

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: December 4, 2014
Re: SEH Loss Ratio and Refund Reports for 2013

Attached is a summary of the SEH Loss Ratio Reports for 2013. 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, 2014. 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 around \$3.20 billion in 2013, compared to \$3.22 billion in 2012 and 2011. Total premiums declined by 0.7% in 2013, after increasing very slightly, by just 0.002%, in 2012. Prior years also showed declines of 4.7% in 2011 and 0.2% in 2010.

Average enrollment (employees and dependents) decreased from 687,000 in 2012 to 656,000 in 2013. Enrollment was 563,000 at the end of the 2nd Quarter of 2014.

The 2013 average loss ratio was 82.8% (before refunds), compared to 81.4% in 2012. Loss ratios were around 83% in 2010 and 2011. They were around 85% in the late 2000's and around 80% in 2006 and earlier. Horizon (BCBS and HMO), the largest carrier in the market on a combined basis, with around 56% market share by premium, had a loss ratio of 81.1%.

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%
2012	81.4%
2013	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 SEH market has 5 carriers on a combined ownership basis. The next table summarizes the market share (by premium) and loss ratio.

Carrier	Market Share	Loss Ratio (before refunds)
Horizon	55.7%	81.1%
- Horizon BCBS		81.8%
- Horizon HC of NJ		80.2%
Oxford	17.8%	78.6%
- Oxford Health Insurance		74.1%
- Oxford Health Plans		79.7%
Aetna	13.1%	95.3%
- Aetna Health		93.8%
- Aetna Life		113.6%
AmeriHealth	13.4%	83.0%
- AmeriHealth HMO		80.5%
- AmeriHealth Insurance		87.3%
CIGNA	0.0%*	144.1%
- CIGNA HealthCare		35.1%
- Connecticut General Life		162.8%

* Rounded from 0.046%.

Standard Market

The average loss ratio in the standard market was 82.7% (before refunds) for 2013, up from 81.4% for 2012. Refunds are to be paid in the standard market by CIGNA HealthCare, Oxford Health Insurance, and Oxford Health Plans. Only a negligible portion of the Oxford Health Insurance standard market refunds are for its purchasing alliance, and less than 7% of the Oxford Health Plans standard market refunds are for its purchasing alliance. Standard market refunds declined from \$34.0 million for 2012 to \$7.9 million for 2013. The bulk of the refunds will be paid by Oxford Health Insurance and Oxford Health Plans. Oxford Health Insurance will pay \$6.3 million in refunds for 2013 (compared to \$26,000 in 2012 and \$39,000 in 2011), and Oxford Health Plans will pay \$1.5 million in refunds for 2013 (compared to \$17.3 million in 2012 and no refunds in 2011).

Non-standard Market

The average loss ratio in the non-standard market was 462.7% (before refunds), a five-fold increase from the 2012 average loss ratio of 93.0%. This increase is attributable to the Aetna Life purchasing alliance, which had \$1.3 million in premiums and \$6.2 million in claims, resulting in a loss ratio of 486.3%. 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 decreased sharply from \$13.3 million in 2012 to \$1.4 million in 2013. Horizon Healthcare of NJ paid refunds of \$12,000 and Aetna Life will pay refunds of \$15,000.

In 2013 the average premium per covered person in the standard market was \$4,868 or about \$406 per month. This is an increase of about 4.2% from 2012. This increase is lower than the rate increases seen on a "like-benefit" basis, which ranged from 8% to 19% in 2013. It suggests that employers are seeking to control health coverage costs through benefit changes. These benefit changes could include greater cost sharing, limiting some forms of benefits, and using a closed panel (HMO or EPO) plan rather than a POS or PPO plan.

The attached summary gives more detail of each carrier's report in the standard and non-standard markets. Enrollment is average enrollment over 2013 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.

