

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 16, 2012
Re: SEH Loss Ratio and Refund Reports for 2010

Attached is a summary of the SEH Loss Ratio Reports for 2010. 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, 2011. 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 \$3.38 billion in 2010, compared to just over \$3.38 billion in 2009. Total premiums declined by about 0.2% in 2010. Total premiums declined by about 3% in 2009, after experiencing slight growth of about 1% in 2008 and 2007.

Average enrollment (employees and dependents) decreased from 820,000 in 2009 to 769,000 in 2010. Enrollment was 702,000 for 4th Quarter 2011.

The 2010 average loss ratio was 83.4% (before refunds), compared to 87.8% in 2009, 86.1% in 2008 and 84.5% in 2007. Prior to that, loss ratios have been closer to 80%. Horizon (BCBS and HMO), the largest carrier in the market on a combined basis, with around 53% market share by premium, had a loss ratio of 81.9%.

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%

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 83.3% (before refunds) for 2010, down from 87.8% in 2009. Refunds were paid in the standard market by Aetna Life, CIGNA Healthcare, Guardian Life, Horizon Healthcare of NJ (HMO), and Nippon Life. Oxford Health Insurance and Oxford Health Plans will pay standard market refunds for purchasing alliances only. (Oxford's loss ratio reports were revised in January 2012 and approved February 13, 2012. The Department anticipates confirmation of refund payments within 60 days of the approval.) Standard market refunds total almost \$20.2 million. The bulk of the refunds, just over \$19.0 million, were paid by Horizon Healthcare of NJ. Standard market refunds were about \$191,000 for 2009.

The average loss ratio in the non-standard market was 85.6% (before refunds), down from the 2009 average loss ratio of 87.3%. 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 declined from about \$43 million in 2009 to about \$41 million in 2010. Aetna Life and Aetna Health paid refunds totaling about \$288,000.

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	53.1%	81.9%
Aetna	19.0%	88.1%
United/Oxford	14.2%	81.4%
AmeriHealth	6.9%	83.0%
Health Net*	6.3%	85.6%

*During 2010, Health Net discontinued its operations in NJ

All other carriers accounted for 0.5% of premiums.

In 2010 the average premium per covered person in the standard market was \$4,370 or about \$364 a month. This is an increase of about 6.4% from 2009. 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 2010 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
2010

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
INDEMNITY AND SERVICE CARRIERS						
Aetna Life						
Premiums	\$ 8,898,545	0.3%	\$ 8,632,612	0.3%	\$ 265,933	0.7%
Claims	\$ 5,913,578	66.5%	\$ 5,872,076	68.0%	\$ 41,502	15.6%
Dividends	\$ 1,205,258	13.5%	\$ 1,034,014	12.0%	\$ 171,244	64.4%
Enrollment	1,957	0.3%	1,918	0.3%	39	0.6%
			\$4,501		\$6,907	
AmeriHealth Insurance Company						
Premiums	\$ 91,353,823	2.7%	\$ 91,353,823	2.7%		
Claims	\$ 74,893,745	82.0%	\$ 74,893,745	82.0%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	18,308	2.4%	18,308	2.4%		
			\$4,990			
Connecticut General Life						
Premiums	\$ 23,278,944	0.7%	\$ 23,278,944	0.7%		
Claims	\$ 22,695,717	97.5%	\$ 22,695,717	97.5%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	3,348	0.4%	3,348	0.4%		
			\$6,952			
Guardian Life						
Premiums	\$ 1,020,980	0.0%	\$ -	0.0%	\$ 1,020,980	2.5%
Claims	\$ 1,202,756	117.8%	\$ (2,411)	#DIV/0!	\$ 1,205,167	118.0%
Dividends	\$ 2,411	0.2%	\$ 2,411	#DIV/0!	\$ -	0.0%
Enrollment	16	0.0%	-	0.0%	16	0.3%
			#DIV/0!		\$64,314	
Health Net Life						
Premiums	\$ 4,065,079	0.1%	\$ 4,065,079	0.1%		
Claims	\$ 4,274,072	105.1%	\$ 4,274,072	105.1%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	889	0.1%	889	0.1%		
			\$4,575			
Horizon BCBS						
Premiums	\$ 997,152,595	29.5%	\$ 985,834,495	29.6%	\$ 11,318,100	27.9%
Claims	\$ 850,791,657	85.3%	\$ 839,871,554	85.2%	\$ 10,920,103	96.5%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	206,439	26.8%	205,156	26.9%	1,282	21.5%
			\$4,805		\$8,828	
Nippon Life						
Premiums	\$ 86,265	0.0%	\$ 86,265	0.0%		
Claims	\$ 20,602	23.9%	\$ 20,602	23.9%		
Dividends	\$ 48,409	56.1%	\$ 48,409	56.1%		
Enrollment	17	0.0%	17	0.0%		
			\$5,189			
Oxford Health Insurance						
Premiums	\$ 200,495,043	5.9%	\$ 173,734,398	5.2%	\$ 26,760,645	66.0%
Claims	\$ 163,316,150	81.5%	\$ 141,592,322	81.5%	\$ 21,723,829	81.2%
Dividends	\$ 30,704	0.0%	\$ 30,704	0.0%	\$ -	0.0%
Enrollment	36,276	4.7%	31,841	4.2%	4,436	74.3%
			\$5,456		\$6,033	
TOTAL OF INDEMNITY AND SERVICE CARRIERS						
Premiums	\$ 1,326,351,274	39.3%	\$ 1,286,985,616	38.6%	\$ 39,365,658	97.0%
Claims	\$ 1,123,108,278	84.7%	\$ 1,089,217,678	84.6%	\$ 33,890,600	86.1%
Dividends	\$ 1,286,782	0.1%	\$ 1,115,538	0.1%	\$ 171,244	0.4%

