



COLORADO

Department of Regulatory Agencies

Division of Insurance

Colorado Health Insurance Cost Report Appendix 1: Aggregated Company Data

2016

In accordance with § 10-16-111(4)(a)(b)&(c), C.R.S.





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Marguerite Salazar
Commissioner of Insurance

The Division of Insurance is pleased to present the results of the 2016 Colorado Health Insurance Cost Report pursuant to § 10-16-111(4)(a), C.R.S. This report presents an aggregated summary of the costs of providing healthcare in the state of Colorado, as reported by insurance carriers that provide major medical healthcare services in Colorado. This information will be useful to consumers, the industry and the public in determining the factors that drive insurance premiums in our state.

In 2008, the Colorado General Assembly passed and the Governor signed into law House Bill 08-1389 regarding the insurance rates paid by citizens of the state of Colorado. The bill's intent is to ensure that insurance coverage be accessible to all Coloradans, and that in order to provide accessible, affordable coverage, insurance rates should not be excessive, inadequate or unfairly discriminatory. In accordance with Section 9 of the bill, § 10-16-111(4)(a), C.R.S., health insurance carriers doing business in the state of Colorado are required to report a variety of health insurance cost information to the Division of Insurance. The Commissioner of Insurance is required to aggregate this data and publish the information on the Division's website.

To aid in the submission of this data, the Division prepared a Health Insurance Cost Report to be completed by each insurer. A total of 17 insurers representing more than 95% of total written premium submitted this report on their costs for 2016. As required, the report below is an aggregated summary of the data collected.

2016 Health Cost Report Aggregated Summary as required by C.R.S. § 10-16-111(4)¹

| Statute Requirement | Average Per Company | Total Sum of All Companies | Percent of Colorado Earned Health Insurance Premium |
|---|---------------------|----------------------------|---|
| Direct Written Premium for CO Health Insurance Business | \$341,343,155.19 | \$5,802,833,638 | 100.1% |
| Direct Earned Premium for CO Health Insurance Business | \$340,915,676.40 | \$5,795,566,499 | 100.0% |
| Authorized Control-level RBC | \$13,050,956.03 | \$221,866,253 | 3.8% |
| Reserves On Hand | \$23,806,508.68 | \$404,710,648 | 7.0% |
| Investment Income | \$7,492,728.64 | \$127,376,387 | 2.2% |
| Net Income | \$4,623,995.80 | \$78,607,929 | 1.4% |
| Surplus | \$22,667,450.68 | \$385,346,662 | 6.6% |
| Capital | \$34,565,218.59 | \$587,608,716 | 10.1% |
| Dividends to Stockholders | \$8,284,714.74 | \$140,840,151 | 2.4% |
| Executive Compensation allocated to Colorado Premiums | \$2,873,708.33 | \$48,853,042 | 0.8% |
| Executive Salaries | \$832,925.74 | \$14,159,738 | 0.2% |
| Executive Stock Options | \$945,740.80 | \$16,077,594 | 0.3% |
| Executive Bonuses | \$1,095,041.79 | \$18,615,710 | 0.3% |
| Administrative Expenditures | \$67,281,650.96 | \$1,143,788,066 | 19.7% |
| Advertising or Marketing Expenditures | \$972,393.00 | \$16,530,681 | 0.3% |
| Charitable Contributions | \$7,730,671.52 | \$131,421,416 | 2.3% |
| Dividends Returned to Colorado Policyholders | \$0.00 | \$0 | 0.0% |
| Expenditures for Disease or Case Management Programs or Patient Education and Other Cost Containment Expenses | \$6,014,561.62 | \$102,247,548 | 1.8% |
| Insurance Producer Commissions | \$8,493,531.94 | \$144,390,043 | 2.5% |
| Legal Expenses | \$292,283.07 | \$4,968,812 | 0.1% |
| Paid Lobbying Expenditures | \$68,262.86 | \$1,160,469 | 0.0% |
| Staff Salaries | \$11,658,785.71 | \$198,199,357 | 3.4% |
| Federal Income Taxes | \$9,149,406.12 | \$155,539,904 | 2.7% |
| State and Local Taxes, Licenses and Fees | \$10,165,455.44 | \$172,812,742 | 3.0% |
| All Other Administrative Expenses | \$12,736,299.67 | \$216,517,094 | 3.7% |
| The Cost of Providing or Arranging Healthcare Services | \$293,968,233.12 | \$4,997,459,963 | 86.2% |
| Administrative Expenses ² | \$67,281,650.96 | \$1,143,788,066 | 19.7% |
| Medical Expenses ³ | \$293,968,233.12 | \$4,997,459,963 | 86.2% |
| Provision for Profit and Contingencies | (\$20,334,207.67) | (\$345,681,530) | -6.0% |