SEH LOSS RATIO REPORTS
2013

	TOTAL	%	STANDARD	%	NONSTANDARD	%
Aetna Health						
Premiums	\$ 386,223,458	12.1%	\$ 386,223,458	12.1%		
Claims	\$ 362,213,750	93.8%	\$ 362,213,750	93.8%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	83,644	12.7%	83,644	12.7%		
			\$4,617			
Aetna Life						
Premiums	\$ 32,027,218	1.0%	\$ 30,683,991	1.0%	\$ 1,343,227	99.5%
Claims	\$ 36,369,007	113.6%	\$ 30,115,504	98.1%	\$ 6,253,503	465.6%
Dividends	\$ 15,467	0.0%	\$ -	0.0%	\$ 15,467	1.2%
Enrollment	5,894	0.9%	5,725	0.9%	169	99.2%
			\$5,360		\$7,948	
AmeriHealth HMO						
Premiums	\$ 269,675,264	8.4%	\$ 269,675,264	8.4%		
Claims	\$ 217,055,286	80.5%	\$ 217,055,286	80.5%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	57,447	8.8%	57,447	8.8%		
			\$4,694			
AmeriHealth Insurance						
Premiums	\$ 158,618,393	5.0%	\$ 158,618,393	5.0%		
Claims	\$ 138,402,161	87.3%	\$ 138,402,161	87.3%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	29,448	4.5%	29,448	4.5%		
			\$5,386			
CIGNA HealthCare						
Premiums	\$ 216,801	0.0%	\$ 216,801	0.0%		
Claims	\$ 76,180	35.1%	\$ 76,180	35.1%		
Dividends	\$ 97,261	44.9%	\$ 97,261	44.9%		
Enrollment	24	0.0%	24	0.0%		
			\$9,081			
Connecticut General Life						
Premiums	\$ 1,262,898	0.0%	\$ 1,262,898	0.0%		
Claims	\$ 2,056,443	162.8%	\$ 2,056,443	162.8%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	157	0.0%	157	0.0%		
			\$8,031			
Horizon BCBS						
Premiums	\$ 999,115,098	31.3%	\$ 999,108,248	31.3%	\$ 6,850	0.5%
Claims	\$ 817,527,981	81.8%	\$ 817,522,501	81.8%	\$ 5,480	80.0%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	178,123	27.1%	178,122	27.1%	1	0.5%
			\$5,609		\$7,829	
Horizon HC of NJ						
Premiums	\$ 781,067,465	24.4%	\$ 781,067,465	24.5%	\$ -	0.0%
Claims	\$ 626,552,311	80.2%	\$ 626,564,593	80.2%	\$ (12,282)	#DIV/0!
Dividends	\$ 12,282	0.0%	\$ -	0.0%	\$ 12,282	#DIV/0!
Enrollment	202,467	30.8%	202,467	30.9%	1	0.3%
			\$3,858		\$0	
Oxford Health Insurance						
Premiums	\$ 107,174,481	3.4%	\$ 107,174,481	3.4%		
Claims	\$ 79,397,030	74.1%	\$ 79,397,030	74.1%		
Dividends	\$ 6,342,555	5.9%	\$ 6,342,555	5.9%		
Enrollment	15,949	2.4%	15,949	2.4%		
			\$6,720			
Oxford Health Plans						
Premiums	\$ 460,131,349	14.4%	\$ 460,131,349	14.4%		
Claims	\$ 366,623,681	79.7%	\$ 366,623,681	79.7%		
Dividends	\$ 1,481,399	0.3%	\$ 1,481,399	0.3%		
Enrollment	83,161	12.7%	83,161	12.7%		
			\$5,533			

SEH LOSS RATIO REPORTS
2013

	TOTAL	%	STANDARD	%	NONSTANDARD	%
COMBINED GROUP BASIS						
HORIZON (Horizon BCBS, Horizon HC of NJ)						
Premiums	\$ 1,780,182,563	55.7%	\$ 1,780,175,713	55.7%	\$ 6,850	0.5%
Claims	\$ 1,444,080,292	81.1%	\$ 1,444,087,094	81.1%	\$ (6,802)	-99.3%
Dividends	\$ 12,282	0.0%	\$ -	0.0%	\$ 12,282	179.3%
Enrollment	380,590	58.0%	380,589	58.0%	1	0.8%
OXFORD (Oxford Health Insurance, Oxford Health Plans)						
Premiums	\$ 567,305,830	17.8%	\$ 567,305,830	17.8%		
Claims	\$ 446,020,711	78.6%	\$ 446,020,711	78.6%		
Dividends	\$ 7,823,953	1.4%	\$ 7,823,953	1.4%		
Enrollment	99,110	15.1%	99,110	15.1%		
AETNA (Aetna Life, Aetna Health)						
Premiums	\$ 418,250,676	13.1%	\$ 416,907,449	13.1%	\$ 1,343,227	99.5%
Claims	\$ 398,582,757	95.3%	\$ 392,329,253	94.1%	\$ 6,253,503	465.6%
Dividends	\$ 15,467	0.0%	\$ -	0.0%	\$ 15,467	1.2%
Enrollment	89,538	13.6%	89,369	13.6%	169	99.2%
AMERIHEALTH (AmeriHealth HMO, AmeriHealth Insurance)						
Premiums	\$ 428,293,657	13.4%	\$ 428,293,657	13.4%		
Claims	\$ 355,457,447	83.0%	\$ 355,457,447	83.0%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	86,895	13.2%	86,895	13.2%		
CIGNA (CIGNA HealthCare, Connecticut General Life)						
Premiums	\$ 1,479,699	0.0%	\$ 1,479,699	0.0%		
Claims	\$ 2,132,623	144.1%	\$ 2,132,623	144.1%		
Dividends	\$ 97,261	6.6%	\$ 97,261	6.6%		
Enrollment	181	0.0%	181	0.0%		
TOTAL -- ALL CARRIERS						
Premiums	\$ 3,195,512,425	100.0%	\$ 3,194,162,348	100.0%	\$ 1,350,077	100.0%
Claims	\$ 2,646,273,829	82.8%	\$ 2,640,027,128	82.7%	\$ 6,246,701	462.7%
Dividends	\$ 7,948,963	0.2%	\$ 7,921,214	0.2%	\$ 27,749	2.1%
Enrollment	656,314	100.0%	656,144	100.0%	170	100.0%
Ave Premium	\$ 4,869		\$ 4,868		\$ 7,924	
Ave Claim	\$ 4,032		\$ 4,024		\$ 36,664	

