

NEW JERSEY DEPT. OF BANKING AND INSURANCE
MEMORANDUM

To: Ellen DeRosa, Executive Director, SEH/IHC Boards
From: Avnee Parekh, ASA, Managing Actuary, Life & Health Actuarial
Date: June 27, 2013
Re: SEH Loss Ratio and Refund Reports for 2011

Attached is a summary of the SEH Loss Ratio Reports for 2011. These reports are required pursuant to NJAC 11:21-7A.1 through 11:21-7A.5 and implement the minimum loss ratio and refund requirements of NJSA 17B:27A-25.g. These reports were to be submitted to the Department by August 1, 2012. This summary and memorandum can be distributed to the SEH Board. The SEH Loss Ratio Reports, as well as this Memorandum and the Attached Summary, are public documents.

The summary shows total premium of just under \$3.22 billion in 2011, compared to just under \$3.38 billion in 2010 and just over \$3.38 billion in 2009. Total premiums declined by about 4.7% in 2011, following declines of 0.2% in 2010 and 3% in 2009.

Average enrollment (employees and dependents) decreased from 769,000 in 2010 to 717,000 in 2011. Enrollment was 671,000 for 4th Quarter 2012.

The 2011 average loss ratio was 82.8% (before refunds), compared to 83.4% in 2010, 87.8% in 2009, 86.1% in 2008 and 84.5% in 2007. Prior to that, loss ratios were closer to 80%. Horizon (BCBS and HMO), the largest carrier in the market on a combined basis, with around 57% market share by premium, had a loss ratio of 82.9%.

Year	Loss Ratio (before refunds)
2002	79.1%
2003	79.4%
2004	82.4%
2005	81.3%
2006	81.8%
2007	84.5%
2008	86.1%
2009	87.8%
2010	83.4%
2011	82.8%

Refunds (or dividends) are payable if a carrier has a loss ratio below 80%. (Prior to 2009, the required loss ratio was 75%). There is also a Federal 80% loss ratio requirement. This memo addresses refunds as required under NJ law and does not address refunds, if any, under Federal law. The Federal calculation method for the loss ratio is different than the State calculation method. Carriers are permitted to take credit for New Jersey refunds when calculating their Federal liability.

The average loss ratio in the standard market was 82.7% (before refunds) for 2011, down from 83.3% in 2010. Refunds were paid in the standard market by AmeriHealth HMO, Horizon Healthcare of NJ, and Nippon Life. Oxford Health Insurance paid standard market refunds for its purchasing alliance only. Standard market refunds total a little over \$16.8 million. The bulk of the

refunds, just under \$14.9 million, were paid by Horizon Healthcare of NJ. AmeriHealth HMO paid about \$1.9 million in refunds. Standard market refunds were about \$20.2 million for 2010.

The average loss ratio in the non-standard market was 103.1% (before refunds), significantly greater than the 2010 average loss ratio of 85.6%. This market largely consists of coverage that was in place prior to small group insurance reform in the early 1990s. Total premium in the non-standard market declined from about \$41 million in 2010 to about \$18 million in 2011. Horizon Healthcare of NJ paid refunds of \$202,000. Aetna Life and Aetna Health paid refunds totaling about \$105,000.

The SEH market has 4 significant carriers on a combined ownership basis. The following table summarizes the market share (by premium) and loss ratio:

Carrier	Market Share	Loss Ratio (before refunds)
Horizon	56.7%	82.9%
Oxford*	18.6%	81.1%
Aetna	16.1%	85.1%
AmeriHealth	8.6%	81.0%

*Health Net is no longer listed in this table. Health Net of NJ is now included with Oxford. Health Net Life remains separate, but it had less than \$500,000 in premiums for 2011.

All other carriers accounted for 0.1% of premiums.

In 2011 the average premium per covered person in the standard market was \$4,482 or about \$374 per month. This is an increase of about 2.6% from 2010. This increase is lower than the rate increases on a same benefit basis. It suggests that employers are trying to control health coverage costs through benefit changes. These include greater cost sharing, limiting some forms of benefits, and using a “pure” HMO plan rather than a POS or PPO plan. This average includes the premium for dependent children, which is lower than the cost for a single adult. On a carrier by carrier basis, the average premiums vary based on the plans offered, the covered population, and the carrier’s expense and profit structure.

The attached summary gives more detail of each carrier’s report in the standard and non-standard markets. Enrollment is average enrollment over 2011 estimated from quarterly reports submitted to the SEH program. The percentages next to premiums and enrollment are market shares on these two bases. The percentages next to claims or dividends are the loss ratios or dividend percentages, respectively. Following the detailed carrier information are statistics on a combined basis for affiliated carriers and statistics for Purchasing Alliances.

