Report of 2022 Loss Ratio Experience for Insurance Companies, Nonprofit Health Service Plan Corporations, and Health Maintenance Organizations

June 2023

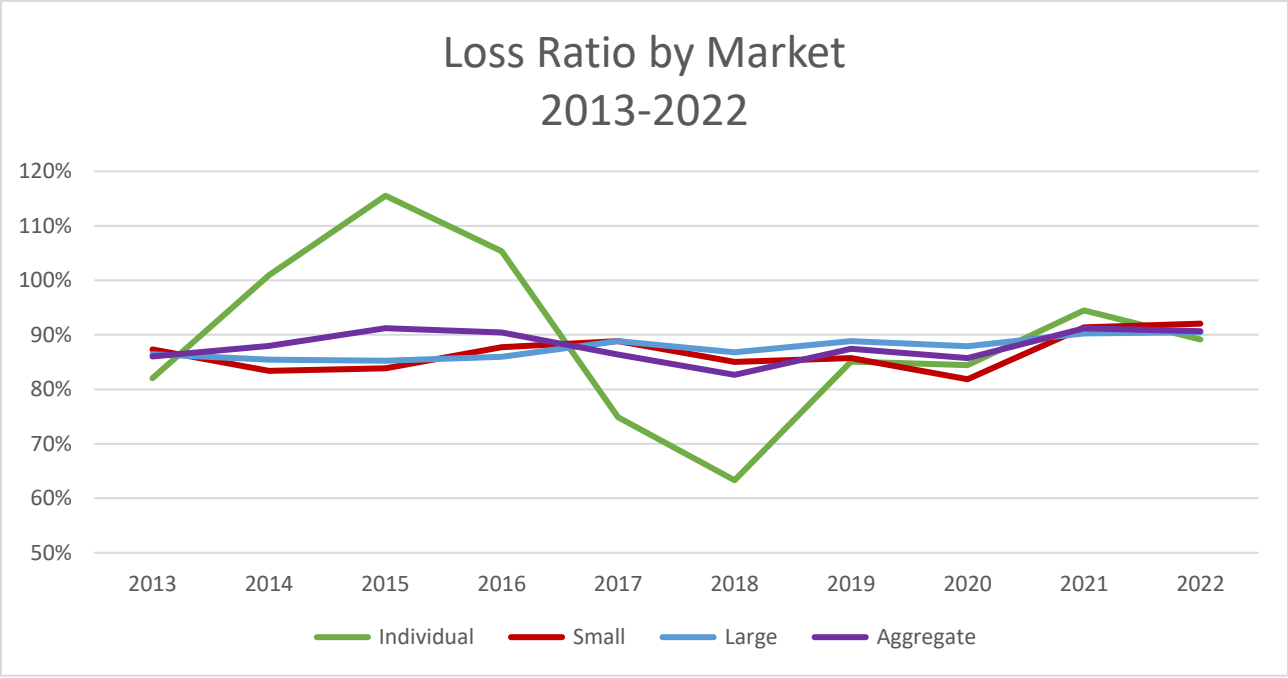
Table of Contents

Introduction

Under Minnesota Statutes § 62A.021, subdivision 1(h), the Minnesota Departments of Health and Commerce (the Departments) are required to issue a public report each year listing, by health plan company, the actual loss ratios experienced in the individual and small employer markets in Minnesota. This report includes loss ratios for the calendar year ending December 31, 2022, for health plan companies regulated by the Departments. The report retains the structure and information provided in previous years' reports for consistency and comparability.

A loss ratio is a measure of how much premium revenue collected by a health plan company was spent on medical care. Revenue not used to pay medical expenses is used for health plan administration, marketing, taxes, other expenses, and net income. State law establishes minimum loss ratios for small group and individual plans to ensure a minimum value to the consumer.

Historically, overall aggregate loss ratios have been relatively stable, as shown on the chart below. The individual market's enrollment and premiums have been stable in the past few years and loss ratios have become more predictable. The overall increase in loss ratios between 2020 and 2021 may be partially attributed to increased costs for services which were deferred due to the COVID-pandemic. While the onset of the pandemic introduced a level of uncertainty to all health insurance markets, loss ratios appear to have stabilized in 2022.



