

## THE NEW JERSEY COMMERCIAL HEALTH MARKET 2011

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### *The New Jersey Commercial Health Market*

The commercial health market, as described in this report, consists of comprehensive (medical and hospital) coverage that is issued by a regulated carrier (insurer, health service corporation, or HMO) in New Jersey and subject to New Jersey DOBI regulation\*. The commercial health market does not include self-funded coverage provided by larger corporations, labor unions, or governments, for example, the State Health Benefits Plan. It also does not include government programs such as Medicare, Medicaid, or coverage for military or civilian Federal employees, or private coverage such as Medicare Supplement and Medicare Advantage which supplements or is an alternative to traditional Medicare. It does not include student coverage provided at colleges, universities, and other schools. It also does not include coverage's such as dental, disability income, or long term care. As a consequence, only about a quarter of New Jersey's population received coverage from this regulated commercial market.

The regulated commercial market (large group, small group, and individual) covered approximately 1, 767, 000 people in 2011, with total premium of \$8.8 billion, decreased from \$9 billion in 2010. The number of people covered in this market decreased by about 188,500 from 2010. (These people did not necessarily lose coverage; they may have moved to private self-funded or government programs.)

The average premium per covered person increased by about 8.9%, from \$382 a month in 2010 to \$416 a month in 2011. Total claims were \$7.2 billion, for a medical loss ratio (MLR) of 81.4% (lower than the 83.9% in 2010 and 89.5% of 2009).

### 2011 Combined Commercial Market Share

Health Plans	Comprehensive Premiums	Comprehensive Enrollment	MS Premiums	MS Enrollment 2011	MS Enrollment 2010**	MS Enrollment Change 2011-2010
Horizon Combined	\$4,798,640,712	980,035	54.3%	55.5%	53.4%	2.1%
Aetna Combined	\$1,436,197,642	287,788	16.3%	16.3%	17.0%	-0.7%
United/Oxford Combined	\$1,587,595,154	299,922	18.0%	17.0%	13.7%	3.3%
AmeriHealth Combined	\$611,505,708	121,558	6.9%	6.9%	6.7%	0.2%
CIGNA Combined	\$375,414,107	74,574	4.3%	4.2%	5.7%	-1.5%
Nippon Life	\$20,285,038	3,369	0.2%	0.2%	0.1%	0.1%
<b>TOTAL</b>	<b>\$8,829,638,361</b>	<b>1,767,246</b>	<b>100.0%</b>	<b>100.0%</b>	<b>96.6%</b>	

\*\* Some of the 2010 health plans are omitted in 2011, MS – Market Share

The three largest carriers (with market share measured by enrollment) were Horizon (55.5%, higher than 53.4% in 2010 and 53.7% in 2009), Aetna (16.3% slightly down from 17.0% in 2010 and 18.4% in 2009) and United/Oxford (17% higher from 13.7% in 2010 and 18.4% in 2009). AmeriHealth (6.9%), CIGNA (4.2%) are the other carriers with market share of 4 -7 percent. Market share varies by market segment (large group, small group, individual) and location.

\* Most people covered by the New Jersey commercial market are also NJ residents. However, some non-NJ residents who work in NJ are covered by NJ contracts issued to their employers. Conversely, some NJ residents who work in other states are covered by non-NJ contracts.

### Source of Coverage for 2011

According to the Current Population Survey (CPS) conducted by the US Census Bureau, 7,316,000 (84.6%) of the 8,652,000 residents of New Jersey had health coverage. The remaining 1,336,000 had no coverage during the year. The source for those covered included Medicare and Medicaid as well as insurance regulated by DOBI and self-funded program. .

As this report shows, of those with health coverage, only 1,767,246 or 24% have group or individual health coverage regulated by New Jersey DOBI.

A more detailed report on Source of Coverage for 2011 is posted on the DOBI web site at [http://www.state.nj.us/dobi/lifehealthactuarial/2011comhealth\\_source.pdf](http://www.state.nj.us/dobi/lifehealthactuarial/2011comhealth_source.pdf).

### Market Share

Market share can be measured as a percentage of enrollments or a percentage of premiums, but we will generally use percentage of enrollment in summarizing the results. Because the three market segments (large group, small group, and individual) have distinctive characteristics, market share by segment is more meaningful than overall market share. Market share is shown on an affiliated basis; affiliated companies generally offer complementary products rather than competing. This report ignores the smallest carriers in the market, as well as carriers covering only college and other students.

