

NEW JERSEY DEPT. OF BANKING AND INSURANCE
MEMORANDUM

To: Ellen DeRosa, Executive Director, SEH/IHC Boards
From: Avnee Parekh, ASA, Actuarial Analyst, Life & Health Actuarial
Date: March 8, 2011
Re: SEH Loss Ratio and Refund Reports for 2009

Attached is a summary of the SEH Loss Ratio Reports for 2009. 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, 2010. 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 \$3.38 billion in 2009, compared to \$3.49 billion in 2008. Total premiums declined by about 3% in 2009, after experiencing slight growth of about 1% in 2008 and 2007. In contrast, total premium grew by about 5% in 2006 and 9% in 2005.

Average enrollment (employees and dependents) decreased from 873,000 in 2008 to 820,000 in 2009. Enrollment was 747,000 for 4th Quarter 2010.

The 2009 average loss ratio was 87.8% (before refunds), compared to 86.1% in 2008 and 84.5% in 2007. Prior to that, loss ratios have been closer to 80%. The 2006 average loss ratio was 81.8% and the 2005 average loss ratio was 81.3%. Horizon (BCBS and HMO), the largest carrier in the market on a combined basis, with just over 50% market share by premium, had a loss ratio of 87.5%.

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%

Refunds (or dividends) are payable if a carrier has a loss ratio below 80%. Prior to 2009, the required loss ratio was 75%.

The average loss ratio in the standard market was 87.8% (before refunds) for 2009, up from 86.1% in 2008. Refunds were paid in the standard market by Aetna Life for 2009. Oxford Health Insurance will pay standard market refunds for purchasing alliances only. Standard market refunds will be about \$191,000 in total. This is a significant decline from 2008, when standard market refunds were about \$700,000.

The average loss ratio in the non-standard market was 87.3% (before refunds), down from the 2008 average loss ratio of 88.9%. 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 \$46 million in 2008 to about \$43 million in 2009. Aetna Health and Oxford Health Plans will pay small refunds, totaling about \$88,000.

The SEH market has 5 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	51.5%	87.5%
Aetna	18.9%	92.2%
United/Oxford	15.2%	83.0%
Health Net	7.5%	85.7%
AmeriHealth	5.6%	88.5%

All other carriers accounted for 1.2% of premiums.

In 2009 the average premium per covered person in the standard market was \$4,108 or about \$342 a month. This is an increase of about 3.2% from 2008. This suggests, as in past years, 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 2009 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. 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
2009

