

NEW JERSEY DEPT. OF BANKING AND INSURANCE
MEMORANDUM

To: Ellen DeRosa, Executive Director, SEH/IHC Boards
 From: Gary Weiss, Managing Actuary, Life & Health Actuarial
 Date: November 13, 2018
 Re: IHC Loss Ratio and Refund Reports for 2017

The IHC market in 2017 had premiums of \$1,867.3 million and claims of \$1,669.1 million, for a loss ratio of 89.4%. The following table summarizes statistics for the total IHC market for the last 4 years.

| Year | Premium (mms) | Claims (mms) | Loss Ratio | 4 th Quarter Enrollment |
|------|---------------|--------------|------------|------------------------------------|
| 2017 | \$ 1,867.3 | \$ 1,669.1 | 89.4% | 309,521 |
| 2016 | \$ 1,794.1 | \$ 1,709.6 | 95.3% | 308,821 |
| 2015 | \$ 1,559.8 | \$ 1,264.3 | 81.1% | 290,913 |
| 2014 | \$ 1,170.7 | \$ 924.3 | 78.9% | 241,850 |

No NJ corporate entity will be required to pay any 2017 NJ IHC state refunds.

The IHC Act defines carrier to treat all affiliated carriers as one. There is no similar treatment of affiliated carriers under the Federal law and thus each company is considered separately. Other major MLR differences between the NJ MLR formula and the federal MLR formula include:

- 1) The NJ IHC MLR formula applies to a single year, whereas, the federal MLR formula applies a three-year average.
- 2) The NJ IHC MLR formula includes risk adjustment transfers in the denominator (premium) whereas the federal MLR formula includes risk adjustment transfers in the numerator(claims).
- 3) The federal MLR formula includes quality improvement expenses in the numerator(claims) whereas the IHC NJ MLR formula requires that such expenses be treated as administrative expenses

The federal MLR calculation resulted in “Oxford Health Insurance, Inc.” paying a 2017 federal MLR refund of \$263,784.

The table below summarizes the premiums, claims and loss ratios for NJ IHC carriers on a combined entity basis. It should be noted that if NJ MLR and the federal MLR both have a refund due, then NJ will reduce the state refund by the federal refund amount. For 2017, this situation did not occur.

| Combined Entity Basis | Premiums | Claims | Loss Ratio |
|-----------------------|------------------------|------------------------|--------------|
| Aetna | \$9,274,112 | \$18,487,630 | 199.3% |
| AmeriHealth | \$432,467,599 | \$356,044,899 | 82.3% |
| CIGNA HealthCare | \$3,558,636 | \$6,476,385 | 182.0% |
| Horizon | \$1,375,545,845 | \$1,249,969,594 | 90.9% |
| Oxford | \$46,423,361 | \$38,072,108 | 82.0% |
| TOTAL | \$1,867,269,553 | \$1,669,050,617 | 89.4% |