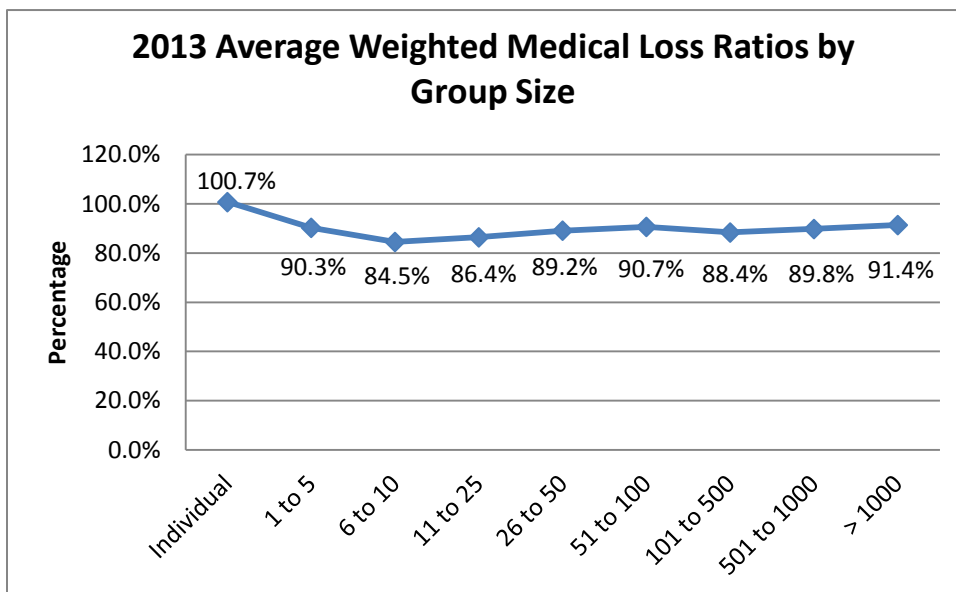


FINANCIAL SUMMARY OF THE 2013 MARKET FOR HEALTH INSURANCE¹² (Commercial Accounts, excluding Medicare, Medicaid and Commonwealth Care business)

- Massachusetts carriers earned \$9.6 billion in health care premiums and paid \$8.5 billion in health care claims payments to hospitals, doctors and other providers in 2013. Carriers spent \$1.06 billion in administrative expenses and had net income of \$0.16 billion in 2013.

Medical Loss Ratios

- The carriers' average weighted Medical Loss Ratio (MLR) was 90.0% in 2013.
- MLRs differed from one carrier to another, as well as by product and by size of the groups in a sub-market. While the average weighted MLR for individual coverage was 100.7% in 2013, the average weighted MLR for most types of small groups ranged from 84.5% to 90.3%. In the large group market, the average weighted MLR ranged from 88.4% to 91.4%.³



FINANCIAL SUMMARY OF THE 2013 MARKET FOR HEALTH INSURANCE

¹ During the preparation of this report, we were provided with, and relied upon, various data and information from the health insurance industry. We did not audit the data or information provided, but reviewed it for reasonableness.

² Reported MLRs reflect an average of the actual MLRs reported by health insurance carriers. Individual carriers have ratios that are higher or lower than the reported average and some may be subject to mandatory rebates.

³ The Massachusetts statutes for individual/small group health coverage require that that carriers meet the following MLR thresholds:

90% for rates effective between 1/1/2012 and 12/31/2013

89% for rates effective between 1/1/2014 and 12/31/2014

88% for rates effective on and after 1/1/2015

According to the 2013 annual summary report, carriers reported an average MLR of 90.0% across all their lines of coverage. Separate from the annual report, on May 31 of each year, carriers are required to submit MLR rebate calculation worksheets which are used to determine whether carriers are required to rebate premiums from the prior calendar year to individuals and small employers. Based on our review of the actual 2013 experience, in June 2014, the Massachusetts DOI authorized carriers to release \$10.4 million in rebates to individuals and small businesses.

