

Oregon Health Plans Report Mixed First Quarter 2013 Financials

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Thirteen of the largest Oregon health plans recently reported financial results for the first quarter of 2013 and all but five were profitable. However, net income was down from 2012 levels for eight of the thirteen plans and the largest plan, Kaiser Foundation HP of the NW, reported a \$1.6 million net loss.

Our report on page 3 highlights financial results and shows member months (the combined total of month ending membership for each

three 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 inadequate cost estimates. Alternatively, this is the liquidating value of the company per average insured person.

As you analyze the numbers, keep in mind there are significant differences in the type of membership each plan serves.

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 or didn’t get back to us within the requested deadline. However, others provided valuable comments and these follow, sorted by plan size in descending order.

Regence BCBS of Oregon

The Regence BCBS of Oregon first quarter 2013 net income was lower than the same period in 2012. Regence spokesperson Jared Ishkanian said, “Underwriting gain, and therefore net gain, decreased from the first quarter of 2012 because more claims were filed. This was partially offset by a decrease in operating ex-

pense, in the form of a credit from the Oregon Medical Insurance Pool for an over-assessment in 2012. Increased investment income also contributed to net income.”

Moda Health

Moda Health, formerly ODS Health Plans, reported better numbers in the first quarter 2013 in all categories, except investment gain (loss), when compared to the first quarter 2012. SVP and CFO David Evans said, “As our membership continues to grow, in both the insured and self-insured markets, we can even better leverage our administrative costs. The keys to successfully partnering with our members on healthcare utilization are our continued focus on innovation and evidenced based medical management.”

LifeWise HP of OR

LifeWise HP of OR reported a net loss of \$711 thousand, comparable

to the \$662 net loss reported during the first quarter of 2012.

Spokesperson Deana Strunk said, “The decrease in our underwriting gain and net income is the result of normal fluctuation for a health plan our size - currently 55,000 members. The figures are within our expected range and also reflect planned spending in preparation for healthcare reform in 2014. With healthy reserves, we continue to be well-positioned to implement reforms as smoothly as possible for our customers.”

Samaritan Health Plans

Samaritan Health Plan reported a loss of \$202 thousand, down from first quarter 2012 net income of \$86 thousand.

President and CEO Kelley Kaiser explained, “Although net revenues were similar during the two time periods, medical claims were slightly

higher during the first quarter of 2013.”

Kaiser continued, “In terms of overall operations, we continue to work through the changes and administrative requirements that CMS mandates for an Advantage plan.”

Concluding Comments

Net income for most plans is down from 2012 levels and the pressure is on to bring it up.

However, rate increases are heavily scrutinized and competitive exchange pricing adds a new challenge to plan profitability.

Our next financial report will cover the six months ended June 30, 2013 compared to the six months ended June 30, 2012.

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Oregon Health Insurance Company Financial Results¹

For the Three Months Ended 03/31/13 compared to the Three Months Ended 03/31/12

Full Service Medical Plans Only - Sorted by Total Revenues - 000's Omitted²
orhcnews.com