SEH LOSS RATIO REPORTS
2010

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
Enrollment	267,249	34.7%	261,477	34.3%	5,772	96.7%

SEH LOSS RATIO REPORTS
2010

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
HMO CARRIERS						
Aetna Health						
Premiums	\$ 597,954,900	17.7%	\$ 597,793,102	17.9%	\$ 161,798	0.4%
Claims	\$ 528,494,137	88.4%	\$ 528,481,423	88.4%	\$ 12,714	7.9%
Dividends	\$ 116,724	0.0%	\$ -	0.0%	\$ 116,724	72.1%
Enrollment	144,047	18.7%	144,036	18.9%	11	0.2%
			\$4,150		\$14,544	
AmeriHealth HMO						
Premiums	\$ 143,566,471	4.3%	\$ 143,566,471	4.3%		
Claims	\$ 119,983,310	83.6%	\$ 119,983,310	83.6%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	34,960	4.5%	34,960	4.6%		
			\$4,107			
CIGNA HealthCare						
Premiums	\$ 596,557	0.0%	\$ 596,557	0.0%		
Claims	\$ 475,144	79.6%	\$ 475,144	79.6%		
Dividends	\$ 2,102	0.4%	\$ 2,102	0.4%		
Enrollment	95	0.0%	95	0.0%		
			\$6,313			
Health Net of NJ						
Premiums	\$ 212,353,772	6.3%	\$ 212,353,772	6.4%		
Claims	\$ 180,920,185	85.2%	\$ 180,920,185	85.2%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	47,759	6.2%	47,759	6.3%		
			\$4,446			
Horizon HC of NJ						
Premiums	\$ 777,833,111	23.0%	\$ 776,792,646	23.3%	\$ 1,040,465	2.6%
Claims	\$ 603,226,419	77.6%	\$ 602,392,756	77.5%	\$ 833,663	80.1%
Dividends	\$ 19,041,361	2.4%	\$ 19,041,361	2.5%	\$ -	0.0%
Enrollment	202,106	26.3%	201,922	26.5%	183	3.1%
			\$3,847		\$5,678	
Oxford Health Plans (NJ), Inc.						
Premiums	\$ 317,324,893	9.4%	\$ 317,324,893	9.5%		
Claims	\$ 257,948,940	81.3%	\$ 257,948,940	81.3%		
Dividends	\$ 20,653	0.0%	\$ 20,653	0.0%		
Enrollment	72,930	9.5%	72,930	9.6%		
			\$4,351			
TOTAL OF HMO CARRIERS						
Premiums	\$ 2,049,629,704	60.7%	\$ 2,048,427,441	61.4%	\$ 1,202,263	3.0%
Claims	\$ 1,691,048,135	82.5%	\$ 1,690,201,758	82.5%	\$ 846,378	70.4%
Dividends	\$ 19,180,840	0.9%	\$ 19,064,116	0.9%	\$ 116,724	9.7%
Enrollment	501,895	65.3%	501,701	65.7%	194	3.3%