¹The statistics presented are based on the data reported by the companies that responded to a request for information from the Colorado Division of Insurance as required by C.R.S. § 10-16-111(4). Companies were asked to report information on only major medical types of health insurance written in the state of Colorado. The Executive Salaries were reported by companies on a nationwide basis and were allocated to Colorado major medical health business by the Division of Insurance on a direct earned premium basis. The executives included are those reported on the Supplemental Compensation exhibit that accompanies the Annual Financial Statement.

²The total of Advertising or Marketing Expenditures, Charitable Contributions, Dividends Returned to Colorado Policyholders, Expenditures for Disease or Case Management Programs or Patient Education and Other Cost Containment Expenses, Insurance Producer Commissions, Legal Expenses, Staff Salaries, Paid Lobbying Expenditures, Federal Income Taxes, State and Local Taxes, Licenses and Fees and All Other Administrative Expenses is used to calculate the Administrative Expenses.

³The Cost of Providing or Arranging Healthcare Services is equal to a company's Direct Losses Incurred and used to determine the Medical Expenses.

Major Medical Health Benefit Plans

| Health Benefit Plans (values shown are in 1,000s) | Individual On Exchange | Individual Off Exchange | Small Group On Exchange | Small Group Off Exchange | Large Group | Total |
|---|------------------------------|-------------------------------|-------------------------------|--------------------------------|----------------|-------------|
| Premiums | | | | | | |
| Colorado Direct Written Premium | \$642,257 | \$706,855 | \$11,890 | \$1,344,924 | \$3,096,907 | \$5,802,834 |
| Colorado Direct Earned Premium | \$638,228 | \$704,901 | \$11,846 | \$1,344,762 | \$3,095,829 | \$5,795,566 |
| Administrative Expenses¹ | | | | | | |
| Administrative Expenses | \$125,958 | \$139,116 | \$2,338 | \$265,396 | \$610,980 | \$1,143,788 |
| The Cost of providing or arranging healthcare services | | | | | | |
| Incurred Losses | \$639,162 | \$703,518 | \$10,969 | \$1,007,837 | \$2,635,974 | \$4,997,460 |
| Administrative Ratio | 19.74% | 19.74% | 19.74% | 19.74% | 19.74% | 19.74% |
| Actual Benefits Ratio | 100.15% | 99.80% | 92.60% | 74.95% | 85.15% | 86.23% |
| Average Provision for Profit and Contingencies | -19.88% | -19.54% | -12.34% | 5.32% | -4.88% | -5.96% |

