

Oregon Healthcare News

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Articles, Interviews and Statistics for the Healthcare Executive

Oregon Health Plans end 2012 with Lower Year-Over-Year Net Income

Trillium Community Health Plan Reports Insufficient Capital, CFO Sites Reporting Error

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Oregon Healthcare News



Thirteen of the largest Oregon health plans recently reported financial results through the fourth quarter of 2012 and all but four were profitable. However, net income was down from 2011 levels for eleven of the thirteen plans and one plan, Trillium Community Health Plan (Trillium), reported a capital level lower than state mandated minimums.

Our report on page 3 highlights financial results and shows member months (the combined total of

month ending membership for each 12 month period), total revenues, net underwriting gain (loss), investment gain (loss), net income (loss) and statutory capital.

Our report on page 4 presents key financial statistics. When the financial figures on page 3 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 4. This is essentially the amount of “cushion” on a per member basis a company has available to cover insufficient estimates of costs. Alternatively, this is the liquidating value of the company per average member.

There are 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 avail-

able 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 2012 financial results improved over the same period in 2011. Regence spokesperson Scott Burton said, “In an effort to protect our members in this period of historic change, Regence set aside more funds than proved necessary to settle members’ outstanding claims. Over the past ten years, Regence BlueCross

BlueShield of Oregon has been successful in this mission, delivering an average underwriting gain of 0.2%. Our underwriting results for 2012 benefited by \$24 million, or 1.5% of claims, as we paid less than expected to settle 2011 claims for our members that had yet to be submitted or paid. Without this benefit, Regence BlueCross BlueShield of Oregon would have reported an underwriting loss of \$7 million or -0.4%.”

Burton continued, “We recognize and take seriously our responsibility to be good stewards of our members’ premium dollars and believe that our 2012 financial performance reflects our continued commitment to our nonprofit values and to the long-term service of nearly 750,000 Oregonians and Southwest Washingtonians.”

PacificSource Health Plans

PacificSource reported a \$33 million underwriting loss for 2012, an unfavorable change of \$42.3 million from 2011’s underwriting gain of \$9.3 million.

Peter Davidson, Executive Vice President and Chief Financial Officer, said, “The 2012 underwriting loss for PacificSource Health Plans was driven by a spike in claims volume and specific large claim experience in the fourth quarter. In addition, we identified particular issues with our Idaho business which have

been addressed. Our government lines were stable in 2012.”

Health Net of Oregon

Health Net of Oregon reported 2012 net income of \$10.6 million, down from the \$21.5 million reported in 2011. Spokesperson Brad Kieffer explained, “...our health care costs were lower in 2011. As the economy improved in 2012, we saw higher utilization, and therefore higher health care costs.”

Trillium Community Health Plan of Oregon

Trillium realized significant growth in enrollment and revenues in 2012. One of the downsides to rapid growth is a state requirement to maintain a higher level of statutory capital. In fact, the minimum required Trillium statutory capital at the end of 2012 was \$5 million, up from 2011’s \$2 million (required statutory capital figures aren’t shown on pages 3 and 4). The minimum required statutory capital is also known as the Authorized Control Level (ACL) or level at which state regulators can take control of a company.

Trillium noted an error in reporting in the 2012 filing and Chief Financial Officer David Cole explained, “In working with our Accountants and the State on our NAIC report it was discovered that there was an error in the Federal and State taxes for 2012. This error overstated our

Deferred Tax Asset which is a non-admitted asset. We will be issuing a restatement of our annual NAIC report with a capital amount of \$5.9 million and a reduction in our 2012 taxes of roughly \$1.5 million. The OID is aware of this correction and we have agreed that we will have our restatement into them by sometime next week (*editor’s note: week beginning March 10, 2013*).”

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.

However, not all rates can be negotiated since a considerable percentage of revenue for many plans is governmental in nature. Plans with extensive government business and nominal capital levels expecting rapid growth should plan now to increase their capital base. For example, while Trillium says it will meet state minimums with its deferred tax asset reclassification, its capital level is still just above state minimums.

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

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Oregon Health Insurance Company Financial Results¹

For the Twelve Months Ended 12/31/12 compared to the Twelve Months Ended 12/31/11