Health Plan Name	Member Months ³			Total Revenues			Net Underwriting Gain (Loss) ⁴			Investment Gain (Loss) & Miscellaneous			Net Income			Statutory Capital ⁵		
	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change
Kaiser Fd HP of the NW	1,400	1,426	-26	748,739	710,679	38,060	-6,795	6,294	-13,089	4,629	6,308	-1,679	-1,559	13,162	-14,721	429,472	478,762	-49,290
Regence BCBS of OR	1,475	1,374	101	472,340	469,095	3,245	8,336	14,821	-6,485	10,618	9,782	836	16,088	20,272	-4,184	585,378	558,629	26,749
Providence HPs	565	551	14	272,383	262,077	10,306	7,123	8,642	-1,519	5,667	6,481	-815	12,832	15,136	-2,304	479,336	441,339	37,997
PacificSource HPs	632	629	3	182,801	174,407	8,394	8,719	-425	9,144	1,650	1,786	-136	10,624	134	10,490	120,580	130,360	-9,780
Health Net HP of OR	208	271	-62	73,556	94,245	-20,689	-1,871	8,900	-10,771	1,338	1,330	7	-1,286	6,875	-8,161	65,474	75,929	-10,455
PacificSource Comm HP	100	50	51	73,386	38,634	34,752	85	229	-144	728	249	479	713	218	494	45,166	46,251	-1,085
Trillium Community HP	176	10	166	70,496	13,190	57,306	891	383	509	65	3	63	538	385	153	11,266	5,597	5,670
Moda HP	235	201	35	70,056	60,044	10,013	3,147	1,347	1,799	856	1,132	-276	2,492	1,591	901	77,978	81,076	-3,098
UnitedHealthcare of OR	57	51	6	51,519	51,020	498	2,854	6,046	-3,192	246	301	-55	2,018	3,239	-1,221	22,336	36,734	-14,398
LifeWise HP of OR	154	159	-4	37,685	39,552	-1,867	-2,063	-862	-1,200	997	773	224	-711	-662	-49	63,402	62,140	1,262
HP of CareOregon	26	24	2	28,140	25,324	2,816	756	-1,527	2,283	283	753	-470	647	-481	1,127	38,984	33,796	5,188
Samaritan HPs	17	17	0	13,654	13,641	12	-356	71	-427	24	33	-9	-202	86	-288	7,557	6,909	648
Mid Rogue HP	13	11	2	11,874	10,150	1,724	-1,045	287	-1,332	16	16	-1	-1,030	298	-1,328	7,280	8,509	-1,229

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 03/13, monthly membership for January through March 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 Three Months Ended 03/31/13 compared to the Three Months Ended 03/31/12

Full Service Medical Plans Only - Sorted by Total Revenues
orhcnews.com

Health Plan Name	Member Months ^{2,3}						Per Member Per Month ⁴														
	03/13			03/12			Total Revenues			Net Underwriting Gain (Loss) ⁵			Investment Gain (Loss) & Miscellaneous			Net Income			Statutory Capital Per Average Member ⁶		
	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change
Kaiser Fd HP of the NW	1,400	1,426	-26	535	498	37	37	-5	4	-9	3	4	-1	9	-10	920	1,007	-87			
Regence BCBS of OR	1,475	1,374	101	320	341	-21	6	11	7	-5	7	7	0	15	-4	1,191	1,220	-29			
Providence HPs	565	551	14	482	476	6	13	16	10	-3	10	12	-2	23	-5	2,544	2,404	141			
PacificSource HPs	632	629	3	289	277	12	14	-1	3	14	3	3	0	17	0	572	621	-49			
Health Net HP of OR	208	271	-62	353	348	5	5	-9	33	-42	6	5	2	-6	25	943	841	101			
PacificSource Comm HP	100	50	51	730	778	-48	1	5	7	-4	7	5	2	7	4	1,349	2,795	-1,446			
Trillium Community HP	176	10	166	400	1,282	-881	5	37	0	-32	0	0	0	3	37	192	1,632	-1,440			
Moda HP	235	201	35	298	299	-2	13	7	7	7	4	6	-2	11	8	994	1,211	-218			
UnitedHealthcare of OR	57	51	6	905	1,002	-97	50	119	4	-69	4	6	-2	35	64	1,177	2,165	-988			
LifeWise HP of OR	154	159	-4	244	249	-5	-13	-5	6	-8	6	5	2	-5	-4	1,231	1,173	58			
HP of CareOregon	26	24	2	1,075	1,069	6	29	-64	11	93	11	32	-21	25	-20	4,468	4,280	189			
Samaritan HPs	17	17	0	824	812	13	13	-21	4	-26	1	2	-1	-12	5	1,369	1,233	135			
Mid Rogue HP	13	11	2	923	906	16	16	-81	26	-107	1	1	0	-80	27	1,697	2,280	-582			

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 03/13, monthly membership for January through March 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.