Administrative Expenses

		% of all Admin Expenses
• Carriers' total 2013 administrative expenses were:		
○ Financial Administrative	\$ 46.5 million	4.4%
○ Marketing and Sales	\$ 155.5 million	14.7%
○ Distribution Expenses	\$ 191.9 million	18.2%
○ Claims Administration	\$ 136.7 million	12.9%
○ Medical Administration	\$ 143.4 million	13.6%
○ Network Operational	\$ 22.2 million	2.1%
○ Charitable Expense	\$ 2.8 million	0.2%
○ Taxes, Assessments & Fines	\$ 75.2 million	7.1%
○ General Administration	\$ 238.9 million	22.6%
○ Miscellaneous Expenses	\$ 1.8 million	0.2%
○ <u>Capital Expenses and Depreciation</u>	<u>\$ 41.8 million</u>	<u>4.0%</u>
Total Administrative Expenses	\$1,056.7 million	100.0%

Massachusetts Division of Insurance
ANNUAL COMPREHENSIVE FINANCIAL STATEMENT
FOR CARRIERS' INSURED HEALTH PLANS
COVER SHEET



Enter NAIC# Reporting Year: 2013

Company Name: GRAND TOTAL

Enter Line of Business from list below: All Lines of Business

- 1 Closed Network Plans
- 2 Preferred Network Plans
- 3 Open Network Plans
- 4 Student Health Insurance Plans
- 5 Medicare Advantage
- 6 Other Medicare
- 7 Commonwealth Care
- 8 Young Adult Plans
- 9 Medicaid (MassHealth)
- 10 Group Insurance Commission (GIC)
- 11 Federal Employee Health Benefit Plans (FEHBP)

	Accumulated Surplus *
Common Stock	123,480,366
Preferred Stock	0
Gross Paid In	3,676,707,122
Contributed Surplus	4,061,077,925
Surplus Notes	898,766,816
Unassigned Funds	13,478,389,404
Other C&S Items	59,719,000
Total Surplus	22,298,140,633

Risk-Based Capital Ratio *
0.00%

* Total for Company

**ANNUAL COMPREHENSIVE FINANCIAL STATEMENT
FOR CARRIERS' INSURED HEALTH PLANS ENROLLMENT INFORMATION**

NAIC#: 0 Reporting Year: 2013

Company Name: GRAND TOTAL

Line of Business: All Lines of Business

Market Group Size	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Group Total
Number of Distinct Employment-Based Groups Covered on December 31st of Reporting Year	55,539	34,653	8,928	13,805	7,367	3,342	3,374	1,314	778	129,099
Number of Subscriber Members Covered on December 31st of Reporting Year	1,083,362	81,969	39,289	77,778	53,212	123,663	198,387	85,149	247,461	1,990,270
Number of Subscriber Member Months Covered in Reporting Year	12,566,474	1,012,176	462,291	909,727	631,480	1,479,473	2,380,682	977,475	2,948,096	23,367,872
Average Number of Subscriber Members Covered in Reporting Year	1,047,206	84,348	38,524	75,811	52,623	123,289	198,390	81,456	245,675	1,947,323
Number of Total Subscriber & Dependent Covered Lives on December 31st of Reporting Year	1,124,451	176,694	80,185	161,289	114,332	262,443	420,270	184,009	431,406	2,955,079
Number of Total Subscriber & Dependent Covered Life Months covered in Reporting Year	13,009,321	2,188,253	950,196	1,901,797	1,372,886	3,150,408	5,051,500	2,153,365	5,126,117	34,903,843
Average Number of Subscriber & Dependent Covered Lives in Reporting Year	1,084,110	182,354	79,183	158,483	114,407	262,534	420,958	179,447	427,176	2,908,654

**ANNUAL COMPREHENSIVE FINANCIAL STATEMENT
FOR CARRIERS' INSURED HEALTH PLANS BALANCE SHEET**

NAIC#: 0

Reporting Year: 2013

Company Name: GRAND TOTAL

Line of Business: All Lines of Business

Group	Accumulated Reserves										
	Member Size	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Claim Reserves		587,390,300	105,900,921	43,034,730	82,727,766	57,000,078	168,610,821	263,886,432	116,134,807	245,234,718	1,669,920,573
Premium Reserves		15,944,462	23,096,118	9,113,791	17,304,149	11,673,572	33,097,267	58,458,810	29,394,046	26,996,912	225,079,128
Contract Reserves		50,895,667	9,109,205	4,047,336	7,699,289	5,468,309	7,599,448	11,689,307	2,681,677	122,994,290	222,184,527
Total Reserves		654,230,429	138,106,244	56,195,858	107,731,203	74,141,959	209,307,537	334,034,549	148,210,530	395,225,920	2,117,184,228

	Accumulated Surplus *
Common Stock	123,480,366
Preferred Stock	0
Gross Paid In	3,676,707,122
Contributed Surplus	4,061,077,925
Surplus Notes	898,766,816
Unassigned Funds	13,478,389,404
Other C&S Items	59,719,000
Total Surplus	22,298,140,633

