

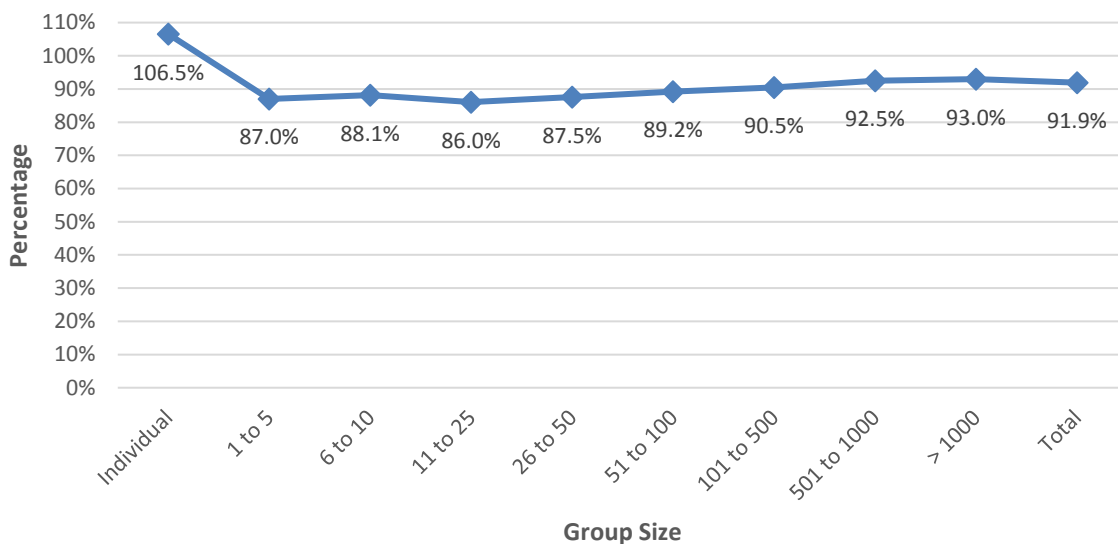
FINANCIAL SUMMARY OF THE 2016 MARKET FOR HEALTH INSURANCE^{1,2} (Commercial Accounts, excluding Medicare and Medicaid business)

- Massachusetts carriers earned \$11.2 billion in health care premiums and paid \$10.0 billion in health care claims payments to hospitals, doctors and other providers in 2016. Carriers spent \$1.3 billion in administrative expenses and had net loss of \$39.4 million in 2016.

Medical Loss Ratios

- The carriers' average weighted Medical Loss Ratio (MLR) was 91.9% in 2016.
- 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 106.5% in 2016, the average weighted MLR for most types of small groups ranged from 86.0% to 88.1%. In the large group market, the average weighted MLR ranged from 90.5% to 93.0%.³

2016 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 2016 annual summary report, carriers reported an average MLR of 91.9% 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 2016 experience regarding rebates will be available in August, 2017.

FINANCIAL SUMMARY OF THE 2016 MARKET FOR HEALTH INSURANCE

Administrative Expenses

		% of all Admin Expenses
• Carriers' total 2016 administrative expenses were:		
○ Financial Administrative	\$ 41.3 million	3.8%
○ Marketing and Sales	\$ 163.3 million	12.4%
○ Distribution Expenses	\$ 214.3 million	16.5%
○ Claims Administration	\$ 149.9 million	11.7%
○ Medical Administration	\$ 147.5 million	11.1%
○ Network Operational	\$ 33.5 million	2.5%
○ Charitable Expense	\$ 3.0 million	0.3%
○ Taxes, Assessments & Fines	\$ 230.3 million	19.2%
○ General Administration	\$ 257.8 million	19.4%
○ Miscellaneous Expenses	\$ 2.1 million	0.2%
○ <u>Capital Expenses and Depreciation</u>	<u>\$ 47.7 million</u>	<u>2.9%</u>
Total Administrative Expenses	\$1,290.6 million	100.0%

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



Enter NAIC# Reporting Year: 2016

Company Name: All Companies

Enter Line of Business from list below: All Lines of Business (Except Medicare and Medicaid)

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

	Accumulated Surplus *
Common Stock	86,714,313
Preferred Stock	0
Gross Paid In	3,137,354,161
Contributed Surplus	2,303,308,568
Surplus Notes	849,296,156
Unassigned Funds	(178,415,904)
Other C&S Items	14,394,535
Total Surplus	6,212,651,829