The last page gives information for the two Multiple Employer Welfare Arrangements (MEWAs) in the SEH market. MEWAs are subject to minimum loss ratio standards for small employer business. However, MEWAs were not considered when preparing the statistics provided in this memo, and they were not included as part of the totals on the attached pages.

APP

SEH LOSS RATIO REPORTS
2011

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
INDEMNITY AND SERVICE CARRIERS						
Aetna Life						
Premiums	\$ 21,966,419	0.7%	\$ 11,794,004	0.4%	\$ 10,172,415	56.4%
Claims	\$ 23,930,373	108.9%	\$ 13,164,073	111.6%	\$ 10,766,300	105.8%
Dividends	\$ 104,403	0.5%	\$ -	0.0%	\$ 104,403	1.0%
Enrollment	3,903	0.5%	2,283	0.3%	1,620	65.7%
			\$5,166		\$6,278	
AmeriHealth Insurance Company						
Premiums	\$ 103,019,225	3.2%	\$ 103,019,225	3.2%		
Claims	\$ 87,134,425	84.6%	\$ 87,134,425	84.6%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	19,771	2.8%	19,771	2.8%		
			\$5,211			
Connecticut General Life						
Premiums	\$ 3,602,079	0.1%	\$ 3,602,079	0.1%		
Claims	\$ 4,004,580	111.2%	\$ 4,004,580	111.2%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	637	0.1%	637	0.1%		
			\$5,653			
Guardian Life						
Premiums	\$ 5,442	0.0%	\$ -	0.0%	\$ 5,442	0.0%
Claims	\$ 184,924	3398.1%	\$ 245		\$ 184,678	3393.6%
Dividends	\$ -	0.0%	\$ -		\$ -	0.0%
Enrollment	0	0.0%	-	0.0%	-	0.0%
Health Net Life						
Premiums	\$ 468,506	0.0%	\$ 468,506	0.0%		
Claims	\$ 904,245	193.0%	\$ 904,245	193.0%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	57	0.0%	57	0.0%		
			\$8,184			
Horizon BCBS						
Premiums	\$ 880,732,951	27.4%	\$ 873,503,576	27.3%	\$ 7,229,375	40.1%
Claims	\$ 773,282,316	87.8%	\$ 765,936,298	87.7%	\$ 7,346,018	101.6%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	181,615	25.3%	180,839	25.3%	776	31.5%
			\$4,830		\$9,315	
Nippon Life						
Premiums	\$ -	0.0%	\$ -	0.0%		
Claims	\$ (1,906)		\$ (1,906)			
Dividends	\$ 1,906		\$ 1,906			
Enrollment	0	0.0%	-	0.0%		
Oxford Health Insurance						
Premiums	\$ 139,117,348	4.3%	\$ 139,117,348	4.3%		
Claims	\$ 113,179,766	81.4%	\$ 113,179,766	81.4%		
Dividends	\$ 39,130	0.0%	\$ 39,130	0.0%		
Enrollment	19,710	2.8%	19,710	2.8%		
			\$7,058			
TOTAL OF INDEMNITY AND SERVICE CARRIERS						
Premiums	\$ 1,148,911,970	35.7%	\$ 1,131,504,738	35.4%	\$ 17,407,232	96.6%
Claims	\$ 1,002,618,722	87.3%	\$ 984,321,725	87.0%	\$ 18,296,996	105.1%
Dividends	\$ 145,439	0.0%	\$ 41,036	0.0%	\$ 104,403	0.6%

SEH LOSS RATIO REPORTS
2011

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
Enrollment	225,694	31.5%	223,297	31.3%	2,396	97.2%