Risk-Based Capital Ratio *
0%

* Total for Company

**ANNUAL COMPREHENSIVE FINANCIAL STATEMENT FOR CARRIERS' INSURED HEALTH PLANS
INCOME STATEMENT**

NAIC#: _____

Reporting Year: 2013

Company Name: GRAND TOTALS

Line of Business: All Lines of Business

<i>Net Premium Earned</i> 211 CMR 149.06 (2) (b) 1	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	6,753,901,029	976,384,475	407,750,754	780,259,753	558,929,748	1,404,297,992	2,239,149,351	976,806,858	2,104,494,010	16,201,973,970

<i>Incurred Claims</i> 211 CMR 149.06 (2) (b) 2	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	6,224,313,490	862,596,719	337,185,566	658,562,667	485,396,103	1,250,807,563	1,940,571,443	860,868,043	1,894,193,920	14,514,495,514

<i>Medical Loss Ratio=(Incurred Claims + Expenses for Improving HealthCare Quality + Deductible Fraud and Abuse Detection/Recovery Expenses) / (Premiums - Taxes - Assessments)</i> 211 CMR 149.06 (2) (b)	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	93.3%	90.3%	84.6%	86.5%	89.2%	90.7%	88.5%	89.9%	91.4%	91.1%

<i>Investment Gains and Losses</i> 211 CMR 149.06 (2) (b) 4	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Investment Income	43,268,931	6,885,509	2,941,161	6,130,057	4,530,313	10,130,200	15,960,709	6,576,327	11,444,044	107,867,251
Net Realized Capital Gains and Losses	1,613,069	1,383,959	646,416	1,408,198	940,912	1,918,990	3,396,379	1,266,795	295,199	12,869,916
Totals	44,882,000	8,269,467	3,587,577	7,538,255	5,471,225	12,049,190	19,357,088	7,843,122	11,739,243	120,737,167

<i>Financial Administration Expenses</i> 211 CMR 149.06 (2) (b) 5	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	32,473,216	5,286,821	2,380,033	4,765,119	3,621,101	6,050,099	8,973,160	3,509,697	9,483,117	76,542,364

<i>Marketing and Sales Expenses</i> CMR 149.06 (2) (b) 6	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Billing & Member Enrollment	12,165,588	2,443,177	1,076,050	2,107,052	1,557,044	2,089,198	3,209,354	1,294,568	2,284,911	28,226,941
Customer Service & Member Relations	25,914,644	5,450,824	2,330,941	4,745,975	3,399,715	5,996,428	9,205,820	3,735,974	8,896,494	69,676,816
Product Management, Marketing & Sales	38,774,041	10,638,100	4,764,388	9,790,811	7,295,531	11,763,790	18,202,118	7,796,142	12,366,586	121,391,506
Product Development	7,265,973	1,554,090	680,258	1,302,730	1,021,448	1,787,402	2,191,545	694,237	1,850,170	18,347,853
Marketing and Sales Expenses Totals	84,120,246	20,086,190	8,851,637	17,946,567	13,273,738	21,636,818	32,808,837	13,520,922	25,398,161	237,643,116

<i>Distribution Expenses</i> 211 CMR 149.06 (2) (b) 7	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	21,264,626	22,737,711	9,773,766	19,936,632	14,152,412	29,927,267	46,461,736	19,560,934	22,721,164	206,536,247

<i>Claims Operations Expenses</i> 211 CMR 149.06 (2) (b) 8	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
All costs associated with claims adjudication & adjustment of claims less Deductible Fraud & Abuse Detection/Recovery Expenses	63,869,209	14,222,951	6,093,307	12,558,484	8,895,838	16,657,794	28,244,894	13,216,133	29,726,338	193,484,948
<i>Claims Operations Expenses Totals</i>	65,068,836	15,007,373	6,399,323	13,245,411	9,556,544	17,469,915	29,228,472	13,654,440	30,597,833	200,228,148

<i>Medical Administration Expenses</i> 211 CMR 149.06 (2) (b) 9	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Total Defined Expenses Incurred for Improving HealthCare Quality	55,390,369	9,992,201	4,286,868	8,347,852	5,995,981	12,280,915	17,473,316	6,542,451	14,899,228	135,209,181
All Other Quality Assurance & Cost Containment	38,167,589	4,944,501	1,985,721	4,270,383	3,127,658	7,649,303	16,022,356	8,354,759	10,296,563	94,818,831
Wellness & Health Education	29,420,698	286,506	186,429	276,934	191,562	355,336	534,097	222,480	1,818,358	33,292,400
Medical Research	1,354,068	189,494	80,588	143,614	95,782	167,849	284,152	130,152	266,962	2,712,662
<i>Medical Administration Expenses Totals</i>	124,332,724	15,412,701	6,539,607	13,038,783	9,410,983	20,453,402	34,313,921	15,249,843	27,281,111	266,033,074