SEH LOSS RATIO REPORTS
2010

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
TOTAL OF INDEMNITY AND SERVICE CARRIERS						
Premiums	\$ 1,326,351,274	39.3%	\$ 1,286,985,616	38.6%	\$ 39,365,658	97.0%
Claims	\$ 1,123,108,278	84.7%	\$ 1,089,217,678	84.6%	\$ 33,890,600	86.1%
Dividends	\$ 1,286,782	0.1%	\$ 1,115,538	0.1%	\$ 171,244	0.4%
Enrollment	267,249	34.7%	261,477	34.3%	5,772	96.7%
TOTAL OF HMO CARRIERS						
Premiums	\$ 2,049,629,704	60.7%	\$ 2,048,427,441	61.4%	\$ 1,202,263	3.0%
Claims	\$ 1,691,048,135	82.5%	\$ 1,690,201,758	82.5%	\$ 846,378	70.4%
Dividends	\$ 19,180,840	0.9%	\$ 19,064,116	0.9%	\$ 116,724	9.7%
Enrollment	501,895	65.3%	501,701	65.7%	194	3.3%
GRAND TOTAL OF ALL CARRIERS						
Premiums	\$ 3,375,980,978	100.0%	\$ 3,335,413,057	100.0%	\$ 40,567,921	100.0%
Claims	\$ 2,814,156,413	83.4%	\$ 2,779,419,436	83.3%	\$ 34,736,977	85.6%
Dividends	\$ 20,467,622	0.6%	\$ 20,179,653	0.6%	\$ 287,969	0.7%
Enrollment	769,144	100.0%	763,178	100.0%	5,967	100.0%

SEH LOSS RATIO REPORTS
2010

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
COMBINED GROUP BASIS						
HORIZON (Horizon BCBS, Horizon HC of NJ (HMO))						
Premiums	\$ 1,774,985,706	52.6%	\$ 1,762,627,141	52.8%	\$ 12,358,565	30.5%
Claims	\$ 1,454,018,076	81.9%	\$ 1,442,264,310	81.8%	\$ 11,753,766	95.1%
Dividends	\$ 19,041,361	1.1%	\$ 19,041,361	1.1%	\$ -	0.0%
Enrollment	408,544	53.1%	407,079	53.3%	1,465	24.6%
AETNA (Aetna Life, Aetna Health)						
Premiums	\$ 606,853,445	18.0%	\$ 606,425,714	18.2%	\$ 427,731	1.1%
Claims	\$ 534,407,715	88.1%	\$ 534,353,499	88.1%	\$ 54,216	12.7%
Dividends	\$ 1,321,983	0.2%	\$ 1,034,014	0.2%	\$ 287,969	67.3%
Enrollment	146,003	19.0%	145,954	19.1%	50	0.8%
UNITED/OXFORD (Oxford Health Ins, Oxford Health Plans (NJ))						
Premiums	\$ 517,819,936	15.3%	\$ 491,059,291	14.7%	\$ 26,760,645	66.0%
Claims	\$ 421,265,090	81.4%	\$ 399,541,261	81.4%	\$ 21,723,829	81.2%
Dividends	\$ 51,357	0.0%	\$ 51,357	0.0%	\$ -	0.0%
Enrollment	109,206	14.2%	104,770	13.7%	4,436	74.3%
HEALTH NET (Health Net Life, Health Net of NJ)						
Premiums	\$ 216,418,851	6.4%	\$ 216,418,851	6.5%		
Claims	\$ 185,194,257	85.6%	\$ 185,194,257	85.6%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	48,647	6.3%	48,647	6.4%		
AMERIHEALTH (AmeriHealth HMO, AmeriHealth Ins of NJ)						
Premiums	\$ 234,920,294	7.0%	\$ 234,920,294	7.0%		
Claims	\$ 194,877,056	83.0%	\$ 194,877,056	83.0%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	53,269	6.9%	53,269	7.0%		
ALL OTHERS						
Premiums	\$ 24,982,746	0.7%	\$ 23,961,766	0.7%	\$ 1,020,980	2.5%
Claims	\$ 24,394,220	97.6%	\$ 23,189,053	96.8%	\$ 1,205,167	118.0%
Dividends	\$ 52,922	0.2%	\$ 52,922	0.2%	\$ -	0.0%
Enrollment	3,475	0.5%	3,460	0.5%	16	0.3%
TOTAL -- ALL CARRIERS						
Premiums	\$ 3,375,980,978	100.0%	\$ 3,335,413,057	100.0%	\$ 40,567,921	100.0%
Claims	\$ 2,814,156,413	83.4%	\$ 2,779,419,436	83.3%	\$ 34,736,977	85.6%
Dividends	\$ 20,467,622	0.6%	\$ 20,179,653	0.6%	\$ 287,969	0.7%
Enrollment	769,144	100.0%	763,178	100.0%	5,967	100.0%
Ave Premium	\$ 4,389		\$ 4,370		\$ 6,799	
Ave Claim	\$ 3,659		\$ 3,642		\$ 5,822	

