

# Oregon Healthcare News

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## Largest Oregon Health Plans Increase Profits in 2010

*PacificSource Health Plans Reports a 22.7% Revenue Increase from Acquisition Fueled Growth*

**By David Peel**

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Oregon domestic health plans recently reported third quarter financial results and six of the largest seven plans posted higher net income (or a reduced loss) compared to the same period in 2009. However, the other, smaller plans all reported lower profits and one plan, LifeWise Health Plan of Oregon, reported a loss of \$1.8 million.

Our report, shown on page three, shows total revenues, investment income (loss) and net income (loss) for the 12 domestic health plans operating in Oregon for the periods ending September 30, 2010 and September 30, 2009. We also present member months which is the

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.

### Comments from Industry

We asked representatives of the plans to give us insight into their financial results.

*Regence Blue Cross Blue Shield of Oregon*, formerly the largest domestic plan in terms of total revenues, reported decreased revenues of \$383 million but increased net income of \$55 million during the two time periods. According to Samantha Meese, spokesperson for Regence, "Our net income can be attributed to several factors: overall decline in membership and premium, a favorable claims experience as members switched to higher deductible plans and a reduction in our total operating expenses, all of which yielded improved underwriting gains. This combined with the investment income, and slightly offset by an increase in taxes, accounts for the total change in net income."

*PacificSource Health Plan's* spokesperson, Colleen Thompson,

said, "You will note a significant increase in membership, revenue, and expenses as compared to the prior year to date amounts. The increases can be attributed primarily to PacificSource's acquisition of Advantage Dental's commercial membership, our acquisition of Primary Health Plans, and strong new sales/member acquisition at the beginning of 2010. In addition, our investment income grew due to the improving investment market over that time period."

*Health Net Health Plan of Oregon's* spokesperson, Amy Sheyer, told us, "Changes in enrollment are currently driven by the economy and our enrollment changes reflect the economic times. Commercial enrollment during this time was down due to higher unemployment. We also experienced in-group loss because some employers are covering fewer people. Premium revenue was down as a result of lower membership."

When asked why net income increased during the two time periods, Sheyer noted, "Health Net Health Plan of Oregon's increase in net income is the result of our pricing discipline and because of the more favorable cost trends we are seeing this year."

David Northfield, spokesman for

*Kaiser Foundation Health Plan of the Northwest* told us, “Our financial and enrollment situation was generally unchanged during the two time periods. We continue to proceed according to plan.”

### **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, one of the more revealing pieces of in-

formation is to find out how much money a health plan makes on each person it insures. If an employer pays \$600 a month to provide insurance for their employees then how much profit does the insurance company make on each employee?

In United Healthcare’s (formerly PacificCare of Oregon) case, it’s quite a bit. United Healthcare’s domestic health plan focuses on senior health insurance through its Secure Horizon Medicare Advantage products. They reported a profit of \$63 per member per month through Sep-

tember 30, 2010, up from \$45 during the same time period in 2009. That can be contrasted with Kaiser’s \$6 per member per month profit through September 20, 2010.

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# Oregon Domestic Health Plan Financial Results<sup>1</sup>

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

Full Service Medical Plans Only - Sorted by Total Revenues - 000's Omitted<sup>2</sup>  
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Health Plan Name	Member Months <sup>3</sup>			Total Revenues			Investment Income (Loss)			Net Income (Loss)		
	09/10	09/09	Change	09/10	09/09	Change	09/10	09/09	Change	09/10	09/09	Change
<b>Dollars</b>												
Kaiser Foundation HP of the NW	4,132	4,202	-70	1,886,322	1,822,519	63,803	18,476	20,508	-2,032	26,842	34,418	-7,576
Regence BCBS of OR	4,968	6,654	-1,686	1,443,195	1,826,569	-383,374	37,230	23,411	13,819	70,442	15,505	54,937
Providence Health Plan	1,662	1,742	-80	739,225	723,072	16,153	19,918	6,652	13,266	47,871	25,305	22,566
PacificSource Health Plans	1,648	1,247	401	432,670	352,390	80,280	3,792	-652	4,444	6,288	3,488	2,800
Health Net Health Plan of OR	845	1,116	-271	274,013	330,207	-56,194	3,105	1,009	2,096	11,494	-3,659	15,153
PacificCare of OR (United Healthcare)	187	236	-49	167,967	195,972	-28,005	786	1,339	-553	11,741	10,502	1,239
ODS Health Plan	569	559	10	161,848	160,251	1,597	3,381	2,875	506	-1,999	-11,297	9,298
LifeWise HP of OR	547	662	-115	143,300	165,336	-22,036	4,080	4,012	68	-1,772	-3	-1,769
Health Plan of CareOregon	56	48	8	58,114	52,606	5,508	1,075	1,073	2	1,915	3,120	-1,205
Samaritan Health Plans	49	41	8	42,676	39,430	3,246	94	49	45	30	241	-211
Trillium Community Health Plan	28	26	2	36,752	31,063	5,689	69	95	-26	333	810	-477
FamilyCare Health Plans	25	21	4	22,776	19,536	3,240	72	139	-67	192	1,908	-1,716
<b>Per Member Per Month<sup>4</sup></b>												
Kaiser Foundation HP of the NW	4,132	4,202	-70	457	434	23	4	5	0	6	8	-2
Regence BCBS of OR	4,968	6,654	-1,686	290	275	16	7	4	4	14	2	12
Providence Health Plan	1,662	1,742	-80	445	415	30	12	4	8	29	15	14
PacificSource Health Plans	1,648	1,247	401	263	283	-20	2	-1	3	4	3	1
Health Net Health Plan of OR	845	1,116	-271	324	296	28	4	1	3	14	-3	17
PacificCare of OR (United Healthcare)	187	236	-49	898	830	68	4	6	-1	63	45	18
ODS Health Plan	569	559	10	284	287	-2	6	5	1	-4	-20	17
LifeWise HP of OR	547	662	-115	262	250	12	7	6	1	-3	0	-3
Health Plan of CareOregon	56	48	8	1,038	1,096	-58	19	22	-3	34	65	-31
Samaritan Health Plans	49	41	8	871	962	-91	2	1	1	1	6	-5
Trillium Community Health Plan	28	26	2	1,313	1,195	118	2	4	-1	12	31	-19
FamilyCare Health Plans	25	21	4	911	930	-19	3	7	-4	8	91	-83

**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 09/10, monthly membership for January, February, March, etc. 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. For example, Kaiser Foundation HP of the NW Total Revenues at 09/10 of 1,886,322 divided by Member Months of 4,132 equals a Per Member Per Month Total Revenue figure of 457.