

Oregon Health Plans Report Lower Year-Over-Year Net Income

By David Peel
Publisher and Editor
Oregon Healthcare News



Thirteen of the largest Oregon health plans recently reported financial results through the third quarter of 2012 and all but three were profitable. However, net income was down from 2011 levels for eight of the thirteen plans which could indicate trouble on the horizon.

Our report, shown on page three, shows total revenues, net underwriting gain (loss), investment gain (loss), other income and net income (loss) for the thirteen domestic health plans operating in

Oregon for the nine months ended September 30, 2012 and September 30, 2011. 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 is obtained that is valuable in comparing one plan to another. Financial statement users can then make apples to apples comparisons of health plans. However, there can be significant differences in the type of membership each plan serves. Keep this in mind as you analyze the numbers.

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 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.

Regence BCBS of Oregon

Regence BCBS of Oregon financial results through the third quarter of 2012 improved over the same timeframe in 2011. However, according to Regence spokesperson Georganne Benjamin, this was due to revisions of accounting estimates. Benjamin explained, "Claims were restated in our financial reports, which has the effect of lowering the underwriting gain/loss and net income that was reported last year. Though our actuarial work is always reviewed by Milliman, a leading independent actuarial firm, there are years when our forecast is slightly above or below the true claims costs of our members."

PacificSource Health Plans

PacificSource reported a \$7.8 million loss for the first nine months of 2012, an unfavorable change of \$18.1 million from the same time period

in 2011. Peter Davidson, Executive Vice President and Chief Financial Officer, attributed this change to increased claims expenses.

ODS Health Plans

ODS Health Plans also reported a loss for the first nine months of 2012 compared to the same period in 2011. Senior Vice President and Chief Financial Officer David Evans said, “The decline in the underwriting results is due to higher utilization over the summer months, which was expected. This is the period when we historically see the largest increases in our claims costs. In addition, administrative expenses have increased year over year due to healthcare reform related initiatives, implementation costs related to ACOs and CCOs and the increased technology costs focused on automation and regulatory requirements. We anticipate that efficiencies and economies of scale will be realized in the future. Also, note that we are expecting our underwriting results to improve in the fourth quarter.”

Evans continued, “The decline in net income is related to the reduced operating results, as mentioned previously, as well as interest payments of \$2.75 million on Surplus Notes that

were paid off in June 2012.”

LifeWise Health Plan of Oregon

The LifeWise net income for the first nine months of 2012 was \$2.2 million lower than the same time period in 2011. LifeWise spokesperson Deana Strunk explained, “Overall, our financial performance is on track with our forecast for the year and is trending favorably. Results through September 2012 reflect expected competitive pressure in the Oregon market.”

Samaritan Health Plans

Samaritan Health Plans reported net income of \$639 thousand for the first nine months of 2012, a significant turnaround from a loss of \$732 thousand during the same period in 2011. Kelley Kaiser, MPH, Chief Executive Officer, summarized the turnaround, “Samaritan Health Plans primary line of business is a Medicare Advantage plan that experienced a small reduction in membership during the period. The other line of business is the Oregon Healthy Kids Connect plan that continues to experience growth and improvements in profits. The net underwriting gain for the period is due to a reduction in claims expenses (medical loss ratio) compared to the prior year. This has been achieved

by a combination of medical management, contract negotiations, and change in pharmacy benefits management.”

Concluding Comments

Net income for most plans is down from 2011 levels and the pressure is on to bring it up. Rate increases are the quickest way to do this and several carriers have had recent, large requests approved by the Oregon Insurance Division.

- Providence Health Plan was awarded a 12.2% increase on 11/1/12 for their individual plans.
- Regence BCBS of Oregon was awarded a 8.9% increase on 12/1/12 for their individual plans.
- Health Net Health Plan of Oregon was awarded a 8.8% increase on 08/1/12 for their small employer plans.

However, not all rates can be negotiated since a considerable percentage of revenue for many plans is governmental in nature.

We’ll continue to monitor this volatile time for the plans through our periodic reporting. Our next report will be during the Spring of 2013 when annual results are available.

