through September 30, 2011

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Oregon domestic health plans recently reported third quarter 2011 financial results and ten of the thirteen plans were profitable. Nine of the plans reported higher underwriting gains and only three reported an underwriting loss, suggesting a measure of premium stability in 2012. However, the uncertainties of healthcare reform will likely be factored into 2012 figures as actuaries finalize rates.

Our report, shown on page four, shows total revenues, net under-

writing gain (loss), investment gain (loss), income taxes and net income (loss) for the thirteen domestic health plans operating in Oregon for the periods ending September 30, 2011 and September 30, 2010. 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 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 National Association of Insurance Commissioners (NAIC). Information not required to be filed with the NAIC (self-insured and some Oregon insured business from 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 confirm the figures in the re-

port and to give us insight into their financial results. Some plans chose not to reply to our request while others replied with confirmation of the financial information but didn't comment on their financial results. However, others provided valuable comments and these follow, sorted by plan size in descending order.

Kaiser Foundation Health Plan of the Northwest Chief Financial Officer Karen Schartman said, "The increase in membership mostly came from commercial groups, whose members are enrolling dependants up to age 26. Also, Kaiser Permanente's OEBC (public school employees) membership increased. Kaiser Permanente's Medicare enrollment also increased, thanks to a new Medicare basic product and an increase in the overall Medicare eligible population. The Medicaid population also increased, due primarily to changes in Oregon reporting guidelines that put Medicaid members under a Kaiser Permanente health plan contract for 2011."

Schartman continued, "The increase in net income was due to an improved PMPM cost trend, which is

attributable to Kaiser Permanente's ability to absorb those 14,000 new members into existing infrastructure at marginal cost. Also, primary care delivery management and coordination has improved through the use of the Medical Home model. This has led to a decline in inpatient hospitalization and Emergency Department utilization. Kaiser Permanente has also managed drug costs through evidence based prescribing tools and the use of generic equivalents when appropriate."

Regence BlueCross BlueShield of Oregon Spokesperson Scott Burton told us, "The enrollment change is specific to how we previously reported members covered by vision plans to the NAIC. Prior reporting numbers did not include those members covered by a vision plan, but the 2011 report does include vision plan members as requested by the NAIC. Overall, we saw a slight decline in enrollment primarily in the individual and small group markets. Our financial decrease was the result of decreasing premium revenue coupled with rising claims costs in early 2011."

Health Net of Oregon's Amy L. Sheyer, Director of Corporate Communications, explained her company's decrease in membership and increase in net income, "It is a combination of a decrease in the overall Oregon commercial market and highly competitive environment. This has resulted in lower overall commercial membership at Health Net of Oregon in 2011. At the same time we've seen lower utilization of health care benefits than expected in 2011."

ODS Health Plan Chief Financial Officer David Evans said,

"Overall, our total membership including insured and self insured business increased from 243,000 as of 9/30/2010 to 248,000 as of 9/30/2011. Over the past year there has been a slight decline in our insured business which are the only counts that are included in the NAIC Quarterly Statements. We have seen our net income improve due to our continued focus on innovation, medical management, and other cost saving initiatives. In addition, we have continued to see growth in our overall membership that has allowed us to leverage our administrative costs."

LifeWise Health Plan of Oregon spokesperson Amy Carter said, "LifeWise has experienced some decline in membership in some lines of business as well as growth in membership in others during this period for a number of reasons, including aggressive pricing by multiple competitors, economic pressures on small businesses and reluctance by some employers to change coverage due to the unclear impact of federal healthcare reform."

Carter continued, "LifeWise is in a strong financial position to weather the uncertainty of the implementation of federal healthcare-reform; while still tracking to our multi-year strategy to return to profitable membership growth. It's worth noting also that our ongoing cost-containment efforts are being augmented by lower than expected increases in the use of services by our members – possibly still related to the challenged economy. This has helped contribute to an improving financial position, which again leaves us in a good position to implement federal reform as smoothly as possible for our customers."

Per Member Per Month Analysis

One of the more interesting ways to analyze health plan financial results is by reviewing per member per month statistics. As mentioned previously, this allows apples to apples comparisons of plan financial information.

For example, it can be learned how much a health plan takes to the bottom line for each person it insures through this type of analysis. If the federal government pays a Medicare Advantage plan \$800 a month to provide health benefits for seniors then how much profit does the plan make on each insured?

In United Healthcare of Oregon's case, it's quite a bit. United Healthcare's domestic health plan focuses on senior health insurance through its Medicare Advantage products. They reported a profit of \$71 per member per month through September 30, 2011, up from \$63 during the same time period in 2010. That can be contrasted with Family-Care Health Plans, a Medicare Advantage plan, and their profit of \$24 per member per month or Samaritan Health Plans, another Medicare Advantage plan, and their loss of \$15 per member per month.

United Healthcare seems to be able to consistently wrangle more profit though economies of scale, experience, efficiencies and provider contracting strategies than other plans. While certainly consistent with American capitalism, and our notion of what makes a successful company, it doesn't bode well with physicians facing Medicare reimbursement cuts or seniors facing Medicare Advantage premium increases.