Definitions

Individual Market

The individual market is available to people who wish to purchase health insurance but do not have access through their employer or through public programs such as Medicare, Medicaid, and MinnesotaCare. For purposes of this report, the individual market includes individual policies that converted from group coverage and individual certificates issued to members of associations; however, health plan companies offering only those policies are not included in this report, because state loss ratio requirements do not apply to them.

Small Employer Group

The small employer group insurance market generally provides coverage to entities actively engaged in business (including political subdivisions of the State) that employed less than 50 workers who worked at least 20 hours per week on business days during the preceding calendar year and employs at least two current employees on the first day of the health plan year. Minnesota laws affecting eligibility for small employer group insurance coverage are actually more nuanced than this description and are summarized in the Small Group Counting guide available on the Minnesota Department of Commerce website.[1]

Large Employer Group

The large employer group includes a person, firm, corporation, partnership, association, or other entity actively engaged in business in Minnesota (including a political subdivision of the State) that employs more than 50 employees.

Uninsured

The uninsured population are those who do not have health plan coverage through the individual market, an employer, Medicare, or public programs. According to the 2021 American Community Survey conducted by the U.S. Census, the uninsured population in Minnesota in 2021 was approximately 4.5 percent, with a margin of error of 0.2 percent.[2] Many of those who are uninsured are eligible for public programs but have not enrolled.

By utilizing state and federal funding, Minnesota took steps to prevent coverage losses between 2020 and 2022, including government efforts to maintain coverage for low-income Minnesotans and premium subsidies in the individual market. However, the government program that allowed people to stay on Medicaid longer is set to expire later in spring 2023, which may lead to an increase in the uninsured population.

[1] http://mn.gov/commerce-stat/pdfs/small-group-counting.pdf
[2] https://www.census.gov/data/tables/time-series/demo/health-insurance/acs-hi.html

Loss Ratio

The loss ratio is the ratio of incurred claims to earned premiums. On the annual Supplemental Health Care Exhibits, health plan companies report total earned premium, incurred claims, and loss ratio for the year ending December 31, 2022, by individual, small employer, and large employer fully-insured health plan markets in Minnesota.

The Affordable Care Act (ACA) created payment streams that affect loss ratios but are not finalized until after financial statements and this report are due. There are often accounting adjustments caused by prior year mis-estimations that materially affect the accuracy of the loss ratio data presented in this report. The largest items that commonly cause such accounting adjustments are risk adjustment receivables/payables (individual and small group markets), claims that are paid to providers after the year in which services occurred (all markets), state-based reinsurance receivables (individual market only), drug rebate receivables (all markets), and consumer rebate payables (not common, but can occur in all markets). When annual financial statement loss ratio data does not appear to be reasonable, the Minnesota Department of Commerce contacted health plan companies about the financial statement data. Data from the Supplemental Health Care Exhibits was aggregated on a company code level for affiliates in the individual market to better reflect their overall market experience. As noted on the tables shown at the end of this report, values may be different from other reported data due to timing differences.

It is also important to keep in mind that the federal website that collects loss ratio information directly from health plan companies will publish more current information than the data presented in this report, though that information will not be published until several months after the statutory deadline for this report.

Federal Medical Loss Ratio as Defined by the Affordable Care Act

The data in this report reflects the Minnesota Medical Loss Ratio. However, the ACA also uses the term Medical Loss Ratio (MLR). The ACA was passed by Congress and signed into law on March 23, 2010. The ACA requirements for MLRs are provided under Section 2718 of the ACA. More detailed information regarding these requirements may be found in the Code of Federal Regulations Title 45, Part 158. Note that the calculation of the MLR under the ACA is different than the state loss ratio. We describe these differences in detail below.

Starting in calendar year 2011, the federal government required that a health plan company that does not spend enough of its premium dollars on health care must provide a rebate paid the following year to the insured individual or to the policyholder, which may be the employer that purchased the insurance.

Under the ACA, the federal MLR is the ratio of the health plan company's payments for medical services and activities that improve health care quality to premium revenue (minus the issuer's federal and state taxes, licensing, and regulatory fees). In other words, a federal MLR is the amount of health insurance premiums that a health plan company spends on health care and activities to improve health care quality, as opposed to profits and administrative costs, including executive salaries, overhead, and marketing. The federal MLR is expressed as a percentage: a MLR of 90 percent means 9 out of 10 of all premium dollars that the health plan company receives are spent on health care and quality improvement, with the other money spent on overhead, profits, and administrative costs.

