

THE NEW JERSEY COMMERCIAL HEALTH MARKET 2008

Prepared by: Life & Health
New Jersey Dept. of Banking and Insurance

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 2,258,000 people in 2008, with total premium of \$9.5 billion, up only slightly from \$9.4 billion in 2007. The number of people covered in this market decreased by about 64,000 from 2007. (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 6%, from \$336 a month in 2007 to \$350 a month in 2008. (4% was the approximate increase from 2007 to 2008). Total claims were \$8.1 billion, for a medical loss ratio (MLR) of 85.5% (higher than the 84.3% in 2007 and 81.3% of 2006).

2008 Combined Commercial Market Share

Company	Commercial Premiums	Commercial Enrollment	MS Premiums	MS Enrollment 2008	MS Enrollment 2007	MS Enrollment Change 2007-2008
Horizon Combined	\$5,052,610,322	1,192,566	53.2%	52.8%	47.6%	5.2%
Aetna Combined	\$1,684,320,270	438,533	17.7%	19.4%	21.0%	-1.6%
United/Oxford Combined	\$1,293,839,163	296,209	13.6%	13.1%	15.1%	-2.0%
Amerihealth Combined	\$541,571,743	128,513	5.7%	5.7%	6.4%	-0.7%
CIGNA/CG Combined	\$524,201,188	107,319	5.5%	4.8%	4.9%	-0.1%
Health Net Combined	\$342,342,747	78,613	3.6%	3.5%	4.0%	-0.5%
Guardian Life Ins Co.	\$31,296,002	10,093	0.3%	0.4%	0.4%	0.0%
Wellpoint	\$11,510,301	3,639	0.1%	0.2%	0.3%	-0.1%
Nippon	\$12,854,593	2,381	0.1%	0.1%	0.1%	0.0%
TOTAL	\$9,494,546,329	2,257,865	100.0%	100.0%	100.00%	

The three largest carriers (with market share measured by enrollment) were Horizon (52.8%, up from 47.6% in 2007 and 40.6% in 2006), Aetna (19.4% down from 21.0% in

* 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.

2007 and 24.4% in 2006) and United/Oxford (13.1% down from 15.1% in 2007 and 17.1% in 2006). Amerihealth (5.7%), CIGNA (4.8%) and Health Net (3.5%) are the 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 2008, the 3 largest carriers (Horizon, Aetna, and United/Oxford) had combined underwriting gains in the commercial market of 10.3 million or 0.1% of their premium. This commercial underwriting percentage has declined for the last three years, from 4.2% in 2005 to 2.4% in 2006 and 1.85% in 2007. Horizon (including its HMO subsidiary) lost \$108.3 mm or 2.1% of premium. This was a further decline from a loss of 1.3% of premium in 2007 and less than 0.1% of premium in 2006. (It is important to emphasize that this is just the Horizon loss on the commercial business and it was offset by positive results in other lines.) Aetna had gains of \$42.9 mm or 2.7% of premium and Oxford had gains of \$75.7 mm or 6.8% of premium. (Oxford's results do not include UnitedHealthCare Insurance Co.)

These underwriting profits and profit margins do involve some estimation, because 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 12/31/2008

According to the Current Population Survey (CPS) of the US Census Bureau, 5.6 million (or 66%) of the 8.5 million residents of New Jersey received coverage in 2008 through employment, either as an active or retired employee or a dependent. (The 5.6 million includes about 400,000 people over 65 who also are covered by 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) 800,000 or 9%. As will be noted below, some people are counted in two programs, for example, covered by an employer and Medicaid or on Medicaid and Medicare.

Of the 5.6 million people with employer provided coverage, about 2.0 million are covered by programs regulated by DOBI: 850,000 in the small employer program, and the remainder (about 1,150,000) in insured coverage provided by large employers (defined as more than 50 employees).

The remaining 3.6 million are covered by self-funded programs, such as state health benefits (about 800,000), programs for civilian federal employees (150,000) and private self-funded coverage (2,650,000).

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, 1.2 million people, or 14% of the population, is uninsured. This varies considerably by age. The rate is 11.3% for children under 18, 17.7% for adults 19-64, and 1.3% for adults 65 and over.

