

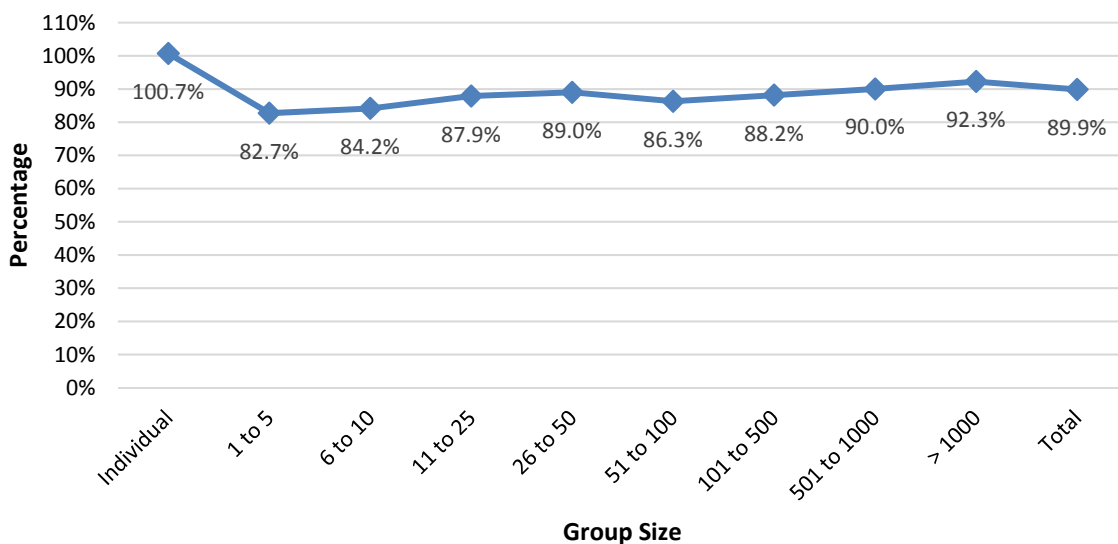
FINANCIAL SUMMARY OF THE 2017 MARKET FOR HEALTH INSURANCE^{1,2} (Commercial Accounts, excluding Medicare and Medicaid business)

- Massachusetts carriers earned \$11.6 billion in health care premiums and paid \$10.2 billion in health care claims payments to hospitals, doctors, and other providers in 2017. Carriers spent \$1.2 billion in administrative expenses and had a net gain of \$269.2 million in 2017.

Medical Loss Ratios

- The carriers' average weighted Medical Loss Ratio (MLR) was 89.9% in 2017.
- 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 2017, the average weighted MLR for most types of small groups ranged from 82.7% to 89.0%. In the large group market, the average weighted MLR ranged from 86.3% to 92.3%.³

2017 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 2017 annual summary report, carriers reported an average MLR of 89.9% 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 2017 experience regarding rebates will be available in September 2018.

FINANCIAL SUMMARY OF THE 2017 MARKET FOR HEALTH INSURANCE

Administrative Expenses

• Carriers' total 2017 administrative expenses were:		% of all Admin Expenses
○ Financial Administrative	\$ 48.4 million	4.2%
○ Marketing and Sales	\$ 160.6 million	13.9%
○ Distribution Expenses	\$ 221.0 million	19.1%
○ Claims Administration	\$ 158.0 million	13.7%
○ Medical Administration	\$ 149.7 million	12.9%
○ Network Operational	\$ 28.6 million	2.5%
○ Charitable Expense	\$ 7.7 million	0.7%
○ Taxes, Assessments & Fines	\$ 86.5 million	7.5%
○ General Administration	\$ 244.0 million	21.1%
○ Miscellaneous Expenses	\$ 2.6 million	0.2%
○ <u>Capital Expenses and Depreciation</u>	<u>\$ 50.1 million</u>	<u>4.3%</u>
Total Administrative Expenses	\$1,157.2 million	100.0%

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



Enter NAIC# Reporting Year: 2017

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	80,398,534
Preferred Stock	0
Gross Paid In	3,311,089,286
Contributed Surplus	1,366,421,662
Surplus Notes	305,413,795
Unassigned Funds	11,426,343,004
Other C&S Items	1,866,944,536
Total Surplus	18,356,610,817

Risk-Based Capital Ratio *

* Total for Company

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

NAIC#: 0 Reporting Year: 2017

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	7,118	30,786	7,000	10,380	5,526	3,705	3,752	1,150	1,331	70,748
Number of Subscriber Members Covered on December 31st of Reporting Year	273,747	70,038	39,597	75,098	45,936	126,262	208,471	71,895	279,862	1,190,907
Number of Subscriber Member Months Covered in Reporting Year	3,205,359	829,165	470,967	903,174	569,478	1,517,274	2,486,641	852,940	3,171,413	14,006,411
Average Number of Subscriber Members Covered in Reporting Year	267,113	69,097	39,247	75,265	47,456	126,439	207,220	71,078	264,284	1,167,201
Number of Total Subscriber & Dependent Covered Lives on December 31st of Reporting Year	317,573	130,004	77,720	148,198	94,493	253,475	436,627	157,506	476,087	2,091,683
Number of Total Subscriber & Dependent Covered Life Months covered in Reporting Year	3,789,578	1,560,607	922,884	1,781,235	1,159,939	3,063,233	5,210,980	1,874,457	5,498,300	24,861,212
Average Number of Subscriber & Dependent Covered Lives in Reporting Year	315,798	130,051	76,907	148,436	96,662	255,269	434,248	156,205	458,192	2,071,768