Under the ACA requirements, health plan companies must provide a rebate to consumers if the most recent three year weighted average MLR is less than 85 percent in the large group market and 80 percent in the small group and individual markets, generally averaged over three years. This rule does not apply to employers that operate a self-insured plan. In addition, the experience of very small health plan companies with less than 1,000 people enrolled cannot sufficiently confirm that they have or have not met the MLR standard; as a result, those health plan companies are deemed non-credible and are not required to provide rebates. A health plan company with 1,000 to 75,000 people enrolled is considered to have partially-credible experience and a "credibility adjustment" is applied to its MLR under the ACA.

The amount of rebate to each enrollee is the total amount of premium revenue received by the issuer from the enrollee after subtracting federal and state taxes, licensing, and regulatory fees, multiplied by the difference between the MLR required by ACA and the health plan company's MLR, subject to the applicable credibility adjustment. Effective January 1, 2011, health plan companies must report MLRs for all fully-insured plans to the Secretary of the U.S. Department of Health and Human Services (HHS). A "Plan Year" is defined as the calendar year. The first report, covering plan year 2011, was filed on June 1, 2012. Health plan companies were required to make the first round of rebates to consumers in 2012. Starting in the summer of 2012, HHS posted health plan companies' reports and MLRs online.[3]

The Centers for Consumer Information and Insurance Oversight (CCIIO) is responsible for enforcement of the ACA's Federal MLR reporting and rebate requirements. After working with the National Association of Insurance Commissioners (NAIC) on procedures for the MLR audit program, CCIIO has begun to conduct examinations nationally.

Recent Rebates

HMO Minnesota dba Blue Plus, paid rebates in 2022 amounting to $3,365,804 to 27,005 members based on aggregate gains that occurred from 2019 to 2021, which was an average $125 annual rebate per enrollee and approximately 1.8 percent of Blue Plus' 2021 premiums.

While rebates payable in 2023 based on aggregate gains that occurred from 2020 to 2022 will not be known for several months, no company in the individual market has anticipated owing a rebate in its 2022 financial statement. It is still possible that a health plan company will be required to pay a rebate based on aggregate 2020 to 2022 experience if there are material misestimates of items such as risk adjustment receivables/payables, claims that are paid to providers after the year in which services occurred, state-based reinsurance receivables, and drug rebate receivables.

Health Insurance Rates Regulation in Minnesota

Minnesota Statutes § 62A.02 requires all health plan rates to be approved by Commerce or Health before becoming final for purchase. Minnesota has an effective rate review process, which means a health plan company must supply actuarial justification and data demonstrating that the benefits are reasonable in relation to the premiums. Commerce reviews all rates to verify reasonableness and compliance with state and federal law. Rate restrictions for individual plans are specified in Minnesota Statutes § 62A.65, and small employer plans are specified in Minnesota Statutes § 62L.08.

[3] http://www.cms.gov/apps/mlr/mlr-search.aspx

Medical Loss Ratio as Defined by Minnesota Law

Minnesota has had loss ratio requirements for more than 20 years. Individual states may require a higher minimum loss ratio for health plan companies operating within their state and may calculate the loss ratio differently from the ACA definition. Minnesota law requires that individual, small employer, and large employer health plan rates meet the specific minimum loss ratio standards in Minnesota Statute § 62A.021 and the requirements in Minnesota Statute § 62A.02 Subd. 3.

Minnesota's loss ratio is calculated differently than the ACA Federal MLR shown above. Minnesota's loss ratio is defined as claims divided by premium:

Minnesota MLR = Incurred Claims / Earned Premium

The Minnesota MLR standard is only prospective in nature and Commerce reviews Actuarial Memorandums and past loss ratio experience for demonstrations of compliance. Unlike Minnesota's state loss ratio standard, which is prospective, the federal MLR standard is retrospective in nature and requires rebates to customers if the minimum MLR is not met in each marketplace.