The enrollment and the uninsured adds to more than 8.5 million, and percentages add to more than 100%, due to multiple sources of coverage and rounding.

The Source of Coverage estimate must be taken as a rough approximation for general purposes 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 enrollment, 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 2.2 million people with premiums of \$9.5 billion in 2008. The three largest carriers (with market share by enrollment) were Horizon (52.8%) Aetna (19.4%) and United/Oxford (13.1%). The next three largest carriers AmeriHealth, CIGNA , and Health Net, all had market share between 3% and 6%. The remaining carriers all have market share less than 1%.

2008 Large Group Market Share

Company	Premiums Large Group	Enrollment Large Group	Large Group MS Premiums	Large Group MS Enrollment 2008	Large Group MS Enrollment 2007	Large Group MS Enrollment Change 2007-2008
Horizon Combined	\$3,102,803,048	694,940	55.6%	53.8%	51.2%	2.6%
Aetna Combined	\$913,791,717	245,164	16.4%	19.0%	18.8%	0.2%
United/Oxford Combined	\$606,090,969	139,574	10.9%	10.8%	12.4%	-1.6%
Amerihealth Combined	\$327,961,146	76,709	5.9%	5.9%	6.2%	-0.3%
CIGNA/CG Combined	\$470,073,664	98,782	8.4%	7.6%	7.5%	0.1%
Health Net Combined	\$109,001,957	21,798	2.0%	1.7%	2.3%	-0.6%
Guardian Life Ins Co.	\$26,086,876	9,733	0.5%	0.8%	0.7%	0.1%
Wellpoint	\$11,510,301	3,639	0.2%	0.3%	0.5%	-0.2%
Nippon	\$9,646,793	1,864	0.2%	0.1%	0.1%	0.0%
TOTAL	\$5,576,966,471	1,292,202	100.0%	100.0%	100.0%	

Horizon is the largest carrier in the large group segment with 53.8% (51.2% in 2007), followed by Aetna with 19.0% (18.8% in 2007) and Oxford/United with 10.8% (12.4% in 2007). CIGNA has 7.6% and AmeriHealth 5.9%. 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.

2008 Small Group Market Share

Company	Premiums Small Group	Enrollment Small Group	Small Group MS Premiums	Small Group MS Enrollment 2008	Small Group MS Enrollment 2007	Small Group MS Enrollment Change 2007-2008
Horizon Combined	\$1,675,967,280	435,753	48.1%	49.9%	40.7%	9.2%
Aetna Combined	\$748,134,324	190,888	21.5%	21.9%	26.0%	-4.1%
United/Oxford Combined	\$582,189,133	134,085	16.7%	15.4%	18.1%	-2.7%
Amerihealth Combined	\$189,248,818	46,146	5.4%	5.3%	6.7%	-1.4%
CIGNA/CG Combined	\$52,599,737	8,396	1.5%	1.0%	1.4%	-0.4%
Health Net Combined	\$231,207,704	56,408	6.6%	6.5%	6.7%	-0.2%
Guardian Life Ins Co.	\$5,209,126	360	0.1%	0.0%	0.1%	-0.1%
Wellpoint	\$0	0	0.0%	0.0%	0.1%	-0.1%
Nippon	\$3,207,800	517	0.1%	0.1%	0.1%	0.0%
TOTAL	\$3,487,763,922	872,552	100.0%	100.0%	100.0%	

In the small group segment, Horizon with 49.9% (40.7% in 2007) Aetna with 21.9% (26.0% in 2007), and United/Oxford with 15.4% (18.1 in 2007) are the three largest carriers. Health Net has 6.5%, AmeriHealth has 5.3%, and CIGNA has 1.0% market share.