As noted above, the overall commercial market covered approximately 1.8 million people with premiums of \$8.8 billion in 2011. The three largest carriers (with market share by enrollment) were Horizon (55.5%), Aetna (16.3%), and United/Oxford (17%). The next two largest carriers AmeriHealth, and CIGNA had market shares of 6.9% and 4.2%. Nippon Life had market shares of less than 1%.

### 2011 Large Group Market Share

Health Plans	Large Group Premiums	Large Group Enrollment	Large Group MS Premiums	Large Group MS Enrollment 2011	Large Group MS Enrollment 2010*	MS Enrollment Change 2011-2010
Horizon Combined	\$2,516,532,816	458,184	50.6%	50.1%	51.0%	-0.9%
Aetna Combined	\$903,878,741	170,791	18.2%	18.7%	17.4%	1.3%
United/Oxford Combined	\$859,698,859	153,282	17.3%	16.8%	12.6%	4.2%
AmeriHealth Combined	\$299,479,177	54,195	6.0%	5.9%	6.7%	-0.8%
CIGNA Combined	\$370,786,066	73,835	7.5%	8.1%	10.2%	-2.1%
Nippon Life	\$20,285,038	3,369	0.4%	0.4%	0.2%	0.2%
<b>TOTAL</b>	<b>\$4,970,660,697</b>	<b>913,657</b>	<b>100.0%</b>	<b>100.0%</b>	<b>98.1%</b>	

\* Some of the 2010 health plans are omitted in in 2011, MS – Market Share

Horizon is the largest carrier in the large group segment with 51.1% (51% in 2010), followed by Aetna with 18.7% (18.7% in 2010) and Oxford/United with 16.8% (12.6% in 2010). CIGNA has 8.1% and AmeriHealth 5.9%. Many groups in this market are partially or fully experience-rated; their rates depend on the group's actual claims

experience. Such groups, especially the larger ones, may have the option of self-funding and removing themselves from the regulated commercial market.

### 2011 Small Group Market Share

Health Plans	Small Group Premiums	Small Group Enrollment	Small Group MS Premiums	Small Group MS Enrollment 2011	Small Group MS Enrollment 2010*	MS Enrollment Change 2011-2010
Horizon Combined	\$1,823,779,065	422,767	56.7%	58.8%	53.6%	5.2%
Aetna Combined	\$516,601,014	114,299	16.1%	15.9%	18.8%	-2.9%
United/Oxford Combined	\$597,969,158	120,512	18.6%	16.8%	14.1%	2.7%
AmeriHealth Combined	\$275,662,460	60,113	8.6%	8.4%	6.9%	1.5%
CIGNA Combined	\$4,155,676	695	0.1%	0.1%	0.4%	-0.3%
<b>TOTAL</b>	<b>\$3,218,167,373</b>	<b>718,386</b>	<b>100.0%</b>	<b>100.0%</b>	<b>93.8%</b>	

\* Some of the 2010 health plans are omitted in in 2011, MS – Market Share

In the small group segment, Horizon with 58.8% (53.6% in 2010), Aetna with 15.9% (18.8% in 2010), and United/Oxford with 16.8% (14.1% in 2010) are the three largest carriers. AmeriHealth has 8.4%, and CIGNA has less than 1% market share.

### 2011 Individual Market Share

Health Plans	Individual Premiums	Individual Enrollment	Individual MS Premiums	Individual MS Enrollment 2011	Individual MS Enrollment 2010*	MS Enrollment Change 2011-2010
Horizon Combined	\$458,328,831	99,084	71.5%	73.3%	73.2%	0.1%
Aetna Combined	\$15,717,887	2,698	2.5%	2.0%	1.3%	0.7%
United/Oxford Combined	\$129,927,137	26,128	20.3%	19.3%	20.3%	-1.0%
AmeriHealth Combined	\$36,364,071	7,250	5.7%	5.4%	5.0%	0.4%
CIGNA Combined	\$472,365	44	0.1%	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>\$640,810,291</b>	<b>135,203</b>	<b>100.0%</b>	<b>100.0%</b>	<b>99.8%</b>	

\* Some of the 2010 health plans are omitted in in 2011, MS – Market Share

The two largest carriers in the individual (IHC) segment are Horizon at 73.3% (73.2% in 2010), and United/Oxford at 19.3% (20.3% in 2010). AmeriHealth at 5.4% (5% in 2010), and Aetna at 2% (1.3% in 2010). The IHC market includes Indemnity Plans, Managed Care (HMO and PPO) and Basic and Essential (B&E) plans. The structure of the IHC market has changed since 2004 due to the introduction of B&E plans with riders, leading to increasing enrollment in the B&E segment.

