

## THE NEW JERSEY COMMERCIAL HEALTH MARKET 2009

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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 2,099,000 people in 2009, with total premium of \$9.2 billion, decreased slightly from \$9.5 billion in 2008. The number of people covered in this market decreased by about 165,000 from 2008. (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 9%, from \$350 a month in 2008 to \$367 a month in 2009 (3% was the approximate increase from 2008 to 2009). Total claims were \$8.2 billion, for a medical loss ratio (MLR) of 89.5% (higher than the 85.5% in 2008 and 84.3% of 2007).

### 2009 Combined Commercial Market Share

Company	Commercial Premiums	Commercial Enrollment	MS Premiums	MS Enrollment 2009	MS Enrollment 2008	MS Enrollment Change 2008-2009
Horizon Combined	\$5,032,039,845	1,124,763	54.6%	53.7%	52.8%	0.9%
Aetna Combined	\$1,489,196,714	384,372	16.1%	18.4%	19.4%	-1.0%
United/Oxford Combined	\$1,225,156,403	260,400	13.3%	12.4%	13.1%	-0.7%
AmeriHealth Combined	\$563,464,085	125,354	6.1%	6.0%	5.7%	0.3%
CIGNA/CG Combined	\$512,571,745	106,173	5.6%	5.1%	4.8%	0.3%
Health Net Combined	\$340,624,003	77,531	3.7%	3.7%	3.5%	0.2%
Guardian Life Ins Co.	\$36,460,791	10,168	0.4%	0.5%	0.4%	0.1%
Nippon	\$14,691,708	2,590	0.2%	0.1%	0.2%	-0.1%
Wellpoint (Uicare)	\$7,099,077	1,999	0.1%	0.1%	0.1%	0.0%
<b>TOTAL</b>	<b>\$9,221,304,370</b>	<b>2,093,351</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.00%</b>	

MS – Market Share

The three largest carriers (with market share measured by enrollment) were Horizon (53.7%, slightly up from 52.8% in 2008 and 47.6% in 2007), Aetna (18.4% down from 19.4% in 2008 and 21.0% in 2007) and United/Oxford (12.4% down from 13.1% in 2008 and 15.1% in 2007). Amerihealth (6.0%), CIGNA (5.1%) and Health Net (3.7%) are the

\* Almost everyone covered by the New Jersey commercial market is also a NJ resident. 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.

other carriers with market share of at least one percent. Market share varies by market segment (large group, small group, individual) and location.

The Department estimates that, in 2009, the 3 largest carriers (Horizon, Aetna, and United/Oxford) had combined underwriting **losses** in the commercial market of \$145.7 million or a loss of 1.95% of their premium. The commercial underwriting gain as a percentage of premiums declined each year for 2005 to 2009, from 4.2% in 2005 to 2.4% in 2006 to 1.85% in 2007 to 0.1% in 2008. Horizon (including its HMO subsidiary) lost \$132.9 mm or 2.6% of premium. Aetna lost \$43.2 mm or 3.1% of premium. Oxford had gains of \$30.3 mm or 2.9% of premium. (Oxford's results do not include UnitedHealthCare Insurance Co.)

These underwriting gains and profit margins involve some estimation. New Jersey gains are not directly reported in some cases. These estimated profits and profit margins do not include the impact of investment gains or federal income tax, nor do they include gains or losses on other lines of business such as Medicaid, Medicare Supplement or Medicare Advantage.

#### *Source of Coverage as of 12/31/2009*

According to the Current Population Survey (CPS) of the US Census Bureau, 5.7 million (or 65%) of the 8.7 million residents of New Jersey received coverage in 2009 through employment; either as an active or retired employee or a dependent. (The 5.7 million includes about 460,000 people over 65 who also are eligible for Medicare. For some of these people, Medicare is the primary source of coverage.) Other major sources of coverage are Medicare with 1.2 million or 14%, Medicaid and Family Care, 1.1 million or 13%, and the State Health Benefits Plan (State employees and some local and education employees) 780,000 or 9%. Some people have coverage from two or more programs, for example, covered by an employer and Medicaid or on Medicaid and Medicare.

Of the 5.7 million people with employer provided coverage, about 1.95 million are covered by programs regulated by DOBI: 790,000 in the small employer program (2 to 50 employees), and the remainder (about 1,160,000) in insured coverage provided by large employers (more than 50 employees).