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
INDEMNITY AND SERVICE CARRIERS						
Aetna Life						
Premiums	\$ 7,034,199	0.2%	\$ 6,696,452	0.2%	\$ 337,747	0.8%
Claims	\$ 5,618,555	79.9%	\$ 5,178,122	77.3%	\$ 440,433	130.4%
Dividends	\$ 179,040	2.5%	\$ 179,040	2.7%	\$ -	0.0%
Enrollment	1,975	0.2%	1,931	0.2%	45	0.6%
			\$3,469		\$7,590	
AmeriHealth Insurance Company						
Premiums	\$ 78,987,188	2.3%	\$ 78,987,188	2.4%		
Claims	\$ 68,144,636	86.3%	\$ 68,144,636	86.3%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	16,659	2.0%	16,659	2.0%		
			\$4,741			
Connecticut General Life						
Premiums	\$ 37,258,366	1.1%	\$ 37,258,366	1.1%		
Claims	\$ 36,902,450	99.0%	\$ 36,902,450	99.0%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	5,875	0.7%	5,875	0.7%		
			\$6,341			
Guardian Life						
Premiums	\$ 2,477,097	0.1%	\$ 72,784	0.0%	\$ 2,404,313	5.6%
Claims	\$ 2,104,790	85.0%	\$ 72,716	99.9%	\$ 2,032,074	84.5%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	184	0.0%	2	0.0%	182	2.6%
			\$34,251		\$13,211	
Health Net Life						
Premiums	\$ 4,195,736	0.1%	\$ 4,195,736	0.1%		
Claims	\$ 4,093,761	97.6%	\$ 4,093,761	97.6%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	953	0.1%	953	0.1%		
			\$4,402			
Horizon BCBS						
Premiums	\$ 1,074,161,878	31.7%	\$ 1,059,595,706	31.7%	\$ 14,566,172	34.2%
Claims	\$ 971,654,349	90.5%	\$ 958,773,166	90.5%	\$ 12,881,183	88.4%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	241,934	29.5%	240,017	29.5%	1,917	27.7%
			\$4,415		\$7,597	
Nippon Life						
Premiums	\$ 1,158,078	0.0%	\$ 1,158,078	0.0%		
Claims	\$ 1,098,078	94.8%	\$ 1,098,078	94.8%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	286	0.0%	286	0.0%		
			\$4,055			
Oxford Health Insurance						
Premiums	\$ 242,026,830	7.2%	\$ 218,386,435	6.5%	\$ 23,640,395	55.5%
Claims	\$ 202,217,045	83.6%	\$ 181,930,321	83.3%	\$ 20,286,724	85.8%
Dividends	\$ 11,718	0.0%	\$ 11,718	0.0%	\$ -	0.0%
Enrollment	47,111	5.7%	42,648	5.2%	4,464	64.5%
			\$5,121		\$5,296	
TOTAL OF INDEMNITY AND SERVICE CARRIERS						
Premiums	\$ 1,447,299,372	42.8%	\$ 1,406,350,745	42.1%	\$ 40,948,627	96.2%
Claims	\$ 1,291,833,663	89.3%	\$ 1,256,193,250	89.3%	\$ 35,640,413	87.0%
Dividends	\$ 190,758	0.0%	\$ 190,758	0.0%	\$ -	0.0%
Enrollment	314,978	38.4%	308,371	37.9%	6,608	95.5%

SEH LOSS RATIO REPORTS
2009

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
HMO CARRIERS						
Aetna Health						
Premiums	\$ 634,071,361	18.7%	\$ 633,786,537	19.0%	\$ 284,824	0.7%
Claims	\$ 585,631,863	92.4%	\$ 585,491,087	92.4%	\$ 140,776	49.4%
Dividends	\$ 87,083	0.0%	\$ -	0.0%	\$ 87,083	30.6%
Enrollment	162,917	19.9%	162,890	20.0%	27	0.4%
			\$3,891		\$10,500	
AmeriHealth HMO						
Premiums	\$ 110,350,361	3.3%	\$ 110,350,361	3.3%		
Claims	\$ 99,497,411	90.2%	\$ 99,497,411	90.2%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	27,123	3.3%	27,123	3.3%		
			\$4,069			
CIGNA HealthCare						
Premiums	\$ 641,796	0.0%	\$ 641,796	0.0%		
Claims	\$ 580,102	90.4%	\$ 580,102	90.4%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	107	0.0%	107	0.0%		
			\$6,019			
Health Net of NJ						
Premiums	\$ 250,816,528	7.4%	\$ 250,816,528	7.5%		
Claims	\$ 214,358,777	85.5%	\$ 214,358,777	85.5%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	58,486	7.1%	58,486	7.2%		
			\$4,288			
Horizon HC of NJ						
Premiums	\$ 666,730,113	19.7%	\$ 665,387,397	19.9%	\$ 1,342,716	3.2%
Claims	\$ 551,932,866	82.8%	\$ 550,538,820	82.7%	\$ 1,394,045	103.8%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	185,735	22.6%	185,451	22.8%	284	4.1%
			\$3,588		\$4,724	
Oxford Health Plans (NJ), Inc.						
Premiums	\$ 273,742,072	8.1%	\$ 273,742,072	8.2%	\$ -	0.0%
Claims	\$ 225,957,777	82.5%	\$ 225,958,385	82.5%	\$ (608)	#DIV/0!
Dividends	\$ 608	0.0%	\$ -	0.0%	\$ 608	#DIV/0!
Enrollment	70,809	8.6%	70,808	8.7%	1	0.0%
			\$3,866		\$0	
TOTAL OF HMO CARRIERS						
Premiums	\$ 1,936,352,231	57.2%	\$ 1,934,724,691	57.9%	\$ 1,627,540	3.8%
Claims	\$ 1,677,958,795	86.7%	\$ 1,676,424,582	86.6%	\$ 1,534,214	94.3%
Dividends	\$ 87,691	0.0%	\$ -	0.0%	\$ 87,691	5.4%
Enrollment	505,176	61.6%	504,864	62.1%	312	4.5%