Risk-Based Capital Ratio *
0.00%

* Total for Company

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

NAIC#: 0 Reporting Year: 2016

Company Name: All Companies

Line of Business: All Lines of Business (Except Medicare 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	5,803	33,322	7,046	10,185	5,682	3,583	3,745	1,167	1,206	71,740
Number of Subscriber Members Covered on December 31st of Reporting Year	251,653	73,412	38,890	75,330	51,590	127,434	207,420	69,486	249,041	1,144,256
Number of Subscriber Member Months Covered in Reporting Year	2,856,097	888,780	454,483	885,983	623,023	1,539,680	2,456,280	834,505	2,981,238	13,520,069
Average Number of Subscriber Members Covered in Reporting Year	238,008	74,065	37,874	73,832	51,919	128,307	204,690	69,542	248,437	1,126,672
Number of Total Subscriber & Dependent Covered Lives on December 31st of Reporting Year	306,933	144,073	77,104	150,119	106,094	263,217	433,504	153,803	448,371	2,083,218
Number of Total Subscriber & Dependent Covered Life Months covered in Reporting Year	3,542,997	1,767,510	909,048	1,788,126	1,289,833	3,201,652	5,160,223	1,857,771	5,328,268	24,845,428
Average Number of Subscriber & Dependent Covered Lives in Reporting Year	295,250	147,292	75,754	149,011	107,486	266,804	430,019	154,814	444,022	2,070,452

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

NAIC#: 0

Reporting Year: 2016

Company Name: All Companies

Line of Business: All Lines of Business (Except Medicare and Medicaid)

Group Member Size	Accumulated Reserves									Total
	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	
Claim Reserves	\$142,744,646.50	\$89,923,774.26	\$46,266,372.85	\$87,333,774.37	\$59,951,245.79	\$164,523,494.51	\$259,684,834.26	\$99,375,596.71	\$242,125,257.01	\$1,191,928,996.25
Premium Reserves	\$23,688,948.35	\$16,837,800.23	\$9,909,966.18	\$19,574,942.06	\$14,859,210.70	\$35,395,387.56	\$63,686,421.74	\$27,082,392.02	\$44,657,236.30	\$255,692,305.15
Contract Reserves	\$53,078,820.11	\$22,984,244.44	\$7,143,830.14	\$15,246,724.99	\$13,476,163.07	\$9,235,284.47	\$14,086,017.12	\$6,166,505.60	\$90,289,495.97	\$231,707,085.91
Total Reserves	\$219,512,414.96	\$129,745,818.93	\$63,320,169.17	\$122,155,441.41	\$88,286,619.56	\$209,154,166.54	\$337,457,273.11	\$132,624,494.33	\$377,071,989.28	\$1,679,328,387.30

	Accumulated Surplus *
Common Stock	86,714,313
Preferred Stock	0
Gross Paid In	3,137,354,161
Contributed Surplus	2,303,308,568
Surplus Notes	849,296,156
Unassigned Funds	(178,415,904)
Other C&S Items	14,394,535
Total Surplus	6,212,651,829

Risk-Based Capital Ratio *
0%

* Total for Company

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

NAIC#: 0 Reporting Year: 2016

Company Name: All Companies

Line of Business: All Lines of Business (Except Medicare 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
	1,231,831,460	855,413,106	434,609,302	833,947,851	592,764,818	1,538,754,684	2,471,800,626	921,226,193	2,283,627,617	11,163,975,657

<i>Incurred Claims</i> 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
211	1,282,189,728	724,703,874	372,294,802	695,677,416	501,857,664	1,333,415,277	2,171,305,433	822,673,925	2,055,198,966	9,959,317,085

<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) 3	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	106.5%	87.0%	88.1%	86.0%	87.5%	89.2%	90.5%	92.5%	93.0%	91.9%

<i>Investment Gains and Losses</i> 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
211	6,138,623	3,179,571	2,184,547	4,496,956	3,428,329	8,001,719	13,544,560	4,511,400	(7,618,952)	37,866,753
Investment Income										
Net Realized Capital Gains and Losses	(431,433)	(205,280)	447,838	1,171,655	1,221,180	1,188,147	2,960,574	1,098,399	1,166,665	8,617,746
Totals	5,707,190	2,974,291	2,632,385	5,668,611	4,649,509	9,189,867	16,505,134	5,609,799	(6,452,287)	46,484,498

<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
	6,002,108	3,428,789	1,960,656	3,844,775	2,913,151	5,165,700	8,425,619	3,154,676	6,379,947	41,275,421

Marketing and Sales Expenses 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	12,120,282	1,824,507	839,812	1,724,959	1,331,254	1,943,534	2,952,761	1,086,630	1,930,392	25,754,130
Customer Service & Member Relations	4,574,931	3,049,525	1,718,924	3,528,001	2,783,149	4,739,898	8,000,551	3,101,495	8,113,182	39,609,656
Product Management, Marketing & Sales	9,558,006	7,726,111	4,655,768	9,331,862	6,913,263	12,327,458	19,017,457	6,654,875	11,361,955	87,546,756
Product Development	4,286,809	614,683	282,568	554,056	412,943	966,418	1,593,932	583,333	1,098,393	10,393,135
Marketing and Sales Expenses Totals	30,540,029	13,214,826	7,497,072	15,138,878	11,440,609	19,977,308	31,564,701	11,426,333	22,503,921	163,303,676