The remaining 3.75 million with employer coverage are covered by self-funded programs, such as state health benefits (about 780,000), programs for civilian federal employees (150,000) and private self-funded coverage (2,820,000). In addition to single employer self-funded plans, there are multiemployer plans such as union plans, multi-employer welfare arrangements (MEWA), and local government joint insurance funds (JIFs)

Other programs have a much smaller impact, including individual coverage through the IHC program (about 110,000), military coverage (about 140,000) and student coverage (about 80,000).

Finally, 1.37 million people, or 15.8% of the population, do not have coverage. This varies considerably by age. The rate is 9.2% for children under 18, 21.3% for adults 19-64, and 2.5% for adults 65 and over.

The enrollment and the uninsured totals more than 8.7 million and percentages add to more than 100%, due to multiple sources of coverage and rounding.

The Source of Coverage is a rough approximation rather than a precise count. It is prepared from many sources, including a survey subject to statistical error. It is also subject to misreporting of status, inconsistent treatment of out-of-state residents or contracts, and double-counting from multiple sources of coverage.

### 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 2 million people with premiums of \$9.2 billion in 2008. The three largest carriers (with market share by enrollment) were Horizon (53.7%) Aetna (18.4%) and United/Oxford (12.4%). The next three largest carriers AmeriHealth, CIGNA, and Health Net, all had market share between 4% and 6%. The remaining carriers all have market share less than 1%.

### 2009 Large Group Market Share

Company	Large Group Premiums	Large Group Enrollment	Large Group MS Premiums	Large Group MS Enrollment 2009	Large Group MS Enrollment 2008	Large Group Enrollment Change 2008-2009
Horizon Combined	\$2,978,463,407	622,451	55.5%	53.3%	53.8%	-0.5%
Aetna Combined	\$831,000,790	217,732	15.5%	18.7%	19.0%	-0.3%
United/Oxford Combined	\$596,857,754	118,892	11.1%	10.2%	10.8%	-0.6%
AmeriHealth Combined	\$348,500,389	75,926	6.5%	6.5%	5.9%	0.6%
CIGNA/CG Combined	\$473,588,665	100,116	8.8%	8.6%	7.6%	1.0%
Health Net Combined	\$83,930,784	17,915	1.6%	1.5%	1.7%	-0.2%
Guardian Life Ins Co.	\$33,983,694	9,984	0.6%	0.9%	0.8%	0.1%
Nippon	\$13,533,630	2,304	0.3%	0.2%	0.3%	-0.1%
Wellpoint (Unicare)	\$7,099,077	1,999	0.1%	0.2%	0.1%	0.1%
<b>TOTAL</b>	<b>\$5,366,958,189</b>	<b>1,167,319</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

MS – Market Share

Horizon is the largest carrier in the large group segment with 53.3% (53.8% in 2008), followed by Aetna with 18.7% (19% in 2008) and Oxford/United with 10.2% (10.8% in 2008). CIGNA has 8.6% and AmeriHealth 6.5%. 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.

## 2009 Small Group Market Share

Company	Small Group Premiums	Small Group Enrollment	Small Group MS Premiums	Small Group MS Enrollment 2009	Small Group MS Enrollment 2008	Small Group Enrollment Change 2008-2009
Horizon Combined	\$1,740,891,991	427,669	51.5%	52.1%	49.9%	2.2%
Aetna Combined	\$641,105,560	164,892	18.9%	20.1%	21.9%	-1.8%
United/Oxford Combined	\$515,768,902	117,920	15.2%	14.4%	15.4%	-1.0%
AmeriHealth Combined	\$189,337,549	43,782	5.6%	5.3%	5.3%	0.0%
CIGNA/CG Combined	\$37,900,162	5,982	1.1%	0.7%	1.0%	-0.3%
Health Net Combined	\$255,012,264	59,440	7.5%	7.2%	6.5%	0.7%
Guardian Life Ins Co.	\$2,477,097	184	0.1%	0.0%	0.0%	0.0%
Nippon	\$1,158,078	286	0.0%	0.0%	0.0%	0.0%
Wellpoint (Uicare)	\$0	0	0.0%	0.0%	0.1%	-0.1%
<b>TOTAL</b>	<b>\$3,383,651,603</b>	<b>820,154</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

MS – Market Share

In the small group segment, Horizon with 52.1% (49.9% in 2008) Aetna with 22.1% (21.9% in 2008), and United/Oxford with 14.4% (15.4 in 2008) are the three largest carriers. Health Net has 7.2%, AmeriHealth has 5.3%, and CIGNA has around 1% market share.