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Oregon Domestic Health Plan Financial Results¹

For the Nine Months Ended 09/30/11 compared to the Nine Months Ended 09/30/10

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			Income Taxes ⁵			Net Income (Loss)		
	09/11	09/10	Change	09/11	09/10	Change	09/11	09/10	Change	09/11	09/10	Change	09/11	09/10	Change	09/11	09/10	Change
Dollars																		
Kaiser Found HP of the NW	4,259	4,132	127	2,002,383	1,886,322	116,061	14,316	11,150	3,166	13,508	15,692	-2,184	0	0	0	27,824	26,842	982
Regence BCBS of OR	4,309	3,987	322	1,403,446	1,443,195	-39,749	6,070	47,260	-41,190	22,377	34,686	-12,309	455	-11,505	11,960	28,902	70,441	-41,539
Providence Health Plan	1,691	1,662	29	778,897	739,225	39,672	26,143	27,678	-1,535	21,709	20,193	1,516	0	0	0	47,853	47,871	-18
PacificSource Health Plans	1,713	1,648	65	476,732	432,670	44,062	10,460	4,622	5,838	3,972	2,567	1,405	-4,196	-901	-3,295	10,236	6,289	3,947
Health Net HP of OR	767	845	-78	265,381	274,013	-8,632	18,001	14,090	3,911	3,518	3,101	417	-6,813	-5,697	-1,116	14,707	11,494	3,213
ODS Health Plan	557	569	-12	161,409	161,848	-439	2,719	-10,191	12,910	3,952	3,305	647	459	4,887	-4,428	7,130	-1,998	9,128
UnitedHealthcare of OR	172	187	-15	157,903	167,967	-10,064	19,605	16,869	2,736	752	780	-28	-8,091	-5,908	-2,183	12,265	11,741	524
LifeWise HP of OR	463	547	-84	128,810	143,300	-14,490	462	-7,521	7,983	3,458	4,076	-618	-1,450	1,673	-3,123	2,470	-1,772	4,242
PacificSource Comm HP ⁷	119	169	-50	90,915	103,075	-12,160	-4,684	-7,173	2,489	399	1,092	-693	1,853	-305	2,158	-2,433	-6,386	3,953
Health Plan of CareOregon	65	56	9	69,568	58,113	11,455	4,338	1,480	2,858	1,017	1,075	-58	-2,025	-641	-1,384	3,330	1,914	1,416
Samaritan Health Plans	49	49	0	43,596	42,676	920	-1,141	-94	-1,047	93	93	0	316	30	286	-732	30	-762
Trillium Community HP	30	28	2	36,924	36,752	172	-373	269	-642	22	64	-42	0	0	0	-351	333	-684
FamilyCare Health Plans	27	25	2	23,824	22,776	1,048	661	103	558	-1	88	-89	0	0	0	661	192	469
Per Member Per Month⁶																		
Kaiser Found HP of the NW	4,259	4,132	127	470	457	14	3	3	1	3	4	-1	0	0	0	7	6	0
Regence BCBS of OR	4,309	3,987	322	326	362	-36	1	12	-10	5	9	-4	0	-3	3	7	18	-11
Providence Health Plan	1,691	1,662	29	461	445	16	15	17	-1	13	12	1	0	0	0	28	29	-1
PacificSource Health Plans	1,713	1,648	65	278	263	16	6	3	3	2	2	1	-2	-1	-2	6	4	2
Health Net HP of OR	767	845	-78	346	324	22	23	17	7	5	4	1	-9	-7	-2	19	14	6
ODS Health Plan	557	569	-12	290	284	5	5	-18	23	7	6	1	1	9	-8	13	-4	16
UnitedHealthcare of OR	172	187	-15	918	898	20	114	90	24	4	4	0	-47	-32	-15	71	63	9
LifeWise HP of OR	463	547	-84	278	262	16	1	-14	15	7	7	0	-3	3	-6	5	-3	9
PacificSource Comm HP ⁷	119	169	-50	764	610	154	-39	-42	3	3	6	-3	16	-2	17	-20	-38	17
Health Plan of CareOregon	65	56	9	1070	1038	33	67	26	40	16	19	-4	-31	-11	-20	51	34	17
Samaritan Health Plans	49	49	0	890	871	19	-23	-2	-21	2	2	0	6	1	6	-15	1	-16
Trillium Community HP	30	28	2	1231	1313	-82	-12	10	-22	1	2	-2	0	0	0	-12	12	-24
FamilyCare Health Plans	27	25	2	882	911	-29	24	4	20	0	4	-4	0	0	0	24	8	17

Notes:

- All information from the National Association of Insurance Commissioners 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 09/11, monthly membership for January through September 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 income taxes number means it was an expense.
- Per Member Per Month is any of the financial figures divided by Member Months for the particular plan.
- Formerly Clear One Health Plans. This company was acquired in May 2010 by PacificSource Health Plans.