### Loss Ratio

The (Medical) Loss Ratio is the ratio of claims (medical benefits) incurred to premiums earned. Provider claims do not include claims administration expenses or expenses associated with loss control (such as utilization management). However, they may include administrative costs incurred by providers or vendor intermediaries, such as Organized Delivery Systems (ODS's). The complement (the loss ratio subtracted from

1) of the loss ratio is the percentage of premiums required to administer the system, including claim processing, producer commissions, taxes, and profits.

### 2011 Commercial Loss Ratio

Health Plans	Total Premiums	Total Claims	Total Loss Ratio 2011	Total Loss Ratio 2010
Horizon Healthcare Svcs (BCBS)	\$3,725,251,090	\$3,047,176,526	81.8%	85.6%
Aetna Health (NJ)	\$1,084,335,675	\$881,695,400	81.3%	84.3%
Oxford Health Ins	\$699,441,860	\$593,498,498	84.9%	85.7%
Horizon Healthcare of NJ (HMO)	\$1,073,389,622	\$846,650,181	78.9%	78.6%
Oxford Health Plan of NJ	\$654,627,129	\$517,431,788	79.0%	83.3%
Health Net of NJ	\$19,922,690	\$20,383,387	102.3%	82.6%
Amerihealth HMO	\$300,779,758	\$236,585,767	78.7%	83.0%
Conn Gen Life Ins Co	\$368,865,875	\$319,870,729	86.7%	87.7%
Amerihealth Ins Co of NJ	\$310,725,950	\$251,188,763	80.8%	87.9%
United HealthCare Ins Co	\$213,603,475	\$162,578,559	76.1%	82.9%
CIGNA Health Care of NJ	\$6,548,232	\$4,433,139	67.7%	57.7%
Aetna Life Ins. Co	\$351,861,967	\$291,737,415	82.9%	39.2%
Nippon Life	\$20,285,038	\$11,678,601	57.6%	85.2%
<b>TOTAL</b>	<b>\$8,829,638,361</b>	<b>\$7,184,908,753</b>	<b>81.4%</b>	

\* Some of the 2010 health plans are omitted in in 2011

Overtime, the average loss ratio for the commercial market is around 80%. In recent years, it has gradually increased from just below 80% to above 80%. The 81.4% loss ratio in 2011 was lower than the 83.9% loss ratio in 2010 and 89.5% loss ratio in 2009.

### 2011 Large Group Loss Ratio

Company	Large Group Premiums	Large Group Claims	Large Group Loss Ratio 2011	Large Group Loss Ratio 2010
Horizon Healthcare Svcs (BCBS)	\$2,489,011,340	\$2,009,665,615	80.7%	86.2%
Aetna Health (NJ)	\$579,306,146	\$445,908,758	77.0%	78.1%
Oxford Health Ins	\$454,678,866	\$361,835,694	79.6%	85.9%
Horizon Healthcare of NJ (HMO)	\$27,521,476	\$24,058,700	87.4%	76.2%
Oxford Health Plan of NJ	\$191,102,254	\$137,631,131	72.0%	81.8%
Health Net of NJ	\$314,264	\$4,680,817	14.9%	71.6%
Amerihealth HMO	\$104,202,290	\$79,280,746	76.1%	83.6%
Conn Gen Life Ins Co	\$365,263,796	\$315,866,149	86.5%	87.0%
Amerihealth Ins Co of NJ	\$195,276,887	\$152,894,218	78.3%	90.1%
United HealthCare Ins Co	\$213,603,475	\$162,578,559	76.1%	82.9%
CIGNA Health Care of NJ	\$5,522,270	\$3,703,832	67.1%	57.7%
Aetna Life Ins. Co	\$324,572,595	\$262,465,183	80.9%	36.4%
Nippon Life	\$20,285,038	\$11,678,601	57.6%	86.1%
<b>TOTAL</b>	<b>\$4,970,660,697</b>	<b>\$3,972,248,004</b>	<b>79.9%</b>	

\* Some of the 2010 health plans are omitted in in 2011

The 2011 average loss ratio in the large group segment was 79.9%. Among carriers with premium volume of \$100 mm or more in the large group market, the loss ratio

ranged from a low of 72.0% to a high of 86.5%. This is a significant variation. This variation is based largely on two things – variation among companies in target loss ratio (the loss ratio they hope to achieve, considering administrative costs and intended profit) and variation among companies in actual experience.