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

NAIC#: 0

Reporting Year: 2017

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	\$157,432,749.88	\$75,427,850.37	\$42,728,726.45	\$83,189,416.45	\$51,135,672.88	\$179,454,535.50	\$288,937,184.72	\$107,703,719.98	\$265,090,276.93	\$1,251,100,133.18
Premium Reserves	\$16,784,821.98	\$13,140,733.68	\$9,569,701.02	\$18,270,590.71	\$12,253,765.21	\$37,159,849.99	\$68,612,879.51	\$30,491,050.80	\$49,484,201.02	\$255,767,593.93
Contract Reserves	\$9,592,509.30	\$13,429,271.77	\$8,782,990.07	\$14,362,571.19	\$11,201,692.05	\$9,325,184.60	\$14,245,166.61	\$7,465,543.47	\$148,586,070.20	\$236,990,999.25
Total Reserves	\$183,810,081.17	\$101,997,855.82	\$61,081,417.54	\$115,822,578.36	\$74,591,130.15	\$225,939,570.08	\$371,795,230.84	\$145,660,314.25	\$463,160,548.15	\$1,743,858,726.36

	Accumulated Surplus *
Common Stock	80,398,534
Preferred Stock	0
Gross Paid In	3,311,089,286
Contributed Surplus	1,366,421,662
Surplus Notes	305,413,795
Unassigned Funds	11,426,343,004
Other C&S Items	1,866,944,536
Total Surplus	18,356,610,817

Risk-Based Capital Ratio *

* Total for Company

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

NAIC#: 0 Reporting Year: 2017

Company Name: GRAND TOTAL (No Comm., No Medicare, No Medicaid)

Line of Business: All Lines of Business

<i>Net Premium Earned</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
211 CMR 149.06 (2) (b) 1	1,328,846,094	792,148,350	449,962,742	842,336,173	535,777,528	1,571,671,755	2,585,355,114	969,745,224	2,489,646,285	11,565,489,265

<i>Incurred Claims</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
211 CMR 149.06 (2) (b) 2	1,315,506,892	646,635,226	372,770,140	728,211,906	467,657,266	1,336,510,850	2,241,224,906	856,341,316	2,263,412,939	10,228,271,440

<i>Medical Loss Ratio=(Incurred Claims + Expenses for Improving HealthCare Quality + Deductible)</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
	100.7%	82.7%	84.2%	87.9%	89.0%	86.3%	88.2%	90.0%	92.3%	89.9%

<i>Investment Gains and Losses</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
211 CMR 149.06 (2) (b) 4										
Investment Income	7,821,263	3,804,857	2,839,500	5,594,125	3,731,710	9,923,181	16,545,666	5,615,068	16,055,293	71,930,663
Net Realized Capital Gains and Losses	5,270,485	560,045	537,413	1,089,530	927,148	1,825,213	3,124,937	986,711	2,314,933	16,636,416
Totals	13,091,748	4,364,903	3,376,912	6,683,655	4,658,858	11,748,395	19,670,603	6,601,779	18,370,226	88,567,079

<i>Financial Administration Expenses</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
211 CMR 149.06 (2) (b) 5	7,307,520	3,755,779	2,431,121	4,707,668	3,167,823	6,226,127	9,679,389	3,342,434	7,746,036	48,363,896

<i>Marketing and Sales Expenses</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
211 CMR 149.06 (2) (b) 6										
Billing & Member Enrollment	14,633,886	2,064,250	888,499	1,759,126	1,210,047	1,948,660	2,936,421	1,051,855	2,068,698	28,561,442
Customer Service & Member Relations	5,948,363	2,568,764	1,798,742	3,488,984	2,344,707	4,726,307	8,068,790	3,122,558	8,567,066	40,634,282
Product Management, Marketing & Sales	7,603,075	6,064,444	4,514,976	8,808,108	5,838,841	11,497,850	18,262,222	6,455,824	11,973,457	81,018,797
Product Development	4,981,293	625,275	243,563	472,781	319,124	854,802	1,375,987	480,551	996,767	10,350,143
Marketing and Sales Expenses Totals	33,166,617	11,322,734	7,445,780	14,528,999	9,712,720	19,027,619	30,643,420	11,110,788	23,605,988	160,564,664

Distribution Expenses	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 CMR 149.06 (2) (b) 7	15,385,108	17,357,959	12,404,237	24,205,876	16,077,937	33,283,427	53,313,657	19,332,357	29,662,037	221,022,594