## 2009 Individual Market Share

Company	Individual Premiums	Individual Enrollment	Individual MS Premiums	Individual MS Enrollment 2009	Individual MS Enrollment 2008	Individual MS Enrollment Change 2008-2009
Horizon Combined	\$312,684,447	74,644	66.4%	70.5%	66.5%	4.0%
Aetna Combined	\$17,090,364	1,749	3.6%	1.7%	2.7%	-1.0%
United/Oxford Combined	\$112,529,747	23,588	23.9%	22.3%	24.2%	-1.9%
AmeriHealth Combined	\$25,626,147	5,645	5.4%	5.3%	6.1%	-0.8%
CIGNA/CG Combined	\$1,082,918	75	0.2%	0.1%	0.2%	-0.1%
Health Net Combined	\$1,680,955	177	0.4%	0.2%	0.4%	-0.2%
<b>TOTAL</b>	<b>\$470,694,578</b>	<b>105,878</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

MS – Market Share

The four largest carriers in the individual (IHC) segment are Horizon at 66.4% (66.5% in 2008), United/Oxford at 23.9% (24.2% in 2008), AmeriHealth at 5.3% (6.1% in 2008), and Aetna at 3.6% (2.7% in 2008). 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.

## 2009 Commercial Loss Ratio

Company	Commercial Premiums	Commercial Claims	Commercial Loss Ratio 2009	Commercial Loss Ratio 2008
Horizon Healthcare Svcs (BCBS)	\$4,100,799,665	\$3,730,027,907	91.0%	88.1%
Aetna Health (NJ)	\$1,374,432,058	\$1,230,356,242	89.5%	82.6%
Oxford Health Ins	\$651,778,442	\$555,758,830	85.3%	82.1%
Horizon Healthcare of NJ (HMO)	\$931,240,180	\$786,024,731	84.4%	84.3%
Oxford Health Plan of NJ	\$401,057,020	\$336,240,936	83.8%	82.9%
Health Net of NJ	\$329,359,349	\$284,616,489	86.4%	76.3%
Amerihealth HMO	\$237,473,050	\$209,381,871	88.2%	89.4%
Conn Gen Life Ins Co	\$500,254,674	\$513,465,623	102.6%	88.4%
Amerihealth Ins Co of NJ	\$325,991,035	\$301,578,031	92.5%	82.6%
United HealthCare Ins Co	\$172,320,941	\$156,111,755	90.6%	94.0%
CIGNA Health Care of NJ	\$12,317,071	\$12,214,828	99.2%	96.2%
Aetna Life Ins. Co	\$114,764,656	\$72,620,668	63.3%	68.8%
Guardian Life Ins Co of Amer	\$36,460,791	\$31,195,628	85.6%	73.6%
Unicare	\$7,099,077	\$6,937,708	97.7%	113.0%
Nippon Life	\$14,691,708	\$12,087,051	82.3%	89.9%
Health Net Life Ins. Co.	\$11,264,654	\$11,347,100	100.7%	106.0%
<b>TOTAL</b>	<b>\$9,221,304,370</b>	<b>\$8,249,965,398</b>	<b>89.5%</b>	<b>85.5%</b>

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 89.5% loss ratio in 2009 was significantly higher than the 85.5% loss ratio in 2008 and 84.3% loss ratio in 2007.

## 2009 Large Group Loss Ratio

Company	Large Group Premiums	Large Group Claims	Large Group Loss Ratio 2009	Large Group Loss Ratio 2008
Horizon Healthcare Svcs (BCBS)	\$2,854,442,231	\$2,621,914,572	91.9%	87.5%
Aetna Health (NJ)	\$724,924,371	\$623,335,322	86.0%	79.7%
Oxford Health Ins	\$325,713,323	\$285,449,088	87.6%	85.8%
Horizon Healthcare of NJ (HMO)	\$124,021,176	\$112,070,756	90.4%	77.2%
Oxford Health Plan of NJ	\$98,823,490	\$81,659,809	82.6%	84.8%
Health Net of NJ	\$76,861,866	\$69,492,933	90.4%	67.3%
Amerihealth HMO	\$101,496,542	\$86,657,557	85.4%	88.3%
Conn Gen Life Ins Co	\$462,996,308	\$476,563,174	102.9%	88.1%
Amerihealth Ins Co of NJ	\$246,784,273	\$233,182,596	94.5%	80.8%
United HealthCare Ins Co	\$172,320,941	\$156,111,755	90.6%	94.0%
CIGNA Health Care of NJ	\$10,592,357	\$9,986,781	94.3%	99.4%
Aetna Life Ins. Co	\$106,076,419	\$64,361,438	60.7%	66.8%
Guardian Life Ins Co of Amer	\$33,983,694	\$29,090,838	85.6%	70.4%
Unicare	\$7,099,077	\$6,937,708	97.7%	113.0%
Nippon Life	\$13,533,630	\$10,988,973	81.2%	96.9%
Health Net Life Ins. Co.	\$7,068,918	\$7,253,339	102.6%	102.7%
<b>TOTAL</b>	<b>\$5,366,738,615</b>	<b>\$4,875,056,640</b>	<b>90.8%</b>	<b>85.3%</b>