SEH LOSS RATIO REPORTS
2013

	TOTAL	%	STANDARD	%	NONSTANDARD	%
			Purchasing Alliances			
Aetna Life - Purchasing Alliance						
Premiums	\$ 1,278,441	0.0%			\$ 1,278,441	94.7%
Claims	\$ 6,217,142	486.3%			\$ 6,217,142	486.3%
Dividends	\$ -	0.0%			\$ -	0.0%
Aetna Life - Non-Purchasing Alliance						
Premiums	\$ 30,748,777	1.0%	\$ 30,683,991	1.0%	\$ 64,786	4.8%
Claims	\$ 30,151,865	98.1%	\$ 30,115,504	98.1%	\$ 36,362	56.1%
Dividends	\$ 15,467	0.1%	\$ -	0.0%	\$ 15,467	23.9%
Aetna Life - Total						
Premiums	\$ 32,027,218	1.0%	\$ 30,683,991	1.0%	\$ 1,343,227	99.5%
Claims	\$ 36,369,007	113.6%	\$ 30,115,504	98.1%	\$ 6,253,503	465.6%
Dividends	\$ 15,467	0.0%	\$ -	0.0%	\$ 15,467	1.2%
Oxford Health Insurance - Purchasing Alliance						
Premiums	\$ -	0.0%	\$ -	0.0%		
Claims	\$ (627)	#DIV/0!	\$ (627)	#DIV/0!		
Dividends	\$ 627	#DIV/0!	\$ 627	#DIV/0!		
Oxford Health Insurance - Non-Purchasing Alliance						
Premiums	\$ 107,174,481	3.4%	\$ 107,174,481	3.4%		
Claims	\$ 79,397,657	74.1%	\$ 79,397,657	74.1%		
Dividends	\$ 6,341,928	5.9%	\$ 6,341,928	5.9%		
Oxford Health Insurance - Total						
Premiums	\$ 107,174,481	3.4%	\$ 107,174,481	3.4%		
Claims	\$ 79,397,030	74.1%	\$ 79,397,030	74.1%		
Dividends	\$ 6,342,555	5.9%	\$ 6,342,555	5.9%		
Oxford Health Plans - Purchasing Alliance						
Premiums	\$ 142,286	0.0%	\$ 142,286	0.0%		
Claims	\$ 19,604	13.8%	\$ 19,604	13.8%		
Dividends	\$ 94,225	66.2%	\$ 94,225	66.2%		
Oxford Health Plans - Non-Purchasing Alliance						
Premiums	\$ 459,989,063	14.4%	\$ 459,989,063	14.4%		
Claims	\$ 366,604,077	79.7%	\$ 366,604,077	79.7%		
Dividends	\$ 1,387,174	0.3%	\$ 1,387,174	0.3%		
Oxford Health Plans - Total						
Premiums	\$ 460,131,349	14.4%	\$ 460,131,349	14.4%		
Claims	\$ 366,623,681	79.7%	\$ 366,623,681	79.7%		
Dividends	\$ 1,481,399	0.3%	\$ 1,481,399	0.3%		