

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: April 9, 2014
Re: SEH Loss Ratio and Refund Reports for 2012

Attached is a summary of the SEH Loss Ratio Reports for 2012. 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, 2013. 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 2012, nearly identical to the total premium for 2011, but down from just under \$3.38 billion in 2010. Total premiums increased very slightly, by just 0.002%, in 2012, after declining by about 4.7% in 2011 and 0.2% in 2010.

Average enrollment (employees and dependents) decreased from 717,000 in 2011 to 687,000 in 2012. Enrollment was 647,000 for 4th Quarter 2013.

The 2012 average loss ratio was 81.4% (before refunds), compared to 82.8% in 2011 and 83.4% in 2010. Loss ratios 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 80.4%.

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%

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	56.1%	80.4%
- Horizon BCBS		82.9%
- Horizon HC of NJ		78.3%
Oxford	17.7%	77.4%
- Oxford Health Insurance		82.5%
- Oxford Health Plans		76.3%
Aetna	16.0%	87.1%
- Aetna Health		86.6%
- Aetna Life		96.8%
AmeriHealth	10.1%	85.1%
- AmeriHealth HMO		83.7%
- AmeriHealth Insurance		87.5%
CIGNA	0.1%	82.0%
- CIGNA HealthCare		27.2%
- Connecticut General Life		94.2%

Standard Market

The average loss ratio in the standard market was 81.4% (before refunds) for 2012, down from 82.7% for 2011. Refunds were paid in the standard market by CIGNA HealthCare, Horizon Healthcare of NJ, Oxford Health Insurance, and Oxford Health Plans. Oxford Health Insurance paid standard market refunds for its purchasing alliance only, while Oxford Health Plans paid standard market refunds for all of its standard plans, including its purchasing alliance. Standard market refunds total \$34.0 million. The bulk of the refunds were paid by Horizon Healthcare of NJ (\$16.5 million) and Oxford Health Plans (\$17.3 million). Standard market refunds were a little over \$16.8 million for 2011.

Non-standard Market

The average loss ratio in the non-standard market was 93.9% (before refunds), down from the 2011 average loss ratio of 103.1%. 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 from \$18.0 million in 2011 to \$13.3 million in 2012. Horizon Healthcare of NJ paid refunds of \$228,000 and Aetna Life paid refunds of \$135,000.

In 2012 the average premium per covered person in the standard market was \$4,674 or about \$390 per month. This is an increase of about 4.3% from 2011. This increase is lower than the rate increases seen on a "like-benefit" basis, which ranged from 6% to 17% in 2012. 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 2012 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, which are subject to the minimum loss ratio standards applicable to 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.