SEH LOSS RATIO REPORTS
2011

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
HMO CARRIERS						
Aetna Health						
Premiums	\$ 494,634,595	15.4%	\$ 494,634,595	15.5%	\$ -	0.0%
Claims	\$ 415,453,344	84.0%	\$ 415,453,898	84.0%	\$ (554)	
Dividends	\$ 554	0.0%	\$ -	0.0%	\$ 554	
Enrollment	110,396	15.4%	110,394	15.5%	2	0.1%
			\$4,481		\$0	
AmeriHealth HMO						
Premiums	\$ 172,643,235	5.4%	\$ 172,643,235	5.4%		
Claims	\$ 136,193,875	78.9%	\$ 136,193,875	78.9%		
Dividends	\$ 1,920,713	1.1%	\$ 1,920,713	1.1%		
Enrollment	40,342	5.6%	40,342	5.6%		
			\$4,279			
CIGNA HealthCare						
Premiums	\$ 553,597	0.0%	\$ 553,597	0.0%		
Claims	\$ 512,843	92.6%	\$ 512,843	92.6%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	58	0.0%	58	0.0%		
			\$9,545			
Health Net of NJ						
Premiums	\$ 19,429,742	0.6%	\$ 19,429,742	0.6%		
Claims	\$ 15,581,077	80.2%	\$ 15,581,077	80.2%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	2,254	0.3%	2,254	0.3%		
			\$8,622			
Horizon HC of NJ						
Premiums	\$ 943,046,114	29.3%	\$ 942,425,427	29.4%	\$ 620,687	3.4%
Claims	\$ 739,375,295	78.4%	\$ 739,081,048	78.4%	\$ 294,247	47.4%
Dividends	\$ 15,061,596	1.6%	\$ 14,859,294	1.6%	\$ 202,302	32.6%
Enrollment	241,152	33.7%	241,085	33.8%	67	2.7%
			\$3,909		\$9,299	
Oxford Health Plans (NJ), Inc.						
Premiums	\$ 439,422,068	13.7%	\$ 439,422,068	13.7%		
Claims	\$ 356,183,265	81.1%	\$ 356,183,265	81.1%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	96,649	13.5%	96,649	13.5%		
			\$4,547			
TOTAL OF HMO CARRIERS						
Premiums	\$ 2,069,729,351	64.3%	\$ 2,069,108,664	64.6%	\$ 620,687	3.4%
Claims	\$ 1,663,299,698	80.4%	\$ 1,663,006,006	80.4%	\$ 293,693	47.3%
Dividends	\$ 16,982,863	0.8%	\$ 16,780,006	0.8%	\$ 202,857	32.7%
Enrollment	490,850	68.5%	490,781	68.7%	69	2.8%

SEH LOSS RATIO REPORTS
2011

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
TOTAL OF INDEMNITY AND SERVICE CARRIERS						
Premiums	\$ 1,148,911,970	35.7%	\$ 1,131,504,738	35.4%	\$ 17,407,232	96.6%
Claims	\$ 1,002,618,722	87.3%	\$ 984,321,725	87.0%	\$ 18,296,996	105.1%
Dividends	\$ 145,439	0.0%	\$ 41,036	0.0%	\$ 104,403	0.6%
Enrollment	225,694	31.5%	223,297	31.3%	2,396	97.2%
TOTAL OF HMO CARRIERS						
Premiums	\$ 2,069,729,351	64.3%	\$ 2,069,108,664	64.6%	\$ 620,687	3.4%
Claims	\$ 1,663,299,698	80.4%	\$ 1,663,006,006	80.4%	\$ 293,693	47.3%
Dividends	\$ 16,982,863	0.8%	\$ 16,780,006	0.8%	\$ 202,857	32.7%
Enrollment	490,850	68.5%	490,781	68.7%	69	2.8%
GRAND TOTAL OF ALL CARRIERS						
Premiums	\$ 3,218,641,321	100.0%	\$ 3,200,613,402	100.0%	\$ 18,027,919	100.0%
Claims	\$ 2,665,918,420	82.8%	\$ 2,647,327,731	82.7%	\$ 18,590,689	103.1%
Dividends	\$ 17,128,302	0.5%	\$ 16,821,042	0.5%	\$ 307,260	1.7%
Enrollment	716,543	100.0%	714,078	100.0%	2,465	100.0%

SEH LOSS RATIO REPORTS
2011

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
COMBINED GROUP BASIS						
HORIZON (Horizon BCBS, Horizon HC of NJ (HMO))						
Premiums	\$ 1,823,779,065	56.7%	\$ 1,815,929,003	56.7%	\$ 7,850,062	43.5%
Claims	\$ 1,512,657,611	82.9%	\$ 1,505,017,345	82.9%	\$ 7,640,266	97.3%
Dividends	\$ 15,061,596	0.8%	\$ 14,859,294	0.8%	\$ 202,302	2.6%
Enrollment	422,767	59.0%	421,924	59.1%	843	34.2%
OXFORD (Oxford Health Ins, Oxford Health Plans (NJ), Health Net of NJ)						
Premiums	\$ 597,969,158	18.6%	\$ 597,969,158	18.7%		
Claims	\$ 484,944,107	81.1%	\$ 484,944,107	81.1%		
Dividends	\$ 39,130	0.0%	\$ 39,130	0.0%		
Enrollment	118,612	16.6%	118,612	16.6%		
AETNA (Aetna Life, Aetna Health)						
Premiums	\$ 516,601,014	16.1%	\$ 506,428,599	15.8%	\$ 10,172,415	56.4%
Claims	\$ 439,383,717	85.1%	\$ 428,617,972	84.6%	\$ 10,765,745	105.8%
Dividends	\$ 104,958	0.0%	\$ -	0.0%	\$ 104,958	1.0%
Enrollment	114,299	16.0%	112,676	15.8%	1,622	65.8%
AMERIHEALTH (AmeriHealth HMO, AmeriHealth Ins of NJ)						
Premiums	\$ 275,662,460	8.6%	\$ 275,662,460	8.6%		
Claims	\$ 223,328,300	81.0%	\$ 223,328,300	81.0%		
Dividends	\$ 1,920,713	0.7%	\$ 1,920,713	0.7%		
Enrollment	60,113	8.4%	60,113	8.4%		
ALL OTHERS						
Premiums	\$ 4,629,624	0.1%	\$ 4,624,182	0.1%	\$ 5,442	0.0%
Claims	\$ 5,604,685	121.1%	\$ 5,420,007	117.2%	\$ 184,678	3393.6%
Dividends	\$ 1,906	0.0%	\$ 1,906	0.0%	\$ -	0.0%
Enrollment	753	0.1%	753	0.1%	0	0.0%
TOTAL -- ALL CARRIERS						
Premiums	\$ 3,218,641,321	100.0%	\$ 3,200,613,402	100.0%	\$ 18,027,919	100.0%
Claims	\$ 2,665,918,420	82.8%	\$ 2,647,327,731	82.7%	\$ 18,590,689	103.1%
Dividends	\$ 17,128,302	0.5%	\$ 16,821,042	0.5%	\$ 307,260	1.7%
Enrollment	716,543	100.0%	714,078	100.0%	2,465	100.0%
Ave Premium	\$ 4,492		\$ 4,482		\$ 7,313	
Ave Claim	\$ 3,721		\$ 3,707		\$ 7,541	