DIFFERENCES BETWEEN MINNESOTA LOSS RATIO AND FEDERAL MINIMUM LOSS RATIO STANDARDS

Loss Ratio Considerations	Minnesota	Federal MLR
Timing Perspective	future / actuarial	hindsight / actual data
Timing Considered	upcoming year	prior three years, weighted
Consequences of Missing Threshold	if future loss ratio believed to be below threshold, rates are disapproved	if past loss ratio is below threshold, rebates are paid to consumers
Claims Adjustments (Numerator)	risk adjustment (+ / -) drug rebates (-) state-based reinsurance (-) federal cost sharing reductions (-)	risk adjustment (+ / -) drug rebates (-) state-based reinsurance (-) federal cost sharing reductions (-) quality improvement expenses (+)
Premium Adjustments (Denominator)		state and federal taxes assessments and licensing fees
Rebate Adjustments	not applicable	past rebates reduce rebate
Small Enrollment Allowance	loss ratio threshold decreased	statistical credibility stops or reduces rebate payment

For Health Maintenance Organizations (HMOs) and nonprofit health service plan corporations, Minnesota law requires that:

- Individual plans have rates that are expected to achieve a minimum MLR of 68 to 72 percent.
- Small employer group plans have rates that are expected to achieve a minimum loss ratio of 71 to 82 percent.
- Large employer group plans are not subject to explicit state minimum thresholds, because this market is generally viewed as competitive with well-informed, discerning customers. That said, rates are expected to be fair, reasonable, justified, and equitable, in line with Minnesota Statute § 62A.02 Subd. 3. Large group loss ratios are relatively high in relation to other insurance markets because of federal minimum loss ratio rebate implications if the actual loss ratio is less than 85 percent.

For insurance companies, Minnesota law requires that individual, small group, and large group plans have rates that are set to achieve a minimum MLR of 60 percent. In practice, the MLRs for health insurance companies are similar to those for health maintenance organizations and nonprofit health service plan corporations.

Loss Ratio is Not the Same as Value

The loss ratio can be a valuable tool in comparing two health plan companies, assuming that they provide similar benefits. In general, the plan with the higher loss ratio may provide better value to consumers; however, this is not always the case. For example, one health plan company may reduce the cost of claims by preventing payment of fraudulent claims, and subrogating claims (Workers Comp and Auto Insurance) to other insurers. While these actions may result in a higher loss ratio, they may not provide additional value to the policyholder. Alternatively, a health plan company may reduce their loss ratio because they have greater expenses related to negotiating and contracting for lower charge levels with doctors and hospitals, which may result in greater value to the policyholder.

Any change to a health plan company's business environment could affect the loss ratio. Examples include enrollment increases or decreases, federal actions to defund subsidies, specialty drug releases, material rate level changes, benefit coverage changes (whether voluntarily or due to state or federal law changes), and competitor actions.

Also, every prospective policyholder is different, with different health care needs. In order to compare health plan companies, it is necessary to review other aspects of the company which affect its value, such as availability of particular medical care providers, quality of patient service, and quality of care management.

Individual Market Subsidization History

Health Insurance Premium Subsidy

In January 2017, a 25 percent insurance premium subsidy was provided to Minnesotans purchasing health insurance in the individual market whose income exceeded 400 percent of the federal poverty level. This subsidy resulted in health insurance that was more affordable, and more enrollees with incomes over 400 percent than expected remained in the individual market. Unfortunately, 2017 rates were finalized prior to the legislative enactment of the premium subsidy. While this fortunately encouraged healthier people to remain in the individual market, it also reduced overall loss ratios from what they would have otherwise been had the program been anticipated in the rate setting process. This program was available only for 2017.

Minnesota Premium Security Plan (Minnesota Reinsurance Program)

In 2017, the Minnesota legislature enacted a law that created the Minnesota Premium Security Plan (MPSP). This state-based reinsurance program is designed to stabilize premiums in Minnesota's individual health insurance market by partially reimbursing health plan companies for high-cost claims. The state law authorized up to $271 million per year in 2018 and 2019 for the reinsurance program, and it called for the Minnesota Department of Commerce to submit a State Innovation Waiver application to secure partial federal funding. This Section 1332 waiver application was approved by the federal government in September 2017, and the federal government agreed to provide $130,719,696 for plan year 2018 and $84,757,861 for plan year 2019.

The MPSP was extended to the 2020 and 2021 plan years by legislation passed in May of 2019, and the federal government agreed to provide $86,063,821 for plan year 2020 and $142,727,404 for plan year 2021. The 2021 pass-through funding amount includes additional funding as a result of the American Rescue Plan (ARP). No additional state appropriation was provided for this extension as there were funds remaining from the original state appropriation.