SEH LOSS RATIO REPORTS
2012

	TOTAL	%	STANDARD	%	NONSTANDARD	%
Aetna Health						
Premiums	\$ 487,651,672	15.2%	\$ 487,651,672	15.2%		
Claims	\$ 422,201,527	86.6%	\$ 422,201,527	86.6%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	108,344	15.8%	108,344	15.8%		
			\$4,501			
Aetna Life						
Premiums	\$ 28,365,256	0.9%	\$ 18,669,716	0.6%	\$ 9,695,540	72.9%
Claims	\$ 27,458,772	96.8%	\$ 18,917,223	101.3%	\$ 8,541,549	88.1%
Dividends	\$ 135,148	0.5%	\$ -	0.0%	\$ 135,148	1.4%
Enrollment	4,484	0.7%	3,325	0.5%	1,160	74.9%
			\$5,616		\$8,362	
AmeriHealth HMO						
Premiums	\$ 203,818,543	6.3%	\$ 203,818,543	6.4%		
Claims	\$ 170,639,959	83.7%	\$ 170,639,959	83.7%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	45,835	6.7%	45,835	6.7%		
			\$4,447			
AmeriHealth Insurance						
Premiums	\$ 121,961,674	3.8%	\$ 121,961,674	3.8%		
Claims	\$ 106,741,413	87.5%	\$ 106,741,413	87.5%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	22,318	3.2%	22,318	3.3%		
			\$5,465			
CIGNA HealthCare						
Premiums	\$ 327,124	0.0%	\$ 327,124	0.0%		
Claims	\$ 89,138	27.2%	\$ 89,138	27.2%		
Dividends	\$ 172,562	52.8%	\$ 172,562	52.8%		
Enrollment	32	0.0%	32	0.0%		
			\$10,104			
Connecticut General Life						
Premiums	\$ 1,474,262	0.0%	\$ 1,474,262	0.0%		
Claims	\$ 1,388,158	94.2%	\$ 1,388,158	94.2%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	199	0.0%	199	0.0%		
			\$7,418			
Horizon BCBS						
Premiums	\$ 809,931,065	25.2%	\$ 806,740,564	25.2%	\$ 3,190,501	24.0%
Claims	\$ 671,418,391	82.9%	\$ 667,570,618	82.7%	\$ 3,847,773	120.6%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	156,305	22.7%	155,950	22.7%	355	22.9%
			\$5,173		\$8,997	
Horizon HC of NJ						
Premiums	\$ 995,409,292	30.9%	\$ 994,991,563	31.0%	\$ 417,729	3.1%
Claims	\$ 779,558,637	78.3%	\$ 779,452,570	78.3%	\$ 106,067	25.4%
Dividends	\$ 16,768,796	1.7%	\$ 16,540,681	1.7%	\$ 228,116	54.6%
Enrollment	248,280	36.1%	248,247	36.2%	33	2.1%
			\$4,008		\$12,658	
Oxford Health Insurance						
Premiums	\$ 107,174,112	3.3%	\$ 107,174,112	3.3%		
Claims	\$ 88,407,760	82.5%	\$ 88,407,760	82.5%		
Dividends	\$ 26,435	0.0%	\$ 26,435	0.0%		
Enrollment	12,902	1.9%	12,902	1.9%		
			\$8,307			
Oxford Health Plans						
Premiums	\$ 462,582,225	14.4%	\$ 462,582,225	14.4%		
Claims	\$ 352,793,810	76.3%	\$ 352,793,810	76.3%		
Dividends	\$ 17,271,970	3.7%	\$ 17,271,970	3.7%		
Enrollment	88,633	12.9%	88,633	12.9%		
			\$5,219			

SEH LOSS RATIO REPORTS
2012

	TOTAL	%	STANDARD	%	NONSTANDARD	%
	COMBINED GROUP BASIS					
HORIZON (Horizon BCBS, Horizon HC of NJ)						
Premiums	\$ 1,805,340,357	56.1%	\$ 1,801,732,127	56.2%	\$ 3,608,230	27.1%
Claims	\$ 1,450,977,028	80.4%	\$ 1,447,023,188	80.3%	\$ 3,953,841	109.6%
Dividends	\$ 16,768,796	0.9%	\$ 16,540,681	0.9%	\$ 228,116	6.3%
Enrollment	404,584	58.9%	404,197	58.9%	388	25.1%
OXFORD (Oxford Health Insurance, Oxford Health Plans)						
Premiums	\$ 569,756,337	17.7%	\$ 569,756,337	17.8%		
Claims	\$ 441,201,570	77.4%	\$ 441,201,570	77.4%		
Dividends	\$ 17,298,405	3.0%	\$ 17,298,405	3.0%		
Enrollment	101,535	14.8%	101,535	14.8%		
AETNA (Aetna Life, Aetna Health)						
Premiums	\$ 516,016,928	16.0%	\$ 506,321,388	15.8%	\$ 9,695,540	72.9%
Claims	\$ 449,660,299	87.1%	\$ 441,118,750	87.1%	\$ 8,541,549	88.1%
Dividends	\$ 135,148	0.0%	\$ -	0.0%	\$ 135,148	1.4%
Enrollment	112,828	16.4%	111,668	16.3%	1,160	74.9%
AMERIHEALTH (AmeriHealth HMO, AmeriHealth Insurance)						
Premiums	\$ 325,780,217	10.1%	\$ 325,780,217	10.2%		
Claims	\$ 277,381,372	85.1%	\$ 277,381,372	85.1%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	68,153	9.9%	68,153	9.9%		
CIGNA (CIGNA HealthCare, Connecticut General Life)						
Premiums	\$ 1,801,386	0.1%	\$ 1,801,386	0.1%		
Claims	\$ 1,477,295	82.0%	\$ 1,477,295	82.0%		
Dividends	\$ 172,562	9.6%	\$ 172,562	9.6%		
Enrollment	231	0.0%	231	0.0%		
TOTAL -- ALL CARRIERS						
Premiums	\$ 3,218,695,225	100.0%	\$ 3,205,391,455	100.0%	\$ 13,303,770	100.0%
Claims	\$ 2,620,697,564	81.4%	\$ 2,608,202,175	81.4%	\$ 12,495,389	93.9%
Dividends	\$ 34,374,912	1.1%	\$ 34,011,647	1.1%	\$ 363,264	2.7%
Enrollment	687,332	100.0%	685,784	100.0%	1,547	100.0%
Ave Premium	\$ 4,683		\$ 4,674		\$ 8,599	
Ave Claim	\$ 3,813		\$ 3,803		\$ 8,077	