SEH LOSS RATIO REPORTS
2011

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
			Purchasing Alliances			
Aetna Life - Purchasing Alliance						
Premiums	\$ 9,944,640	0.3%			\$ 9,944,640	55.2%
Claims	\$ 10,688,483	107.5%			\$ 10,688,483	107.5%
Dividends	\$ -	0.0%			\$ -	0.0%
Aetna Life - Non-Purchasing Alliance						
Premiums	\$ 12,021,779	0.4%	\$ 11,794,004	0.4%	\$ 227,775	1.3%
Claims	\$ 13,241,890	110.1%	\$ 13,164,073	111.6%	\$ 77,817	34.2%
Dividends	\$ 104,403	0.9%	\$ -	0.0%	\$ 104,403	45.8%
Aetna Life - Total						
Premiums	\$ 21,966,419	0.7%	\$ 11,794,004	0.4%	\$ 10,172,415	56.4%
Claims	\$ 23,930,373	108.9%	\$ 13,164,073	111.6%	\$ 10,766,300	105.8%
Dividends	\$ 104,403	0.5%	\$ -	0.0%	\$ 104,403	1.0%
Oxford Health Insurance - Purchasing Alliance						
Premiums	\$ 103,847	0.0%	\$ 103,847	0.0%		
Claims	\$ 43,948	42.3%	\$ 43,948	42.3%		
Dividends	\$ 39,130	37.7%	\$ 39,130	37.7%		
Oxford Health Insurance - Non-Purchasing Alliance						
Premiums	\$ 139,013,501	4.3%	\$ 139,013,501	4.3%		
Claims	\$ 113,135,818	81.4%	\$ 113,135,818	81.4%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Oxford Health Insurance - Total						
Premiums	\$ 139,117,348	4.3%	\$ 139,117,348	4.3%		
Claims	\$ 113,179,766	81.4%	\$ 113,179,766	81.4%		
Dividends	\$ 39,130	0.0%	\$ 39,130	0.0%		
Oxford Health Plans (NJ), Inc. - Purchasing Alliance						
Premiums	\$ 109,316	0.0%	\$ 109,316	0.0%		
Claims	\$ 138,239	126.5%	\$ 138,239	126.5%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Oxford Health Plans (NJ), Inc. - Non-Purchasing Alliance						
Premiums	\$ 439,312,752	13.6%	\$ 439,312,752	13.7%		
Claims	\$ 356,045,026	81.0%	\$ 356,045,026	81.0%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Oxford Health Plans (NJ), Inc. - Total						
Premiums	\$ 439,422,068	13.7%	\$ 439,422,068	13.7%		
Claims	\$ 356,183,265	81.1%	\$ 356,183,265	81.1%		
Dividends	\$ -	0.0%	\$ -	0.0%		

SEH LOSS RATIO REPORTS
2011

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
			MEWAS			
Affiliated Physicians (MEWA)						
Premiums	\$ 30,063,508		\$30,063,508			
Claims	\$ 29,201,080	97.1%	\$29,201,080	97.1%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	8,399		8,399			
			\$3,579			
Association Master Trust (MEWA)						
Premiums	\$ 51,233,098		\$51,233,098			
Claims	\$ 47,192,662	92.1%	\$47,192,662	92.1%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	14,175		14,175			
			\$3,614			