

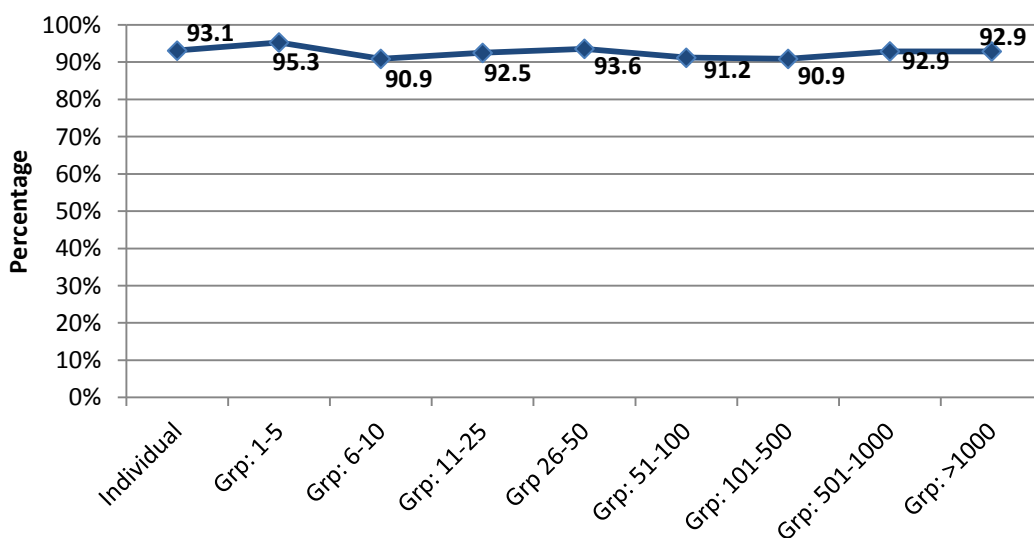
FINANCIAL SUMMARY OF THE 2015 MARKET FOR HEALTH INSURANCE^{1,2} (Commercial Accounts, excluding Medicare, Medicaid and Commonwealth Care business)

- Massachusetts carriers earned \$10.6 billion in health care premiums and paid \$9.5 billion in health care claims payments to hospitals, doctors and other providers in 2015. Carriers spent \$1.3 billion in administrative expenses and had net income loss of \$131.4 million in 2015.

Medical Loss Ratios

- The carriers' average weighted Medical Loss Ratio (MLR) was 92.6% in 2015.
- 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 93.1% in 2015, the average weighted MLR for most types of small groups ranged from 90.9% to 95.3%. In the large group market, the average weighted MLR ranged from 90.9% to 92.9%.³

2015 Average Weighted Medical Loss Ratios by Group Size



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 2015 annual summary report, carriers reported an average MLR of 92.5% 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. The review of the actual 2015 experience regarding rebates will be available in July, 2016.

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Administrative Expenses

• Carriers' total 2015 administrative expenses were:		% of all Admin Expenses
○ Financial Administrative	\$ 49.5 million	3.8%
○ Marketing and Sales	\$ 163.2 million	12.4%
○ Distribution Expenses	\$ 218.0 million	16.5%
○ Claims Administration	\$ 154.1 million	11.7%
○ Medical Administration	\$ 146.6 million	11.1%
○ Network Operational	\$ 32.5 million	2.5%
○ Charitable Expense	\$ 4.1 million	0.3%
○ Taxes, Assessments & Fines	\$ 253.7 million	19.2%
○ General Administration	\$ 256.2 million	19.4%
○ Miscellaneous Expenses	\$ 2.1 million	0.2%
○ <u>Capital Expenses and Depreciation</u>	\$ 39.3 million	2.9%
Total Administrative Expenses	\$1,319.6 million	100.0%