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
	13,878,969	18,336,251	11,787,531	23,707,525	17,710,213	32,620,162	51,873,796	18,455,430	25,907,715	214,277,592

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 (listed below)	12,635,453	9,001,445	6,196,703	12,227,382	8,642,137	17,574,935	30,541,682	12,275,075	31,220,176	140,314,987
Deductible Fraud & Abuse Detection/Recovery Expenses	1,573,826	1,199,768	488,955	1,105,369	994,480	986,283	1,480,784	517,983	1,210,412	9,557,859
Claims Operations Expenses Totals	14,209,278	10,201,213	6,685,657	13,332,751	9,636,617	18,561,218	32,022,466	12,793,058	32,430,588	149,872,847

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	7,031,871	5,018,215	2,636,656	5,369,656	4,075,847	8,270,157	12,207,682	4,145,966	11,859,052	60,615,102
All Other Quality Assurance & Cost Containment	10,389,206	6,915,481	4,078,944	7,768,358	5,274,156	10,442,469	18,524,339	6,871,580	12,501,543	82,766,076
Wellness & Health Education	2,439,065	226,760	52,836	82,345	43,568	166,104	228,260	98,101	299,641	3,636,681
Medical Research	34,994	47,684	16,139	29,414	18,624	79,559	111,833	58,232	132,578	529,057
Medical Administration Expenses Totals	19,895,135	12,208,141	6,784,575	13,249,773	9,412,196	18,958,290	31,072,114	11,173,879	24,792,814	147,546,916

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
	5,700,456	2,794,212	1,499,011	2,742,219	1,704,016	5,241,092	6,827,008	2,053,344	4,905,235	33,466,593

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
	134,250	240,246	113,278	246,625	212,701	413,258	777,670	383,784	464,320	2,986,132

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	4,023,219	4,246,290	2,042,385	4,301,002	3,095,843	11,427,332	17,855,334	8,774,540	16,695,017	72,460,963
Assessments, Fees & Other Amounts paid to Government Agencies	13,684,563	9,450,131	5,699,495	11,930,406	9,439,359	18,619,120	34,503,045	16,101,498	38,368,555	157,796,172
Fines & Penalties paid to Government Agencies	0	0	0	0	0	0	0	0	0	0
Totals	17,707,782	13,696,420	7,741,881	16,231,408	12,535,202	30,046,452	52,358,379	24,876,038	55,063,572	230,257,134

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	7,372,538	3,007,466	1,388,284	2,587,371	1,758,360	2,760,860	4,568,371	1,340,913	4,696,553	29,480,715
Payroll Taxes	2,497,227	1,555,279	877,164	1,682,439	1,182,045	2,912,245	4,872,816	1,507,282	4,825,363	21,911,859
Real Estate Expenses	2,709,586	1,491,663	562,356	968,621	510,652	2,027,121	2,420,646	664,204	1,766,070	13,120,919
Regulatory Compliance & Government Relations	1,197,020	604,277	270,592	538,596	411,191	904,823	1,338,995	427,904	1,399,779	7,093,178
Board, Bureau or Association Fees	321,750	296,302	128,015	230,773	137,802	483,607	663,515	230,871	1,291,226	3,783,862
Other Administration	32,220,186	17,360,629	8,210,925	15,785,073	10,721,600	25,014,212	36,262,409	12,588,740	24,234,302	182,398,075
Reimbursement from Uninsured Plans	0	0	0	0	0	(15,953)	0	0	0	(15,953)
General Administration Totals	46,318,307	24,315,617	11,437,337	21,792,872	14,721,650	34,086,914	50,126,751	16,759,914	38,213,293	257,772,655
# of Employees on Carriers' Payroll on December 31st of Reporting Year	1,529	417	139	326	306	429	721	309	668	4,844

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
	143,211	33,321	19,222	48,443	31,761	88,365	140,918	49,158	1,583,968	2,138,365

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	3,397,039	4,471,078	2,413,416	4,656,568	3,075,462	8,316,204	11,113,294	3,654,992	6,592,466	47,690,519
Capital Acquisitions	0	0	0	0	0	0	0	0	0	0
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	3,397,039	4,471,078	2,413,416	4,656,568	3,075,462	8,316,204	11,113,294	3,654,992	6,592,466	47,690,519

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
	(202,577,644)	30,743,408	7,007,250	28,947,208	12,163,086	41,054,310	40,697,610	(618,538)	3,208,005	(39,375,303)