2008 Individual Market Share

Company	Individual Premiums	Individual Enrollment	Individual MS Premiums	Individual Enrollment 2008	Individual Enrollment 2007	Individual Group MS Enrollment Change 2007-2008
Horizon Combined	\$273,839,994	61,873	63.7%	66.5%	62.7%	3.8%
Aetna Combined	\$22,394,229	2,481	5.2%	2.7%	4.4%	-1.7%
United/Oxford Combined	\$105,559,061	22,550	24.6%	24.2%	26.2%	-2.0%
Amerihealth Combined	\$24,361,779	5,659	5.7%	6.1%	5.9%	0.2%
CIGNA/CG Combined	\$1,527,787	141	0.4%	0.2%	0.2%	0.0%
Health Net Combined	\$2,133,086	407	0.5%	0.4%	0.6%	-0.2%
TOTAL	\$429,815,936	93,111	100.0%	100.0%	100.0%	

The four largest carriers in the individual (IHC) segment are Horizon at 66.5% (62.7% in 2007), United/Oxford at 24.2% (26.2% in 2007), AmeriHealth at 6.1% (5.9% in 2007), and Aetna at 2.7% (4.4% in 2007). 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.

2008 Commercial Loss Ratio

Company	Commercial Premiums	Commercial Claims	Commercial Loss Ratio 2008	Commercial Loss Ratio 2007
Horizon Healthcare Svcs (BCBS)	\$4,139,734,737	\$3,647,934,260	88.1%	88.2%
Aetna Health (NJ)	\$1,563,012,703	\$1,290,631,935	82.6%	79.2%
Oxford Health Ins	\$725,994,931	\$595,828,753	82.1%	82.4%
Horizon Healthcare of NJ (HMO)	\$912,875,585	\$769,781,544	84.3%	82.2%
Oxford Health Plan of NJ	\$391,324,044	\$324,409,029	82.9%	79.0%
Health Net of NJ	\$329,703,961	\$251,592,106	76.3%	81.9%
AmeriHealth HMO	\$262,232,663	\$234,485,837	89.4%	85.4%
Conn Gen Life Ins Co	\$484,722,252	\$428,478,497	88.4%	77.3%
AmeriHealth Ins Co of NJ	\$279,339,080	\$230,603,548	82.6%	88.7%
United HealthCare Ins Co	\$176,520,188	\$165,937,288	94.0%	95.5%
CIGNA Health Care of NJ	\$39,478,936	\$37,964,735	96.2%	96.8%
Aetna Life Ins. Co	\$121,307,567	\$83,498,960	68.8%	62.7%
Guardian Life Ins Co of Amer	\$31,296,002	\$23,037,377	73.6%	75.6%
Unicare	\$11,510,301	\$13,009,457	113.0%	90.0%
Nippon Life	\$12,854,593	\$11,551,689	89.9%	94.1%
Health Net Life Ins. Co.	\$12,638,786	\$13,399,679	106.0%	93.3%
TOTAL	\$9,494,546,329	\$8,122,144,694	85.5%	84.3%

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 85.5% loss ratio in 2008 was significantly higher than the 84.3% loss ratio in 2007 and 81.5% loss ratio in 2006.

2008 Large Group Loss Ratio

Company	Large Group Premiums	Large Group Claims	Large Group Loss Ratio 2008	Large Group Loss Ratio 2007
Horizon Healthcare Svcs (BCBS)	\$2,958,552,428	\$2,587,720,290	87.5%	88.2%
Aetna Health (NJ)	\$801,432,479	\$638,711,510	79.7%	74.4%
Oxford Health Ins	\$328,580,630	\$281,773,790	85.8%	86.7%
Horizon Healthcare of NJ (HMO)	\$144,250,620	\$111,375,243	77.2%	78.2%
Oxford Health Plan of NJ	\$100,990,151	\$85,682,520	84.8%	81.0%
Health Net of NJ	\$97,306,064	\$65,511,879	67.3%	83.0%
AmeriHealth HMO	\$130,274,365	\$114,983,066	88.3%	86.0%
Conn Gen Life Ins Co	\$433,163,635	\$381,568,084	88.1%	75.3%
AmeriHealth Ins Co of NJ	\$197,686,781	\$159,805,906	80.8%	89.8%
United HealthCare Ins Co	\$176,520,188	\$165,937,288	94.0%	95.5%
CIGNA Health Care of NJ	\$36,910,029	\$36,690,944	99.4%	98.5%
Aetna Life Ins. Co	\$112,359,238	\$75,023,864	66.8%	60.1%
Guardian Life Ins Co of Amer	\$26,086,876	\$18,363,925	70.4%	66.1%
Unicare	\$11,510,301	\$13,009,457	113.0%	90.0%
Nippon Life	\$9,646,793	\$9,351,025	96.9%	102.0%
Health Net Life Ins. Co.	\$11,695,893	\$12,006,655	102.7%	93.4%
TOTAL	\$5,576,966,471	\$4,757,515,446	85.3%	84.2%

The 2008 average loss ratio in the large group segment was 85.3%. 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 94.0%. 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.