<i>Network Operational Expenses</i> 211 CMR 149.06 (2) (b) 10	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	52,237,242	2,807,844	1,192,847	2,261,246	1,423,989	3,215,746	5,047,397	1,861,788	3,999,569	74,047,666

<i>Charitable Expense</i> 211 CMR 149.06 (2) (b) 11	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	485,097	279,916	108,085	194,351	123,604	396,263	829,423	457,412	341,531	3,215,681

<i>Taxes, Assessments & Fines paid to Federal, State or Local Government</i> 211 CMR 149.06 (2) (b) 12	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Taxes (premium, real estate, other non payroll) Paid	11,384,650	4,033,429	1,340,782	3,300,135	3,258,824	3,464,036	13,872,027	7,196,785	6,568,887	54,419,554
Assessments, Fees & Other Amounts paid to Government Agencies	(3,969,224)	3,351,173	1,568,677	3,423,360	3,099,656	4,943,756	6,826,242	2,777,157	4,030,580	26,051,377
Fines & Penalties paid to Government Agencies	3	0	0	16	13	167	363	221	692	1,475
<i>Totals</i>	7,415,429	7,384,602	2,909,459	6,723,511	6,358,493	8,407,959	20,698,632	9,974,163	10,600,159	80,472,405

General Administration 211 CMR 149.06 (2) (b) 13	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Payroll Administration Expenses less Payroll Taxes	15,469,443	2,253,040	985,494	2,159,215	2,016,917	2,445,311	3,523,506	1,603,761	5,363,494	35,820,180
Payroll Taxes	13,568,745	2,029,103	847,205	1,555,094	936,296	2,341,473	3,912,191	1,667,497	4,352,145	31,209,749
Real Estate Expenses	15,079,912	1,387,278	590,317	982,213	564,531	1,621,956	2,315,470	744,483	2,451,049	25,737,210
Regulatory Compliance & Government Relations	5,902,294	1,092,442	456,081	780,912	489,948	1,265,858	1,577,415	480,194	1,895,798	13,940,941
Board, Bureau or Association Fees	1,126,444	294,775	127,664	225,299	144,052	349,505	540,101	237,938	591,042	3,636,821
Other Administration	127,898,642	20,838,474	9,044,974	17,949,355	11,997,183	24,586,133	37,982,096	15,290,375	31,077,120	296,664,352
Reimbursement from Uninsured Plans	12,051,080	16,660	106,570	156,967	141,947	116,299	240,636	83,058	2,111,733	15,024,949
General Administration Totals	191,096,561	27,911,771	12,158,304	23,809,054	16,290,875	32,726,536	50,091,415	20,107,305	47,842,381	422,034,202
# of Employees on Carriers' Payroll on December 31st of Reporting Year	4,407	380	158	328	287	442	596	279	699	7,576

Detailed Miscellaneous Expenses 211 CMR 149.06 (2) (b) 14	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	1,121,013	128,539	58,502	83,785	50,641	132,281	119,844	47,383	1,230,982	2,972,969

Capital Expenses & Depreciation 211 CMR 149.06 (2) (b) 15	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Depreciation	23,283,202	5,114,026	2,239,088	4,538,788	3,389,182	6,063,611	8,724,875	3,540,448	6,891,539	63,784,759
Capital Acquisitions	7,309,791	162	1,050	1,546	1,398	1,146	2,371	818	20,803	7,339,086
Capital Costs on behalf of the Hospital or Clinic	0	0	0	0	0	0	0	0	0	0
Other Capital Costs	0	0	0	0	0	0	0	0	0	0
Capital Expenses & Depreciation Totals	30,592,993	5,114,188	2,240,138	4,540,335	3,390,580	6,064,756	8,727,246	3,541,266	6,912,342	71,123,845

Net Income (Net Premiums Earned + Investment Gains & Losses) - (Claims Incurred + Expenses) 211 CMR 149.06 (2) (b) 16	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	(35,738,443)	(100,433)	21,541,066	22,690,549	1,351,910	19,058,576	80,634,914	22,296,784	35,630,984	167,365,906

Total administrative expense	610,207,983	122,157,656	52,611,700	106,544,792	77,652,960	146,481,044	237,300,082	101,485,153	186,408,350	1,640,849,718
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