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			Net Income			Statutory Capital ⁵		
	12/12	12/11	Change	12/12	12/11	Change	12/12	12/11	Change	12/12	12/11	Change	12/12	12/11	Change	12/12	12/11	Change
Kaiser Fd HP of the NW	5,660	5,681	-21	2,862,571	2,698,751	163,820	792	11,313	-10,521	18,627	18,575	52	21,995	33,004	-11,009	471,710	490,571	-18,861
Regence BCBS of OR	5,617	5,695	-78	1,852,509	1,865,875	-13,366	16,549	-17,312	33,861	39,484	36,310	3,174	43,188	6,932	36,256	565,244	522,265	42,979
Providence Health Plans	2,220	2,264	-44	1,057,563	1,035,640	21,923	25,937	42,217	-16,280	23,631	26,592	-2,961	49,837	68,956	-19,119	470,267	431,504	38,763
PacificSource HP	2,609	2,326	283	722,233	644,237	77,996	-33,064	9,308	-42,372	7,996	5,431	2,565	-25,936	10,920	-36,856	109,777	125,718	-15,941
Health Net HP of OR	1,060	1,025	35	368,785	354,471	14,314	10,274	27,376	-17,102	5,337	4,282	1,055	10,589	21,486	-10,897	66,726	69,991	-3,265
ODS Health Plan	850	745	105	249,433	217,441	31,992	5,193	2,130	3,063	2,721	5,880	-3,159	5,260	5,862	-602	75,879	80,826	-4,947
UnitedHealthcare of OR	197	227	-30	186,274	207,054	-20,780	19,722	23,288	-3,566	1,286	1,011	275	13,953	15,870	-1,917	20,261	32,622	-12,361
PacificSource Comm HP7	208	153	55	165,546	121,838	43,708	-7,337	-2,665	-4,672	1,303	518	785	-4,113	-1,453	-2,660	44,009	45,340	-1,331
LifeWise HP of Oregon	636	694	-58	160,071	171,244	-11,173	-2,464	1,920	-4,384	4,515	4,338	177	-230	4,262	-4,492	64,705	62,480	2,225
HP of CareOregon	99	87	12	105,567	95,219	10,348	4,351	8,365	-4,014	1,679	1,254	425	3,889	6,412	-2,523	38,722	34,595	4,127
Trillium Community HP	286	40	246	134,049	43,401	90,648	1,824	-494	2,318	38	28	10	-386	-227	-159	4,413	5,373	-960
Samaritan Health Plans	67	65	2	55,649	57,077	-1,428	1,995	-875	2,870	-3	182	-185	1,293	-414	1,707	7,730	6,618	1,112
Mid Rogue Health Plan	47	48	-1	41,325	51,247	-9,922	134	3,347	-3,213	58	60	-2	127	2,464	-2,337	8,371	8,180	191

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 12/12, 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 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 Oregon statute. It approximates the cash value of a company if liquidated in a short period of time.

Oregon Health Insurance Company Key Financial Statistics¹

For the Twelve Months Ended 12/31/12 compared to the Twelve Months Ended 12/31/11

Full Service Medical Plans Only - Sorted by Total Revenues
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Health Plan Name	Member Months ^{2,3}						Per Member Per Month ⁴												Statutory Capital Per Average Member ⁶		
	12/12		12/11		Change		Total Revenues			Net Underwriting Gain (Loss) ⁵			Investment Gain (Loss) & Miscellaneous			Net Income			12/12	12/11	Change
	12/12	12/11	12/12	12/11	Change	12/12	12/11	Change	12/12	12/11	Change	12/12	12/11	Change	12/12	12/11	Change	12/12	12/11	Change	
Kaiser Fd HP of the NW	5,660	5,681	-21	5,681	-21	506	475	31	0	2	-2	3	3	0	4	6	-2	1,000	1,036	-36	
Regence BCBS of OR	5,617	5,695	-78	5,695	-78	330	328	2	3	-3	6	7	6	1	8	1	6	1,208	1,100	107	
Providence Health Plans	2,220	2,264	-44	2,264	-44	476	457	19	12	19	-7	11	12	-1	22	30	-8	2,542	2,287	255	
PacificSource HPs	2,609	2,326	283	2,326	283	277	277	0	-13	4	-17	3	2	1	-10	5	-15	505	649	-144	
Health Net HP of OR	1,060	1,025	35	1,025	35	348	346	2	10	27	-17	5	4	1	10	21	-11	755	819	-64	
ODS Health Plan	850	745	105	745	105	293	292	2	6	3	3	3	8	-5	6	8	-2	1,071	1,302	-231	
UnitedHealthcare of OR	197	227	-30	227	-30	946	912	33	100	103	-2	7	4	2	71	70	1	1,234	1,725	-490	
PacificSource Comm HP	208	153	55	153	55	796	796	0	-35	-17	-18	6	3	3	-20	-9	-10	2,539	3,556	-1,017	
LifeWise HP of Oregon	636	694	-58	694	-58	252	247	5	-4	3	-7	7	6	1	0	6	-7	1,221	1,080	141	
HP of CareOregon	99	87	12	87	12	1,066	1,094	-28	44	96	-52	17	14	3	39	74	-34	4,694	4,772	-78	
Trillium Community HP	286	40	246	40	246	469	1,085	-616	6	-12	19	0	1	-1	-1	-6	4	185	1,612	-1,427	
Samaritan Health Plans	67	65	2	65	2	831	878	-48	30	-13	43	0	3	-3	19	-6	26	1,384	1,222	163	
Mid Rogue Health Plan	47	48	-1	48	-1	879	1,068	-188	3	70	-67	1	1	0	3	51	-49	2,137	2,045	92	

Notes:

- All information from the National Association of Insurance Commissioners 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 12/12, monthly membership for January through December 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 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.