Claims Operations Expenses	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 CMR 149.06 (2) (b) 8										
All costs associated with claims adjudication & adjustment of claims less Deductible Fraud & Abuse (listed below)	12,140,813	8,653,652	6,847,269	13,615,061	8,956,229	18,557,501	31,412,767	12,495,638	34,998,410	147,677,340
Deductible Fraud & Abuse Detection/Recovery Expenses	1,476,716	881,640	536,865	1,063,559	835,077	1,250,662	1,857,578	692,905	1,749,290	10,344,293
Claims Operations Expenses Totals	13,617,529	9,535,292	7,384,134	14,678,620	9,791,307	19,808,163	33,270,345	13,188,543	36,747,700	158,021,634

Medical Administration Expenses	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 CMR 149.06 (2) (b) 9										
Total Defined Expenses Incurred for Improving HealthCare Quality	8,525,370	3,922,228	2,490,154	4,872,613	3,402,000	7,442,276	11,477,384	4,105,321	12,320,688	58,558,034
All Other Quality Assurance & Cost Containment	10,321,896	6,598,381	4,465,290	8,768,600	5,845,456	9,589,733	17,796,979	6,941,124	13,618,259	83,945,718
Wellness & Health Education	4,004,850	338,025	113,797	201,209	97,307	477,338	572,510	166,489	509,363	6,480,887
Medical Research	30,135	37,078	16,921	39,950	24,120	106,220	149,855	79,718	204,012	688,010
Medical Administration Expenses Totals	22,882,251	10,895,712	7,086,162	13,882,373	9,368,883	17,615,567	29,996,728	11,292,652	26,652,322	149,672,649

Network Operational Expenses	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 CMR 149.06 (2) (b) 10	3,514,270	2,377,965	1,380,378	2,628,573	1,576,904	4,114,971	6,087,336	1,906,062	5,042,449	28,628,908

Charitable Expense	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 CMR 149.06 (2) (b) 11	363,265	901,702	394,566	713,971	383,680	1,540,548	1,836,304	632,025	968,602	7,734,662

Taxes, Assessments & Fines paid to Federal, State or Local Government	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 CMR 149.06 (2) (b) 12										
Taxes (premium, real estate, other non payroll) Paid	1,219,448	1,771,709	1,231,091	2,929,621	2,509,400	6,323,385	17,757,604	9,208,773	11,875,825	54,826,857
Assessments, Fees & Other Amounts paid to Government Agencies	8,500,894	1,312,096	1,239,467	2,425,334	1,825,371	3,791,321	5,846,925	2,366,452	4,344,035	31,651,896
Fines & Penalties paid to Government Agencies	0	0	0	0	0	0	0	0	0	0
Totals	9,720,343	3,083,805	2,470,558	5,354,955	4,334,771	10,114,706	23,604,529	11,575,225	16,219,860	86,478,752

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	3,220,177	2,386,337	1,075,101	2,145,000	1,365,992	2,633,583	4,457,381	1,427,584	6,732,206	25,443,362
Payroll Taxes	2,785,638	1,474,768	942,821	1,817,098	1,189,193	2,894,826	4,499,702	1,560,687	5,070,515	22,235,248
Real Estate Expenses	4,744,258	1,450,187	513,405	913,183	466,415	1,516,375	1,986,756	543,074	1,835,288	13,968,940
Regulatory Compliance & Government Relations	1,493,931	512,572	260,346	495,161	313,447	895,023	1,248,549	374,237	1,900,817	7,494,082
Board, Bureau or Association Fees	327,728	314,850	140,990	257,412	144,662	483,746	692,243	242,432	728,798	3,332,860
Other Administration	31,932,200	14,832,695	8,358,617	15,827,019	9,867,601	21,782,623	33,278,792	11,497,316	24,154,705	171,531,568
Reimbursement from Uninsured Plans	0	0	0	0	0	0	0	0	0	0
General Administration Totals	44,503,931	20,971,409	11,291,280	21,454,874	13,347,310	30,206,176	46,163,423	15,645,329	40,422,328	244,006,060
# of Employees on Carriers' Payroll on December 31st of Reporting Year	4,937	156	99	194	146	312	483	119	22,741	29,188

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
	25,894	18,943	10,090	26,215	15,059	54,765	70,237	37,997	2,380,182	2,639,382

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	3,394,109	4,359,677	2,598,991	4,977,670	3,014,412	8,365,624	11,389,303	3,824,398	8,148,099	50,072,282
Capital Acquisitions	7,627	0	0	0	0	0	0	0	0	7,627
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	3,401,736	4,359,677	2,598,991	4,977,670	3,014,412	8,365,624	11,389,303	3,824,398	8,148,099	50,079,909

Net Income (Net Premiums Earned + Investment Gains & Losses) - (Claims Incurred + Expenses)	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	(127,457,512)	65,297,051	25,672,218	13,648,130	1,988,314	96,551,608	117,746,141	28,117,877	47,603,133	269,166,959