The waiver allows Minnesota to use federal funds to cover a significant portion of the annual reinsurance costs and hold down rates for Minnesotans who buy their own health insurance coverage. From 2018 through 2021, the MPSP covered 80 percent of any individual market enrollee's annual claims that fell between $50,000 and $250,000. As a result, 2018 through 2021 premiums for Minnesota consumers in the individual health insurance market were approximately 20 percent lower on average than what they otherwise would have been without reinsurance.

For 2022, the coinsurance amount tied to reinsurance was changed from 80 percent to 60 percent, which resulted in individual health insurance market premiums being roughly 15.5 percent lower than they would have been without reinsurance. The federal government agreed to provide $91,110,300 in pass-through funding for plan year 2022.

A continuation of reinsurance was approved by the Minnesota legislature on April 1, 2022, extending the program for plan years 2023-2027 and reverting the coinsurance parameter back to 80 percent. An extension of the Section 1332 waiver to secure federal funding for plan years 2023-2027 was approved by the federal government on July 13, 2022.

Notes on Using the Data

Source

The earned premiums, incurred claims, and loss ratios listed in this report are based on information provided by the health plan companies in their Supplemental Health Care Exhibits. The information has not been independently audited and may include unintentional errors.

Statistical Fluctuation

Loss ratios are subject to statistical fluctuation. Each individual's health care costs and the total incurred claims of a health plan company are more or less unpredictable. Having a high or low loss ratio may be due to unexpected fluctuations and may not be repeated in a future time period. In general, statistical fluctuation in markets decrease with more enrollees; however, it is difficult to predict claims when enrollment changes significantly.

Data Table Descriptions

In the data shown in Tables 1 through 3:

- The column titled Group Number is a unique number assigned by the NAIC in order to identify affiliated groups of companies. The number aids in research of financial data available through the NAIC.
- The column titled State Loss Ratio is based on the Minnesota definition of MLR.
- The column titled Preliminary ACA MLR shows the preliminary estimate of the ACA MLR from the health plan company's annual statement. For the small and large group markets, this is shown in the Supplemental Health Care Exhibit. For the individual market, an adjustment was made to the MLR shown in the Supplemental Health Care Exhibit to account for Minnesota's reinsurance program
- The column titled Covered Lives is the number of people insured, including dependents, as reported by the health plan company as of the end of the year.

Table 1: 2022 Individual Loss Ratio Data

Based on Health Plan Company Supplemental Health Care Exhibits for 2022 (except where noted)

Group Code	Name	Earned Premium	Incurred Claims	State Loss Ratio	Preliminary ACA MLR*	Covered Lives
4380	UCare MN (UCare Health Inc aggregated)	$245,391,970	$225,984,225	92%	92%	46,961
1258	Group Hlth Plan Inc (HPIC and HPI aggregated)	$241,400,520	$223,241,159	92%	93%	47,701
461	HMO dba Blue Plus	$230,455,126	$192,683,675	84%	84%	34,085
1552	Medica Ins Co	$188,566,391	$164,149,217	87%	87%	22,379
707	PreferredOne Ins Co	$11,362,276	$12,093,554	106%	108%	3,559
4870	Quartz Hlth Plan MN Corp	$6,569,806	$5,411,865	82%	82%	1,433
	Total	**$923,746,089**	**$823,563,695**	**89%**	**89%**	**156,118**

Table 1 lists the loss ratios experienced in the individual health plan market in 2022 by companies that cover individuals in that market. Not all health plan companies with individual health plans in force are shown above. Any non-aggregated health plan company with premium volume lower than $300,000 is not included.

The Minnesota loss ratios for 2022 ranged from 82 percent to 106 percent. The total Minnesota loss ratio for 2022 is 89 percent, versus 95 percent in 2021.

**Values for the ACA MLR are marked above as preliminary due to certain claims, risk adjustment, and MPSP payments that were unknown at the time when financial statements were filed, in contrast to the time of MLR final reporting.*