| Health Benefit Plans Covered Lives (Table shows actual numbers) | Individual On Exchange | Individual Off Exchange | Small Group On Exchange | Small Group Off Exchange | Large Group | Total |
|---|------------------------------|-------------------------------|-------------------------------|--------------------------------|----------------|------------|
| Number of Colorado covered lives as of 12/31/2015 | 60,138 | 166,096 | 2,117 | 211,886 | 700,590 | 1,140,827 |
| Number of Colorado covered lives as of 12/31/2016 | 140,664 | 174,319 | 3,157 | 261,171 | 649,499 | 1,228,809 |
| Number of Colorado individual subscribers /certificateholders /policyholders as of 12/31/2015 | 40,816 | 97,635 | 1,472 | 124,759 | 364,422 | 629,104 |
| Number of Colorado individual subscribers /certificateholders /policyholders as of 12/31/2016 | 95,128 | 100,880 | 2,160 | 154,207 | 336,997 | 689,372 |
| Number of Member Months in 2016 | 1,718,595 | 2,221,009 | 35,758 | 3,180,100 | 7,900,662 | 15,056,124 |
| Companies with Earned Premiums in 2016 | 9 | 15 | 5 | 12 | 14 | 17 |

¹The total of Advertising or Marketing Expenditures, Charitable Contributions, Dividends Returned to Colorado Policyholders, Expenditures for Disease or Case Management Programs or Patient Education and Other Cost Containment Expenses, Insurance Producer Commissions, Legal Expenses, Staff Salaries, Paid Lobbying Expenditures, Federal Income Taxes, State and Local Taxes, Licenses and Fees and All Other Administrative Expenses is used to calculate Administrative Expenses.

Trend - Colorado Health Insurance

“Trend” or “trending” means any procedure for projecting losses to the average date of loss, or of projecting premium or exposures to the average date of writing. Companies reporting trend information must use the best assessment and allocation methods they can to assign portions of total medical trend to those categories of interest to the Division and the public. Information in this section represents an estimate of what portion of total trend each cost category that follows is responsible for. The tables below demonstrate the number of companies that submitted Medical trend in the Health Cost Survey out of 17 companies.

| Medical Trend | Average Medical Trend due solely to Provider Price Changes | Average Medical Trend due solely to Utilization Changes | Average Medical Trend due solely to Cost-shifting | Average Medical Trend due solely to New Medical Procedures and Technology | Average Total Medical Trend |
|--------------------------|--|---|---|---|-----------------------------|
| Individual on Exchange | 4.99% | -11.04% | -1.09% | 0.32% | -7.35% |
| Individual off Exchange | 1.91% | 23.92% | 0.70% | 0.78% | 21.83% |
| Small Group on Exchange | 9.70% | 2.75% | 3.09% | 0.00% | 15.06% |
| Small Group off Exchange | 4.25% | 0.69% | -0.50% | 0.21% | 4.87% |
| Large Group | 5.67% | 0.14% | 0.17% | 0.26% | 6.42% |

Table 8 - Total Medical Trend by Year by Type of Health Insurance 2016

| Pharmaceutical Trend | Average Rx Trend due solely to Pharmaceutical Price Changes | Average Rx Trend due solely to Utilization Changes | Average Rx Trend due solely to Cost-shifting | Average Rx Trend due solely to New Drugs | Average Total Rx Trend |
|--------------------------|---|--|--|--|------------------------|
| Individual on Exchange | -4.99% | -12.25% | -0.52% | 11.39% | -12.58% |
| Individual off Exchange | 24.63% | 0.39% | 3.81% | 8.65% | 32.97% |
| Small Group on Exchange | -10.78% | -9.39% | 4.39% | 3.00% | -12.56% |
| Small Group off Exchange | 3.63% | 0.55% | 1.37% | 2.82% | 7.16% |
| Large Group | -2.73% | 59.65% | 1.44% | 7.28% | 2.61% |