### 2011 Small Group Loss Ratio

Health Plans	Small Group Premiums	Small Group Claims (wo/dvd)	Small Group Loss Ratio 2011	Small Group Loss Ratio 2010
Horizon Healthcare Svcs (BCBS)	\$880,732,951	\$773,282,316	87.8%	85.3%
Aetna Health (NJ)	\$494,634,595	\$415,453,344	84.0%	88.4%
Oxford Health Ins	\$139,117,348	\$113,179,766	81.4%	81.5%
Horizon Healthcare of NJ (HMO)	\$943,046,114	\$739,375,295	78.4%	77.6%
Oxford Health Plan of NJ	\$439,422,068	\$356,183,265	81.1%	81.3%
Health Net of NJ	\$19,429,742	\$15,581,077	80.2%	85.2%
Amerihealth HMO	\$172,643,235	\$136,193,875	78.9%	82.0%
Conn Gen Life Ins Co	\$3,602,079	\$4,004,580	111.2%	97.5%
Amerihealth Ins Co of NJ	\$103,019,225	\$87,134,425	84.6%	82.0%
CIGNA Health Care of NJ	\$553,597	\$512,843	92.6%	79.6%
Aetna Life Ins. Co	\$21,966,419	\$23,930,373	108.9%	66.5%
<b>TOTAL</b>	<b>\$3,218,167,373</b>	<b>\$2,664,831,158</b>	<b>82.8%</b>	

\* Some of the 2010 health plans are omitted in in 2011

The average loss ratio in the small group market was 82.8%. Among carriers with premium of \$100 mm or more, loss ratios ranged from a low of 78.4% to a high of 87.8%.

### 2011 Individual Loss Ratio

Health Plans	Individual Premiums	Individual Claims	Individual Loss Ratio 2011	Individual Loss Ratio 2010
Horizon Healthcare Svcs (BCBS)	\$355,506,799	\$264,228,595	74.3%	79.9%
Aetna Health (NJ)	\$10,394,934	\$20,333,298	195.6%	164.6%
Oxford Health Ins	\$105,645,646	\$118,483,038	112.2%	93.6%
Horizon Healthcare of NJ (HMO)	\$102,822,032	\$83,216,186	80.9%	86.6%
Oxford Health Plan of NJ	\$24,102,807	\$23,617,392	98.0%	114.1%
Health Net of NJ	\$178,684	\$121,493	68.0%	80.2%
Amerihealth HMO	\$23,934,233	\$21,111,146	88.2%	83.3%
Amerihealth Ins Co of NJ	\$12,429,838	\$11,160,120	89.8%	83.0%
CIGNA Health Care of NJ	\$472,365	\$216,464	45.8%	50.9%
Aetna Life Ins. Co	\$5,322,953	\$5,341,859	100.4%	75.6%
<b>TOTAL</b>	<b>\$640,810,291</b>	<b>\$547,829,591</b>	<b>85.5%</b>	

\* Some of the 2010 health plans are omitted in in 2011, MS – Market Share

The average loss ratio in the individual market was 85.5% which is lower than 87.6% in 2010 ratio. Loss ratios for the 3 major carriers ranged from a low of 74.3% to a high of

112.2%. The loss ratios in the Individual Market show the growth of the Basic and Essential products, which now account for approximately a third of the IHC market enrollment.

### *Average Premiums*

The average premium per covered person in the commercial market was \$4,996 per year or \$416 per month. This does not reflect the entire cost of covered medical care, because, in addition to the premium, the covered person is responsible for cost sharing such as deductibles, coinsurance, copayments and limits. Also, dependent children are included in this average.

The average annual premium was \$5440 (\$453 a month) in the large group market and \$4479 (\$373 a month) in the small group market. This does not imply that the small groups are cheaper to insure than large groups. Small groups tend to choose less expensive coverage options. For example, small groups are more likely to choose closed panel HMO coverage, which tends to be less expensive than coverage providing for out-of-network benefits. Small groups may also have higher cost sharing or deductibles.

The average large group premium increased by 12.7%; from \$402 in 2010 a month to \$4053 a month in 2011.

The average small group premium increased by 4.5% in 2011, from \$335 (2010) to \$373 (2011) a month. Because small group and large group are subjected to most of the same medical trends, we think this represents a continuing shift to higher cost sharing and a greater degree of care management in the small group market. It could also represent the increasing market share of Horizon, which is generally less expensive than other carriers.

The average premium in the individual market was \$4,740 or \$395 a month in 2011. This represents an increase of about 8.2% from \$365 a month in 2010 to \$395 a month in 2011.

### *Conclusion*

The Department monitors source of coverage, market share, loss ratios, and average premiums in the commercial market. Somewhat less formally, we monitor underwriting profits. Along with total enrollment, average premium, and premium increases, these are measures of the performance of the commercial insurance system.