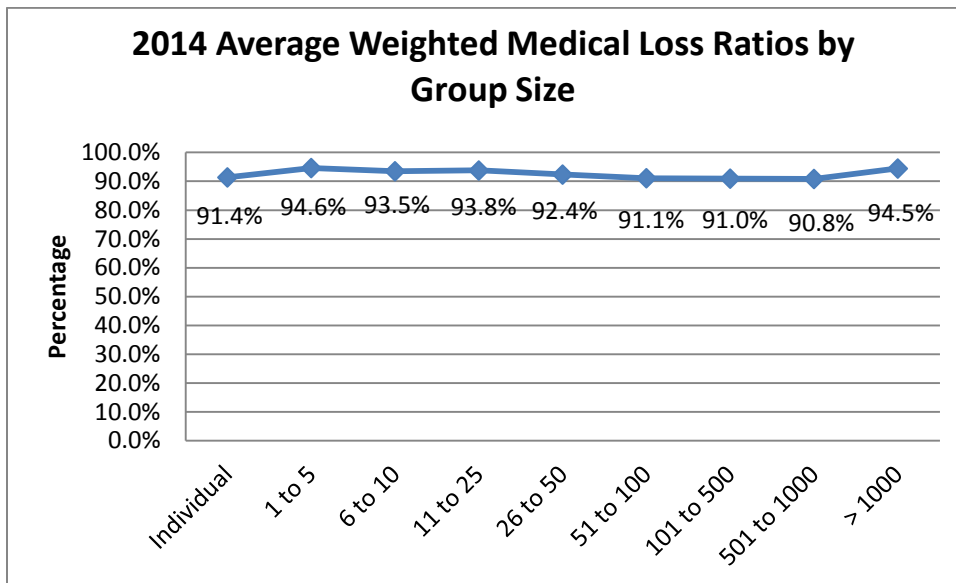


FINANCIAL SUMMARY OF THE 2014 MARKET FOR HEALTH INSURANCE^{1,2}
(Commercial Accounts, excluding Medicare, Medicaid and Commonwealth Care business)

- Massachusetts carriers earned \$10.0 billion in health care premiums and paid \$8.9 billion in health care claims payments to hospitals, doctors and other providers in 2014. Carriers spent \$1.3 billion in administrative expenses and had net income loss of \$80.3 million in 2014.

Medical Loss Ratios

- The carriers' average weighted Medical Loss Ratio (MLR) was 92.5% in 2014.
- 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 91.4% in 2014, the average weighted MLR for most types of small groups ranged from 92.4% to 94.6%. In the large group market, the average weighted MLR ranged from 90.8% to 94.5%.³



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:

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

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

According to the 2014 annual summary report, carriers reported an average MLR of 91.6% across all their commercial lines of coverage. Separate from the annual report, carriers are required to submit MLR rebate calculation worksheets each year 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 2014 experience, the Massachusetts DOI authorized carriers to release \$3.4 million in rebates to individuals and small businesses.

FINANCIAL SUMMARY OF THE 2014 MARKET FOR HEALTH INSURANCE

Administrative Expenses

• Carriers' total 2014 administrative expenses were:		% of all Admin Expenses
○ Financial Administrative	\$ 49.3 million	3.9%
○ Marketing and Sales	\$ 154.9 million	12.4%
○ Distribution Expenses	\$ 204.9 million	16.3%
○ Claims Administration	\$ 143.5 million	11.4%
○ Medical Administration	\$ 159.0 million	12.7%
○ Network Operational	\$ 27.7 million	2.2%
○ Charitable Expense	\$ 3.7 million	0.3%
○ Taxes, Assessments & Fines	\$ 207.8 million	16.6%
○ General Administration	\$ 261.8 million	20.9%
○ Miscellaneous Expenses	\$ 1.7 million	0.1%
○ <u>Capital Expenses and Depreciation</u>	\$ 39.3 million	3.1%
Total Administrative Expenses	\$1,253.6 million	100.0%

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



Enter NAIC# Reporting Year: 2014

Company Name: GRAND TOTAL

Enter Line of Business from list below: All Except 5, 6, 7, 9

- 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	96,851,460
Preferred Stock	0
Gross Paid In	3,474,168,061
Contributed Surplus	2,267,440,331
Surplus Notes	889,310,577
Unassigned Funds	15,181,439,483
Other C&S Items	986,257,751
Total Surplus	22,895,467,663

Risk-Based Capital Ratio *
0.00%

* Total for Company

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

NAIC#: 0 Reporting Year: 2014

Company Name: GRAND TOTAL

Line of Business: All Except Medicare Advantage, Medicare (Other), Commonwealth Care and Medicaid