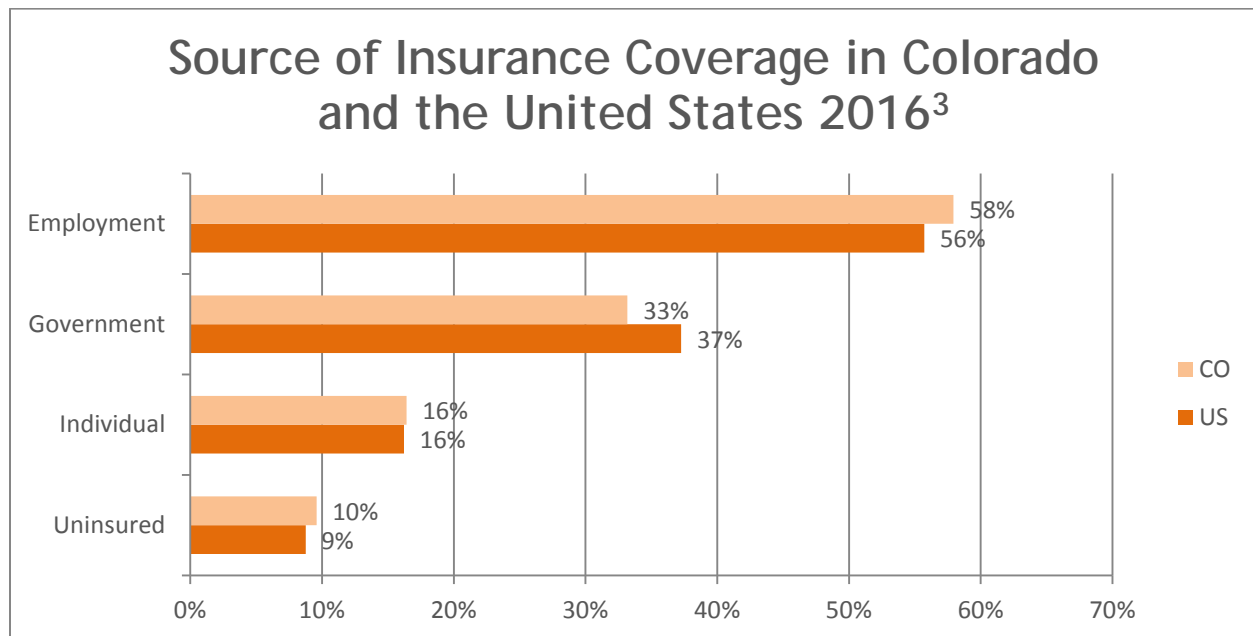
Table 9 - Total Pharmaceutical Trend by Year by Type of Health Insurance 2016

| Major Medical Health Coverage ¹ | Earned Premium | Incurred Losses | Loss Ratio |
|--|------------------------|------------------------|---------------|
| Individual Coverage | \$1,324,552,070 | \$1,331,107,569 | 100.49% |
| Small Group Coverage | \$1,234,543,301 | \$914,907,104 | 74.11% |
| Large Group Coverage | \$3,588,491,422 | \$3,107,294,220 | 86.59% |
| Colorado Major Medical Totals | \$6,147,586,793 | \$5,353,308,893 | 87.08% |

Table 11 - Colorado Major Medical Health Benefit Plan Coverage Summary

| Other Health Coverages ² | Written Premium | Earned Premium | Incurred Losses | Loss Ratio |
|-------------------------------------|------------------------|------------------------|------------------------|---------------|
| Medicare Supplement | \$70,775,783 | \$71,028,207 | \$48,136,645 | 67.77% |
| Title XVIII Medicare Advantage | \$2,986,497,521 | \$2,988,047,468 | \$2,557,026,723 | 85.58% |
| Title XIX Medicaid | \$371,216,239 | \$371,216,239 | \$344,724,566 | 92.86% |
| Other* | \$516,136,448 | \$354,701,331 | \$565,093,176 | 159.32% |
| Other Health Coverages Total | \$3,944,625,991 | \$3,784,993,245 | \$3,514,981,110 | 92.87% |

Table 12 - Colorado other Health Plan Coverage Summary



¹Data taken from all supplemental health exhibits submitted to the NAIC.

²Data taken from state filing pages submitted to the NAIC.

³Data taken from the US Census Current Population Survey. Insurance coverage is not mutually exclusive; people can be covered by more than one type of health insurance or have more than one health plan during a year.