SEH LOSS RATIO REPORTS
2009

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
TOTAL OF INDEMNITY AND SERVICE CARRIERS						
Premiums	\$ 1,447,299,372	42.8%	\$ 1,406,350,745	42.1%	\$ 40,948,627	96.2%
Claims	\$ 1,291,833,663	89.3%	\$ 1,256,193,250	89.3%	\$ 35,640,413	87.0%
Dividends	\$ 190,758	0.0%	\$ 190,758	0.0%	\$ -	0.0%
Enrollment	314,978	38.4%	308,371	37.9%	6,608	95.5%
TOTAL OF HMO CARRIERS						
Premiums	\$ 1,936,352,231	57.2%	\$ 1,934,724,691	57.9%	\$ 1,627,540	3.8%
Claims	\$ 1,677,958,795	86.7%	\$ 1,676,424,582	86.6%	\$ 1,534,214	94.3%
Dividends	\$ 87,691	0.0%	\$ -	0.0%	\$ 87,691	5.4%
Enrollment	505,176	61.6%	504,864	62.1%	312	4.5%
GRAND TOTAL OF ALL CARRIERS						
Premiums	\$ 3,383,651,603	100.0%	\$ 3,341,075,436	100.0%	\$ 42,576,167	100.0%
Claims	\$ 2,969,792,459	87.8%	\$ 2,932,617,832	87.8%	\$ 37,174,627	87.3%
Dividends	\$ 278,449	0.0%	\$ 190,758	0.0%	\$ 87,691	0.2%
Enrollment	820,154	100.0%	813,235	100.0%	6,920	100.0%

SEH LOSS RATIO REPORTS
2009

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
COMBINED GROUP BASIS						
HORIZON (Horizon BCBS, Horizon HC of NJ (HMO))						
Premiums	\$ 1,740,891,991	51.5%	\$ 1,724,983,103	51.6%	\$ 15,908,888	37.4%
Claims	\$ 1,523,587,214	87.5%	\$ 1,509,311,986	87.5%	\$ 14,275,228	89.7%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	427,669	52.1%	425,467	52.3%	2,202	31.8%
AETNA (Aetna Life, Aetna Health)						
Premiums	\$ 641,105,560	18.9%	\$ 640,482,989	19.2%	\$ 622,571	1.5%
Claims	\$ 591,250,418	92.2%	\$ 590,669,209	92.2%	\$ 581,209	93.4%
Dividends	\$ 266,123	0.0%	\$ 179,040	0.0%	\$ 87,083	14.0%
Enrollment	164,892	20.1%	164,821	20.3%	72	1.0%
UNITED/OXFORD (Oxford Health Ins, Oxford Health Plans (NJ))						
Premiums	\$ 515,768,902	15.2%	\$ 492,128,507	14.7%	\$ 23,640,395	55.5%
Claims	\$ 428,174,822	83.0%	\$ 407,888,706	82.9%	\$ 20,286,116	85.8%
Dividends	\$ 12,326	0.0%	\$ 11,718	0.0%	\$ 608	0.0%
Enrollment	117,920	14.4%	113,455	14.0%	4,465	64.5%
HEALTH NET (Health Net Life, Health Net of NJ)						
Premiums	\$ 255,012,264	7.5%	\$ 255,012,264	7.6%		
Claims	\$ 218,452,538	85.7%	\$ 218,452,538	85.7%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	59,440	7.2%	59,440	7.3%		
AMERIHEALTH (AmeriHealth HMO, AmeriHealth Ins of NJ)						
Premiums	\$ 189,337,549	5.6%	\$ 189,337,549	5.7%		
Claims	\$ 167,642,048	88.5%	\$ 167,642,048	88.5%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	43,782	5.3%	43,782	5.4%		
ALL OTHERS						
Premiums	\$ 41,535,337	1.2%	\$ 39,131,024	1.2%	\$ 2,404,313	5.6%
Claims	\$ 40,685,419	98.0%	\$ 38,653,345	98.8%	\$ 2,032,074	84.5%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	6,452	0.8%	6,270	0.8%	182	2.6%
TOTAL -- ALL CARRIERS						
Premiums	\$ 3,383,651,603	100.0%	\$ 3,341,075,436	100.0%	\$ 42,576,167	100.0%
Claims	\$ 2,969,792,459	87.8%	\$ 2,932,617,832	87.8%	\$ 37,174,627	87.3%
Dividends	\$ 278,449	0.0%	\$ 190,758	0.0%	\$ 87,691	0.2%
Enrollment	820,154	100.0%	813,235	100.0%	6,920	100.0%
Ave Premium	\$ 4,126		\$ 4,108		\$ 6,153	
Ave Claim	\$ 3,621		\$ 3,606		\$ 5,372	