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	5,201	29,516	8,159	13,407	9,024	3,450	3,602	1,394	811	74,563
Number of Subscriber Members Covered on December 31st of Reporting Year	44,178	103,831	40,353	77,804	53,571	128,863	203,181	82,448	229,281	963,510
Number of Subscriber Member Months Covered in Reporting Year	539,521	1,113,686	631,026	908,475	623,481	1,549,006	2,424,585	954,140	2,842,410	11,586,331
Average Number of Subscriber Members Covered in Reporting Year	44,960	92,807	52,585	75,706	51,957	129,084	202,049	79,512	236,868	965,528
Number of Total Subscriber & Dependent Covered Lives on December 31st of Reporting Year	69,041	208,075	81,493	159,522	113,075	273,591	442,502	179,499	407,997	1,934,795
Number of Total Subscriber & Dependent Covered Life Months covered in Reporting Year	851,458	2,536,313	1,024,114	1,904,537	1,347,962	3,289,552	5,267,809	2,130,452	4,945,511	23,297,707
Average Number of Subscriber & Dependent Covered Lives in Reporting Year	70,955	211,359	85,343	158,711	112,330	274,129	438,984	177,538	412,126	1,941,476

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

NAIC#: 0

Reporting Year: 2014

Company Name: GRAND TOTAL

Line of Business: All Except Medicare Advantage, Medicare (Other), Commonwealth Care, and Medicaid

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		34,589,712	114,901,832	42,868,356	78,866,130	51,816,047	154,145,994	239,048,195	99,147,526	216,945,187	1,032,328,981
Premium Reserves		8,432,206	20,514,818	9,357,485	18,018,634	13,133,183	33,654,685	59,364,008	27,517,196	30,109,941	220,102,156
Contract Reserves		8,053,064	29,251,306	8,355,102	13,836,529	10,041,802	9,934,724	14,630,231	4,065,137	99,713,405	197,881,300
Total Reserves		51,074,982	164,667,957	60,580,943	110,721,293	74,991,032	197,735,403	313,042,435	130,729,859	346,768,533	1,450,312,437

	Accumulated Surplus *
Common Stock	96,851,460
Preferred Stock	0
Gross Paid In	3,474,168,061
Contributed Surplus	2,267,440,331
Surplus Notes	889,310,577
Unassigned Funds	15,181,439,483
Other C&S Items	986,257,751
Total Surplus	22,895,467,663

Risk-Based Capital Ratio *
0%

* Total for Company

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

NAIC#: _____

Reporting Year: 2014

Company Name: GRAND TOTALS

Line of Business: All Except Medicare Advantage, Medicare (Other), Commonwealth Care, and Medicaid

<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
	379,220,365	1,060,647,190	483,965,310	782,415,694	554,461,203	1,474,908,093	2,317,944,047	980,365,085	1,947,784,221	9,981,711,209

<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
	337,529,562	974,075,842	438,927,259	705,972,467	491,891,187	1,298,868,903	2,042,786,008	864,860,836	1,776,495,364	8,931,407,429

<i>Medical Loss Ratio=(Incurred Claims + Expenses for Improving HealthCare Quality + Deductible Fraud and Abuse Detection/Recovery Expenses) / (Premiums - Taxes - Assessments) 211 CMR 149.06 (2) (b)</i>	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	91.4%	94.6%	93.5%	93.8%	92.4%	91.1%	91.0%	90.8%	94.5%	92.5%

<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	3,503,341	6,539,072	3,263,747	6,391,552	4,738,448	10,772,655	17,151,786	6,694,244	14,279,865	73,334,709
Net Realized Capital Gains and Losses	5,040,718	4,759,384	2,396,488	4,738,707	3,681,779	8,015,359	11,783,820	4,382,737	4,867,863	49,666,854
Totals	8,544,059	11,298,455	5,660,236	11,130,259	8,420,226	18,788,014	28,935,606	11,076,980	19,147,728	123,001,564

<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
	2,572,910	8,044,111	2,820,925	4,938,703	3,472,018	6,844,928	9,775,642	3,647,120	7,201,136	49,317,492

<i>Marketing and Sales Expenses</i> 211 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	767,149	1,951,399	879,306	1,639,138	1,142,723	2,336,990	3,368,609	1,347,989	2,119,232	15,552,534
Customer Service & Member Relations	1,656,638	5,177,573	2,261,614	4,387,660	3,258,672	5,704,712	8,561,208	3,472,038	7,780,534	42,260,651
Product Management, Marketing & Sales	6,688,049	11,982,378	5,337,838	10,246,694	7,629,198	12,786,191	18,822,199	7,355,012	9,878,422	90,725,982
Product Development	172,671	942,649	404,262	814,150	704,302	848,190	1,114,309	418,194	897,547	6,316,273
Marketing and Sales Expenses Totals	9,284,508	20,053,999	8,883,020	17,087,641	12,734,895	21,676,083	31,866,325	12,593,234	20,675,735	154,855,440