2008 Small Group Loss Ratio

Company	Small Group Premiums	Small Group Claims (wo/dvd)	Small Group Loss Ratio 2008	Small Group Loss Ratio 2007
Horizon Healthcare Svcs (BCBS)	\$1,063,975,443	\$972,850,703	91.4%	90.1%
Aetna Health (NJ)	\$740,737,519	\$624,157,200	84.3%	84.3%
Oxford Health Ins	\$322,700,665	\$261,125,394	80.9%	79.5%
Horizon Healthcare of NJ (HMO)	\$611,991,837	\$522,877,555	85.4%	83.3%
Oxford Health Plan of NJ	\$259,488,468	\$208,256,481	80.3%	76.1%
Health Net of NJ	\$230,264,811	\$184,884,299	80.3%	81.3%
AmeriHealth HMO	\$107,596,519	\$96,648,074	89.8%	83.6%
Conn Gen Life Ins Co	\$51,558,617	\$46,910,413	91.0%	91.6%
AmeriHealth Ins Co of NJ	\$81,652,299	\$70,797,642	86.7%	87.0%
CIGNA Health Care of NJ	\$1,041,120	\$306,588	29.4%	78.2%
Aetna Life Ins. Co	\$7,396,805	\$6,641,004	89.8%	82.4%
Guardian Life Ins Co of Amer	\$5,209,126	\$4,673,452	89.7%	98.6%
Nippon Life	\$3,207,800	\$2,200,664	68.6%	75.0%
Health Net Life Ins. Co.	\$942,893	\$1,393,024	147.7%	75.0%
TOTAL	\$3,487,763,922	\$3,003,722,493	86.1%	84.5%

The average loss ratio in the small group market was 86.1% (up significantly from 84.4% in 2007). Horizon BCBS, with a loss ratio of 91.4% was a factor in this increase.

Among carriers with premium of \$100 mm or more, loss ratios ranged from a low of 80.3% to a high of 91.4%.

2008 Individual Loss Ratio

Company	Individual Premiums	Individual Claims	Individual Loss Ratio 2008	Individual Loss Ratio 2007
Horizon Healthcare Svcs (BCBS)	\$117,206,866	\$87,363,267	74.5%	72.4%
Aetna Health (NJ)	\$20,842,705	\$27,763,225	133.2%	110.8%
Oxford Health Ins	\$74,713,636	\$52,929,569	70.8%	76.4%
Horizon Healthcare of NJ (HMO)	\$156,633,128	\$135,528,746	86.5%	82.9%
Oxford Health Plan of NJ	\$30,845,425	\$30,470,028	98.8%	99.5%
Health Net of NJ	\$2,133,086	\$1,195,928	56.1%	81.9%
AmeriHealth HMO	\$24,361,779	\$22,854,697	93.8%	93.3%
CIGNA Health Care of NJ	\$1,527,787	\$967,203	63.3%	91.8%
Aetna Life Ins. Co	\$1,551,524	\$1,834,092	118.2%	122.2%
TOTAL	\$429,815,936	\$360,906,755	84.0%	83.0%

The average loss ratio in the individual market was 84.0% up slightly from 83.0% in 2007. Loss ratios for the 4 major carriers ranged from a low of 70.8% to a high of 133.2%. 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 \$4,205 per year or \$350 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 \$4,316 (\$360 a month) in the large group market and \$3,997 (\$333 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 \$343 in 2007 a month to \$360 a month in 2008.

The average small group premium increased by 4% from \$321 to \$333 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 \$4,614 (\$384 a month). This represented a decrease of about .08% from \$487 a month in 2007. 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.