SEH LOSS RATIO REPORTS
2010

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
Purchasing Alliances						
Oxford Health Insurance - Purchasing Alliance						
Premiums	\$ 61,809	0.0%	\$ 61,809	0.0%		
Claims	\$ 18,744	30.3%	\$ 18,744	30.3%		
Dividends	\$ 30,704	49.7%	\$ 30,704	49.7%		
Oxford Health Insurance - Non-Purchasing Alliance						
Premiums	\$ 200,433,234	5.9%	\$ 173,672,589	5.2%	\$ 26,760,645	66.0%
Claims	\$ 163,297,407	81.5%	\$ 141,573,578	81.5%	\$ 21,723,829	81.2%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Oxford Health Insurance - Total						
Premiums	\$ 200,495,043	5.9%	\$ 173,734,398	5.2%	\$ 26,760,645	66.0%
Claims	\$ 163,316,150	81.5%	\$ 141,592,322	81.5%	\$ 21,723,829	81.2%
Dividends	\$ 30,704	0.0%	\$ 30,704	0.0%	\$ -	0.0%
Oxford Health Plans (NJ), Inc. - Purchasing Alliance						
Premiums	\$ 138,563	0.0%	\$ 138,563	0.0%		
Claims	\$ 90,197	65.1%	\$ 90,197	65.1%		
Dividends	\$ 20,653	14.9%	\$ 20,653	14.9%		
Oxford Health Plans (NJ), Inc. - Non-Purchasing Alliance						
Premiums	\$ 317,186,330	9.4%	\$ 317,186,330	9.5%		
Claims	\$ 257,858,742	81.3%	\$ 257,858,742	81.3%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Oxford Health Plans (NJ), Inc. - Total						
Premiums	\$ 317,324,893	9.4%	\$ 317,324,893	9.5%		
Claims	\$ 257,948,940	81.3%	\$ 257,948,940	81.3%		
Dividends	\$ 20,653	0.0%	\$ 20,653	0.0%		

SEH LOSS RATIO REPORTS
2010

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
			MEWAS			
Affiliated Physicians (MEWA)						
Premiums	\$ 26,530,749	0.8%	\$26,530,749			
Claims	\$ 23,707,532	89.4%	\$23,707,532			
Dividends	\$ -	0.0%	\$ -			
Enrollment	6,061	0.8%	6,061			
			\$4,377			
Association Master Trust (MEWA)						
Premiums	\$ 54,135,249	1.6%	\$54,135,249			
Claims	\$ 47,573,292	87.9%	\$47,573,292			
Dividends	\$ -	0.0%	\$ -			
Enrollment	14,596	1.9%	14,596			
			\$3,709			