SEH LOSS RATIO REPORTS
2012

	TOTAL	%	STANDARD	%	NONSTANDARD	%
			Purchasing Alliances			
Aetna Life - Purchasing Alliance						
Premiums	\$ 9,486,374	0.3%			\$ 9,486,374	71.3%
Claims	\$ 8,509,364	89.7%			\$ 8,509,364	89.7%
Dividends	\$ -	0.0%			\$ -	0.0%
Aetna Life - Non-Purchasing Alliance						
Premiums	\$ 18,878,882	0.6%	\$ 18,669,716	0.6%	\$ 209,166	1.6%
Claims	\$ 18,949,408	100.4%	\$ 18,917,223	101.3%	\$ 32,184	15.4%
Dividends	\$ 135,148	0.7%	\$ -	0.0%	\$ 135,148	64.6%
Aetna Life - Total						
Premiums	\$ 28,365,256	0.9%	\$ 18,669,716	0.6%	\$ 9,695,540	72.9%
Claims	\$ 27,458,772	96.8%	\$ 18,917,223	101.3%	\$ 8,541,549	88.1%
Dividends	\$ 135,148	0.5%	\$ -	0.0%	\$ 135,148	1.4%
Oxford Health Insurance - Purchasing Alliance						
Premiums	\$ 55,803	0.0%	\$ 55,803	0.0%		
Claims	\$ 18,207	32.6%	\$ 18,207	32.6%		
Dividends	\$ 26,435	47.4%	\$ 26,435	47.4%		
Oxford Health Insurance - Non-Purchasing Alliance						
Premiums	\$ 107,118,309	3.3%	\$ 107,118,309	3.3%		
Claims	\$ 88,389,553	82.5%	\$ 88,389,553	82.5%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Oxford Health Insurance - Total						
Premiums	\$ 107,174,112	3.3%	\$ 107,174,112	3.3%		
Claims	\$ 88,407,760	82.5%	\$ 88,407,760	82.5%		
Dividends	\$ 26,435	0.0%	\$ 26,435	0.0%		
Oxford Health Plans - Purchasing Alliance						
Premiums	\$ 101,139	0.0%	\$ 101,139	0.0%		
Claims	\$ 56,770	56.1%	\$ 56,770	56.1%		
Dividends	\$ 24,141	23.9%	\$ 24,141	23.9%		
Oxford Health Plans - Non-Purchasing Alliance						
Premiums	\$ 462,481,086	14.4%	\$ 462,481,086	14.4%		
Claims	\$ 352,737,040	76.3%	\$ 352,737,040	76.3%		
Dividends	\$ 17,247,829	3.7%	\$ 17,247,829	3.7%		
Oxford Health Plans - Total						
Premiums	\$ 462,582,225	14.4%	\$ 462,582,225	14.4%		
Claims	\$ 352,793,810	76.3%	\$ 352,793,810	76.3%		
Dividends	\$ 17,271,970	3.7%	\$ 17,271,970	3.7%		

SEH LOSS RATIO REPORTS
2012

	TOTAL	%	STANDARD	%	NONSTANDARD	%
			MEWAS			
Affiliated Physicians (MEWA)						
Premiums	\$ 49,737,315		\$49,737,315			
Claims	\$ 44,677,634	89.8%	\$44,677,634	89.8%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	10,831		10,831			
			\$4,592			
Association Master Trust (MEWA)						
Premiums	\$ 51,296,920		\$51,296,920			
Claims	\$ 45,128,120	88.0%	\$45,128,120	88.0%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	13,651		13,651			
			\$3,758			