The 2009 average loss ratio in the large group segment was 90.8%. Among carriers with premium volume of \$100 mm or more in the large group market, the loss ratio ranged from a low of 67.3% to a high of 102.9%. 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.

### 2009 Small Group Loss Ratio

Company	Small Group Premiums	Small Group Claims (wo/dvd)	Small Group Loss Ratio	Small Group Loss Ratio 2008
Horizon Healthcare Svcs (BCBS)	\$1,074,161,878	\$971,654,349	90.5%	91.4%
Aetna Health (NJ)	\$634,071,361	\$585,631,863	92.4%	84.3%
Oxford Health Ins	\$242,026,830	\$202,217,045	83.6%	80.9%
Horizon Healthcare of NJ (HMO)	\$666,730,113	\$551,932,866	82.8%	85.4%
Oxford Health Plan of NJ	\$273,742,072	\$225,957,777	82.5%	80.3%
Health Net of NJ	\$250,816,528	\$214,358,777	85.5%	80.3%
Amerihealth HMO	\$110,350,361	\$99,497,411	90.2%	89.8%
Conn Gen Life Ins Co	\$37,258,366	\$36,902,450	99.0%	91.0%
Amerihealth Ins Co of NJ	\$78,987,188	\$68,144,636	86.3%	86.7%
CIGNA Health Care of NJ	\$641,796	\$580,102	90.4%	29.4%
Aetna Life Ins. Co	\$7,034,199	\$5,618,555	79.9%	89.8%
Guardian Life Ins Co of Amer	\$2,477,097	\$2,104,790	85.0%	89.7%
Nippon Life	\$1,158,078	\$1,098,078	94.8%	68.6%
Health Net Life Ins. Co.	\$4,195,736	\$4,093,761	97.6%	147.7%
<b>TOTAL</b>	<b>\$3,383,651,603</b>	<b>\$2,969,792,459</b>	<b>87.8%</b>	<b>86.1%</b>

The average loss ratio in the small group market was 87.8%. Among carriers with premium of \$100 mm or more, loss ratios ranged from a low of 82.5% to a high of 90.5%.

### 2009 Individual Loss Ratio

Company	Individual Premiums	Individual Claims	Individual Loss Ratio	Individual Loss Ratio 2008
Horizon Healthcare Svcs (BCBS)	\$172,195,556	\$136,458,986	79.2%	75.5%
Aetna Health (NJ)	\$15,436,326	\$21,389,057	138.6%	133.2%
Oxford Health Ins	\$84,038,289	\$68,092,697	81.0%	70.8%
Horizon Healthcare of NJ (HMO)	\$140,488,891	\$122,021,109	86.9%	86.5%
Oxford Health Plan of NJ	\$28,491,458	\$28,623,350	100.5%	98.8%
Health Net of NJ	\$1,680,955	\$764,779	45.5%	56.1%
Amerihealth HMO	\$25,626,147	\$23,226,903	90.6%	93.8%
Amerihealth Ins Co of NJ	\$219,574	\$250,799	114.2%	NA
CIGNA Health Care of NJ	\$1,082,918	\$1,647,945	152.2%	63.3%
Aetna Life Ins. Co	\$1,654,038	\$2,640,674	159.7%	118.2%
<b>TOTAL</b>	<b>\$470,914,152</b>	<b>\$405,116,299</b>	<b>86.0%</b>	<b>84.0%</b>

The average loss ratio in the individual market was 86.0% up from 84.0% in 2008. Loss ratios for the 4 major carriers ranged from a low of 79.2% to a high of 138.6%. 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 \$4,405 per year or \$367 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 \$4,598 (\$383 a month) in the large group market and \$4126 (\$344 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 7%; from \$360 in 2008 a month to \$383 a month in 2009.

The average small group premium increased by 3% from \$333 to \$343 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 \$4,446 (\$370 a month). This represented a decrease of about 4% from \$385 a month in 2008. This largely represents the increase in B&E enrollment, as well as a shift in standard plan enrollment from indemnity plans to less expensive HMO and PPO plans.

### *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.