Table 2: 2022 Small Employer Group Loss Ratio Data

Based on Health Plan Company Supplemental Health Care Exhibits for 2022

Group Code	Name	Earned Premium	Incurred Claims	State Loss Ratio	Preliminary ACA MLR*	Covered Lives
461	BCBSM Inc	$515,845,882	$452,353,454	88%	88%	72,795
1258	HealthPartners Inc	$439,200,414	$422,697,038	96%	97%	74,099
1552	Medica Ins Co	$288,431,260	$255,669,765	89%	89%	39,675
707	PreferredOne Ins Co	$174,215,396	$175,636,795	101%	102%	21,430
461	HMO dba Blue Plus	$30,571,889	$25,957,994	85%	86%	6,344
707	UnitedHealthcare Ins Co	$28,935,190	$25,719,807	89%	90%	7,471
1258	HealthPartners Ins Co	$18,036,940	$18,400,221	102%	102%	2,111
4870	Quartz Hlth Plan MN Corp	$2,946,511	$2,736,642	93%	93%	823
1246	Sanford Hlth Plan of MN	$1,372,275	$922,818	67%	67%	295
707	UnitedHealthcare of IL Inc	$717,853	$1,071,520	149%	142%	443
1	Allina Hlth & Aetna Ins Co	$499,266	$312,432	63%	63%	125
	Total	**$1,500,772,876**	**$1,381,478,486**	**92%**	**92%**	**225,611**

Table 2 lists the loss ratios experienced in the small employer health plan market in 2022 by health plan companies that cover small employer groups. Not all health plan companies with small employer health plans in force are included. Any non-aggregated health plan company with premium volume lower than $300,000 is not included. Also excluded are self-funded small employer health plans.

The Minnesota loss ratios for 2022 ranged from 63 percent to 149 percent. The total Minnesota loss ratio for 2022 for health plan companies is 92 percent, versus 91 percent in 2021.

**Values for the ACA MLR are marked above as preliminary due to certain claims and risk adjustment payments that were unknown at the time when financial statements were filed, in contrast to the time of MLR final reporting.*

Table 3: 2022 Large Employer Group Loss Ratio Data

Based on Health Plan Company Supplemental Health Care Exhibits for 2022

Group Code	Name	Earned Premium	Incurred Claims	State Loss Ratio	Preliminary ACA MLR*	Covered Lives
461	BCBSM Inc	$1,692,430,347	$1,558,489,835	92%	93%	237,089
1552	Medica Ins Co	$808,881,842	$717,971,214	89%	89%	120,697
1258	HealthPartners Ins Co	$681,933,667	$607,485,045	89%	89%	242,629
707	UnitedHealthcare Ins Co	$138,152,872	$120,027,933	87%	87%	28,343
1258	HealthPartners Inc	$112,275,374	$96,999,656	86%	86%	11,721
707	PreferredOne Ins Co	$61,985,600	$60,486,028	98%	98%	10,261
1	Allina Hlth & Aetna Ins Co	$22,894,086	$21,776,784	95%	97%	4,001
1246	Sanford Hlth Plan of MN	$12,945,557	$12,489,724	96%	97%	2,294
707	UnitedHealthcare of IL Inc	$6,179,963	$5,283,192	85%	86%	1,011
901	Cigna Hlth & Life Ins Co	$2,423,941	$2,126,496	88%	87%	281
4870	Quartz Hlth Plan MN Corp	$1,025,119	$976,535	95%	95%	130
	Total	**$3,541,128,368**	**$3,204,112,442**	**90%**	**91%**	**658,457**

Table 3 lists the loss ratios experienced in the large employer health plan market in 2022 by health plan companies that cover large employer groups. Not all health plan companies with large employer health plans in force are included. Any non-aggregated health plan company with premium volume lower than $300,000 is not included. Also excluded are large employers with self-funded health plans.

The Minnesota loss ratios for 2022 ranged from 85 percent to 98 percent. The total Minnesota loss ratio for 2022 for health plan companies is 90 percent, versus 90 percent in 2021.

**Values for the ACA MLR are marked above as preliminary due to certain claims payments that were unknown at the time when financial statements were filed, in contrast to the time of MLR final reporting.*

Additional Reference Sources

For information about insurance companies and nonprofit health service plan corporations, please contact the Commerce Department at:

Minnesota Department of Commerce
Insurance Division
85 7th Place East, Suite 280
St Paul, MN 55101-2198
651-539-1600; 800-657-3602
https://mn.gov/commerce/industries/insurance/

For information about health maintenance organizations, please contact the Health Department at:

Minnesota Department of Health
Managed Care Systems
Section 85
7th Place East
P.O. Box 64882
St. Paul, MN 55164-0882
651-201-5100; 800-657-3916
https://www.health.state.mn.us/facilities/insurance/managedcare/planinfo/hmo.html

HMO Financial Reports as Reported to the Minnesota Department of Health
https://www.health.state.mn.us/facilities/insurance/managedcare/reports/financial.html