SEH LOSS RATIO REPORTS
2009

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
			Purchasing Alliances			
Oxford Health Insurance - Purchasing Alliance						
Premiums	\$ 53,299	0.0%	\$ 53,299	0.0%		
Claims	\$ 30,921	58.0%	\$ 30,921	58.0%		
Dividends	\$ 11,718	22.0%	\$ 11,718	22.0%		
Oxford Health Insurance - Non-Purchasing Alliance						
Premiums	\$ 241,973,531	7.2%	\$ 218,333,136	6.5%	\$ 23,640,395	55.5%
Claims	\$ 202,186,124	83.6%	\$ 181,899,400	83.3%	\$ 20,286,724	85.8%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Oxford Health Insurance - Total						
Premiums	\$ 242,026,830	7.2%	\$ 218,386,435	6.5%	\$ 23,640,395	55.5%
Claims	\$ 202,217,045	83.6%	\$ 181,930,321	83.3%	\$ 20,286,724	85.8%
Dividends	\$ 11,718	0.0%	\$ 11,718	0.0%	\$ -	0.0%
Oxford Health Plans (NJ), Inc. - Purchasing Alliance						
Premiums	\$ 141,350	0.0%	\$ 141,350	0.0%		
Claims	\$ 130,488	92.3%	\$ 130,488	92.3%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Oxford Health Plans (NJ), Inc. - Non-Purchasing Alliance						
Premiums	\$ 273,600,722	8.1%	\$ 273,600,722	8.2%	\$ -	0.0%
Claims	\$ 225,827,289	82.5%	\$ 225,827,897	82.5%	\$ (608)	#DIV/0!
Dividends	\$ 608	0.0%	\$ -	0.0%	\$ 608	#DIV/0!
Oxford Health Plans (NJ), Inc. - Total						
Premiums	\$ 273,742,072	8.1%	\$ 273,742,072	8.2%	\$ -	0.0%
Claims	\$ 225,957,777	82.5%	\$ 225,958,385	82.5%	\$ (608)	#DIV/0!
Dividends	\$ 608	0.0%	\$ -	0.0%	\$ 608	#DIV/0!

SEH LOSS RATIO REPORTS
2009

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
			MEWAS			
Affiliated Physicians (MEWA)						
Premiums	\$ 18,805,233	0.6%	\$18,805,233			
Claims	\$ 17,319,583	92.1%	\$17,319,583			
Dividends	\$ -	0.0%	\$ -			
Enrollment	4,396	0.5%	4,396			
			\$4,278			
Association Master Trust (MEWA)						
Premiums	\$ 53,904,655	1.6%	\$53,904,655			
Claims	\$ 49,548,718	91.9%	\$49,548,718			
Dividends	\$ -	0.0%	\$ -			
Enrollment	14,921	1.8%	14,921			
			\$3,613			