Distribution Expenses 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
	6,212,494	22,360,130	11,185,889	21,980,030	15,912,950	32,838,316	50,430,693	20,523,375	23,430,784	204,874,662
Claims Operations Expenses 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	4,780,859	14,357,998	6,598,587	12,786,772	8,992,359	17,831,960	29,161,036	12,805,133	29,065,772	136,380,475
Claims Operations Expenses Totals	5,058,564	15,186,209	7,016,069	13,750,667	9,919,395	18,756,798	30,466,938	13,321,435	30,055,228	143,531,304
Medical Administration Expenses 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	3,691,747	9,423,331	4,337,605	8,294,441	5,689,988	12,690,746	17,583,043	6,708,147	13,558,619	81,977,666
All Other Quality Assurance & Cost Containment	2,780,111	6,369,199	3,079,328	6,284,617	4,644,475	10,083,729	19,793,354	8,860,575	10,689,902	72,585,290
Wellness & Health Education	61,632	1,754,493	279,028	222,597	148,832	190,500	259,120	73,067	653,289	3,642,559
Medical Research	34,591	96,694	45,411	72,906	56,415	103,263	170,460	91,196	163,675	834,612
Medical Administration Expenses Totals	6,568,081	17,643,717	7,741,372	14,874,562	10,539,710	23,068,238	37,805,977	15,732,985	25,065,484	159,040,127
Network Operational Expenses 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
	2,810,603	3,933,975	1,526,006	2,560,539	1,513,262	4,341,326	5,525,431	1,938,416	3,503,695	27,653,253
Charitable Expense 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
	88,820	317,889	135,620	274,304	228,342	505,817	1,024,657	622,605	520,654	3,718,709
Taxes, Assessments & Fines paid to Federal, State or Local Government 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	1,447,973	5,159,761	1,942,820	4,403,067	2,734,802	11,186,404	9,959,752	(243,880)	11,577,192	48,167,891
Assessments, Fees & Other Amounts paid to Government Agencies	3,101,884	12,507,687	6,564,936	13,651,596	10,971,720	20,561,251	37,322,423	18,949,460	36,041,010	159,671,966
Fines & Penalties paid to Government Agencies	0	0	0	0	0	0	0	0	0	0
Totals	4,549,856	17,667,447	8,507,756	18,054,662	13,706,522	31,747,655	47,282,175	18,705,580	47,618,202	207,839,858

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	4,240,002	4,690,594	1,214,658	1,852,455	1,522,744	2,090,124	3,182,769	1,366,593	3,263,942	23,423,881
Payroll Taxes	958,341	2,793,520	999,087	1,629,918	1,013,109	2,472,837	3,929,326	1,675,896	3,979,117	19,451,151
Real Estate Expenses	501,157	1,694,642	622,805	1,035,265	540,318	2,033,633	2,381,973	766,702	1,745,865	11,322,360
Regulatory Compliance & Government Relations	702,190	2,426,654	944,884	1,629,269	780,480	3,541,568	3,422,152	917,106	2,537,226	16,901,529
Board, Bureau or Association Fees	154,608	4,614,431	743,373	631,109	404,975	586,111	782,818	194,930	1,420,618	9,532,973
Other Administration	14,047,081	20,919,795	9,941,810	18,812,584	12,871,038	25,983,553	38,617,574	15,498,576	24,430,550	181,122,562
Reimbursement from Uninsured Plans	0	0	0	0	0	0	0	0	0	0
General Administration Totals	20,603,379	37,139,637	14,466,617	25,590,602	17,132,663	36,707,827	52,316,611	20,419,803	37,377,318	261,754,456
# of Employees on Carriers' Payroll on December 31st of Reporting Year	1,167	454	159	332	284	445	659	293	623	4,416

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
	156,109	87,780	33,048	55,460	33,758	146,006	223,442	71,450	912,016	1,719,070

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	1,684,978	5,028,223	2,219,803	4,158,457	3,021,220	5,692,736	8,486,187	3,457,974	5,397,835	39,147,413
Capital Acquisitions	50,385	42,570	3,571	2,383	1,512	1,486	1,843	0	6,071	109,820
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	1,735,363	5,070,793	2,223,373	4,160,840	3,022,732	5,694,223	8,488,031	3,457,974	5,403,906	39,257,233

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
	(9,405,826)	(49,635,884)	(13,841,409)	(35,754,523)	(17,226,006)	12,499,988	28,887,722	15,547,251	(11,327,574)	(80,256,259)

Total administrative expenses	59,640,687	147,505,687	64,539,696	123,328,009	88,216,248	182,327,217	275,205,922	111,033,978	201,764,159	1,253,561,603
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