

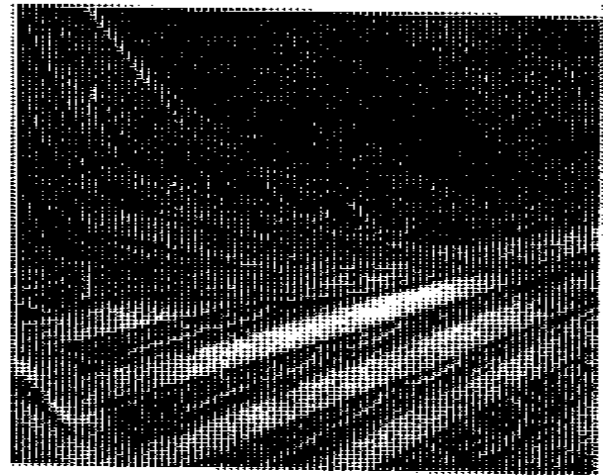
Enrollment Down, Profits Up for Oregon Insurers

Insurers are on pace to increase profits this year by 25 percent on higher premiums while fewer people have coverage
By: David Rosenfeld

September 9, 2009 -- As premiums continue to rise unabated, Oregon insurers lost more than 21,000 members in the second quarter of 2009 -- from April through June -- representing a 1.2 percent decline compared to the first quarter of this year.

Regence suffered the biggest loss -- 17,507 members -- while only two insurers posted gains -- ODS Health Plan and PacificSource. Regence's numbers have been on a downfall since last fall when it lost the public school teachers contract to Providence Health Plan and ODS, representing 145,000 members.

Currently more than 1.8 million Oregonians have coverage from one of Oregon's eight domiciled insurers. It's unknown how many people who left these health plans sought coverage from a government program, an insurer outside Oregon or joined the ranks of the uninsured.



As for the financial health of Oregon's insurers, we compiled the following information from the quarterly statements filed with the Oregon Insurance Div

Altogether, Oregon insurers made \$49.5 million in profit from January until June of this year, not including administrative overhead. In just the second quarter insurers made \$29.3 million compared to \$20.3 million in the first quarter and \$76.4 million in all of last year. If this trend continues, Oregon insurers will see a 25 percent greater profit this year than in 2008.

Kaiser Permanente turned in the highest net income for the first six months of this year, bagging \$28.6 million in profit followed by PacifiCare and Providence which had net income of \$9.1 million and \$8.8 million respectively. HealthNet and LifeWise fell into the red by June 30, reporting net losses of \$2.6 million and \$2.2 million respectively.

Looking at profitability, PacifiCare far outpaced the pack -- a pattern from previous years -- recording a 6.8 percent profit margin on June 30. Owned by

UnitedHealth Group, this for-profit health insurer spent the least on medical expenses as a percentage of premiums, 76.2 percent, and the most on administrative costs -- \$106.54 per member per month.

Kaiser Permanente and Regence BlueCross BlueShield, the two largest health plans, spent nearly the same amount of money, roughly \$1.1 billion, on total hospital and medical expenses although Regence had nearly twice as many members.

Total premium revenues and pharmaceutical costs were about the same as well. Regence's 729,483 members paid \$1.21 billion in total premiums, while Kaiser's 466,136 members paid \$1.19 billion in premiums. Regence spent \$108 million on prescription drugs, and Kaiser spent \$110 million.

Kaiser led the way in terms of its medical-loss ratio, the percentage of premium spent on medical care -- 95.2 percent. Kaiser has an advantage over its competitors; most of its physician are employees -- rather than on contract -- and Kaiser owns its medical facilities.

Providence Health Plan, the only other integrated health system, had a loss ratio of 90 percent followed closely by Regence with 88.3 percent.

In terms of administrative costs, nearly every insurer spent less during the second quarter than the first three months of the year. At the same time, most collected even fewer premium dollars as a percentage than the previous quarter. HealthNet for instance collected 1 percent less in premiums and reduced administrative costs by 8.8 percent.

Measuring administrative costs per member per month, insurers on average spent \$22.36 in the first six months of this year. PacificCare spent the most at \$32.05 per member so far this year, and PacificSource spent the second highest at \$32.05 per member.

Also of note:

- Kaiser spent \$261,493,113 on medical office operations during the first six months of 2009, compared to \$527,253,233 in calendar year 2008
- HealthNet estimated pharmacy rebates of \$985,697 as of June 30 compared to \$825,400 for the first half of 2008.
- PacificSource allocated \$2,310,845 for deferred compensation on June 30 for its executives, and purchased Primary Health Inc. of Boise on July 31 and subsidiaries Primary Health Network (a health insurance company domiciled in Idaho) and Riverside Benefit Administrators for an unknown amount. Primary Health Network health plan also has a majority interest in Idaho Physicians Network.

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NOTE: Click on the chart below to view a clearer picture.

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Insurer Financial Statements Jan 1 through June 30, 2009
Obtained courtesy of Oregon Insurance Division

Health Plan	Members	Net Income	Total Hospitalized Expenses	Drug Costs	Admin Costs	Total Premiums	Profit Margin	Medical Loss Ratio	Admin Per Member
Regence	729,483	\$3,449,837	\$1,071,693,870	\$107,918,376	\$89,734,763	\$1,213,622,261	0.3%	88.3%	\$20.50
Kaiser	466,136	\$28,607,050	\$1,139,875,971	\$109,926,032	\$51,005,968	\$1,190,559,024	2.4%	95.2%	\$18.24
Providence	193,067	\$8,787,872	\$431,575,887	\$46,856,342	\$21,888,876	\$479,407,482	1.8%	90.0%	\$18.90
PacificSource	192,314	\$1,952,390	\$196,152,142	\$25,104,897	\$25,440,802	\$232,720,720	0.8%	84.3%	\$32.05
HealthNet	125,215	(\$2,605,028)	\$201,382,118	\$21,709,178	\$19,710,110	\$222,359,034	-1.2%	90.6%	\$26.24
LifeWise	71,918	(\$988,722)	\$94,139,715	\$9,706,394	\$13,122,362	\$112,316,565	-0.9%	83.8%	\$30.41
ODS	62,418	\$1,264,023	\$93,474,159	\$10,169,672	\$4,789,818	\$103,348,182	1.2%	90.4%	\$12.79
PacificCare	26,023	\$9,074,417	\$102,246,847	\$10,687,050	\$16,634,933	\$134,233,777	6.8%	76.2%	\$106.54
Total	1,806,564	\$49,541,839	\$3,324,540,209	\$341,978,541	\$242,927,682	\$3,688,567,045	1.3%	90.1%	\$22.36

Comments

Submitted by FenceBird on Wed, 09/09/2009 - 17:13.

How come the ODS figures don't include their new OEBB account thought they added about 100,000 members late last year.

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