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Oregon Health Plan Financial Results¹

For the Nine Months Ended 09/30/12 compared to the Nine Months Ended 09/30/11

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)			Other Income ⁵			Net Income (Loss)		
	09/12	09/11	Change	09/12	09/11	Change	09/12	09/11	Change	09/12	09/11	Change	09/12	09/11	Change	09/12	09/11	Change
Dollars																		
Kaiser Found HP of the NW	4,264	4,259	5	2,137,270	2,002,383	134,887	3,522	14,316	-10,794	15,236	13,454	1,782	2,063	54	2,009	20,822	27,823	-7,001
Regence BCBS of OR	4,183	4,309	-126	1,405,612	1,403,446	2,166	16,601	6,070	10,531	27,238	29,374	-2,136	-1,755	-6,998	5,243	35,153	28,902	6,251
Providence Health Plans	1,652	1,691	-39	791,577	778,897	12,680	20,526	26,143	-5,617	21,057	21,522	-465	313	187	126	41,895	47,853	-5,958
PacificSource Health Plans	1,940	1,713	227	537,003	476,732	60,271	-15,204	10,460	-25,664	6,133	4,688	1,445	-1,551	-716	-835	-7,871	10,236	-18,107
Health Net HP of OR	804	767	37	279,009	265,381	13,628	10,788	18,001	-7,213	3,882	3,523	359	-83	-5	-78	9,781	14,707	-4,926
ODS Health Plan	626	557	69	185,520	161,409	24,111	-6,281	2,719	-9,000	1,191	3,997	-2,806	-87	-45	-42	-3,157	7,130	-10,287
UnitedHealthcare of OR	149	172	-23	140,866	157,903	-17,037	16,367	19,605	-3,238	949	761	188	-25	-10	-15	11,380	12,266	-886
PacificSource Comm HP ⁷	153	119	34	125,788	90,915	34,873	-2,833	-4,684	1,851	873	396	477	0	2	-2	-1,353	-2,433	1,080
LifeWise HP of Oregon	477	463	14	120,092	128,810	-8,718	-2,161	462	-2,623	3,454	3,364	90	-540	93	-633	302	2,470	-2,168
HP of CareOregon	73	65	8	79,339	69,568	9,771	2,594	4,338	-1,744	1,369	1,017	352	0	0	0	2,464	3,330	-866
Trillium Community HP	128	30	98	74,598	36,924	37,674	479	-373	852	20	23	-3	-2	-1	-1	498	-351	849
Samaritan Health Plans	51	49	2	41,733	43,596	-1,863	1,011	-1,141	2,152	-25	93	-118	0	0	0	639	-732	1,371
FamilyCare Health Plans	25	27	-2	22,070	23,824	-1,754	737	661	76	48	86	-38	0	-87	87	784	661	123
Per Member Per Month⁶																		
Kaiser Found HP of the NW	4,264	4,259	5	501	470	31	1	3	-3	4	3	0	0	0	0	5	7	-2
Regence BCBS of OR	4,183	4,309	-126	336	326	10	4	1	3	7	7	0	0	-2	1	8	7	2
Providence Health Plans	1,652	1,691	-39	479	461	19	12	15	-3	13	13	0	0	0	0	25	28	-3
PacificSource Health Plans	1,940	1,713	227	277	278	-1	-8	6	-14	3	3	0	-1	0	0	-4	6	-10
Health Net HP of OR	804	767	37	347	346	1	13	23	-10	5	5	0	0	0	0	12	19	-7
ODS Health Plan	626	557	69	296	290	7	-10	5	-15	2	7	-5	0	0	0	-5	13	-18
UnitedHealthcare of OR	149	172	-23	945	918	27	110	114	-4	6	4	2	0	0	0	76	71	5
PacificSource Comm HP ⁷	153	119	34	822	764	58	-19	-39	21	6	3	2	0	0	0	-9	-20	12
LifeWise HP of Oregon	477	463	14	252	278	-26	-5	1	-6	7	7	0	-1	0	-1	1	5	-5
HP of Care Oregon	73	65	8	1,087	1070	17	36	67	-31	19	16	3	0	0	0	34	51	-17
Trillium Community HP	128	30	98	583	1231	-648	4	-12	16	0	1	-1	0	0	0	4	-12	16
Samaritan Health Plans	51	49	2	818	890	-71	20	-23	43	0	2	-2	0	0	0	13	-15	27
FamilyCare Health Plans	25	27	-2	883	882	0	29	24	5	2	3	-1	0	-3	3	31	24	7

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.
- Member Months is the combined total of each month's ending membership.
- 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.
- Formerly Clear One Health Plans. This company was acquired in May 2010 by PacificSource Health Plans.