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Policy Page

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HOW TO IMPROVE THE HEALTH INSURANCE MARKET USING MEDICAL LOSS RATIOS

One-in-four Texans lacks health insurance. All of us pay for care to the uninsured through taxes and higher health insurance premiums. We need to strengthen our private health insurance market to ensure more of us are covered and all of us are getting the most for our health care dollar. This policy page outlines one way to strengthen our private market—the required disclosure of **medical loss ratios**. A medical loss ratio is a number calculated by dividing the cost of health insurance claims paid by the amount of health insurance premiums collected to show the percentage of premiums that go to paying for health care rather than insurance company administration and profits. Requiring disclosure of medical loss ratios increases the efficiency of the market by empowering consumers to shop for policies with a better understanding of what they get for their premium dollars. This policy page also discusses how regulators can use medical loss ratios to strengthen the market.

- **A "medical loss ratio" is the proportion of health insurance premiums used for covering medical expenses as opposed to non-medical costs like insurance company administration, marketing, taxes, and profit.**
- **In Texas, health plans spend 72 percent of premiums on health costs in the small employer market and 84 percent in the large group market.**
- **Texas could increase accountability for medical loss ratios by setting a minimum standard and empower consumers by posting uniform data by company online.**

Consumers need good information about potential purchases to make informed decisions. A person would never buy a car without knowing the price, but consumers generally care about many things other than price. The same is true for health insurance. The premium cost is an important factor, but if available, medical loss ratios provide useful information too—similar to knowing gas mileage when car shopping. When car shopping, if a consumer has narrowed the selection down to a couple of cars with similar features and price, gas mileage is one factor that can be used to help make a decision. Likewise with health insurance, medical loss ratios are one additional tool consumers can use to compare similar products and better understand what they get for their premium dollar.

How Premiums Are Used: Medical Loss Ratios

Premiums taken in by health insurance companies are spent in two general categories:

- Direct health care costs—paying claims from doctors, hospitals, pharmacies, and other health care providers; and
- Non-medical costs, such as insurance company administration, marketing, taxes, and profits. Figure 1, *Examples of Administrative Costs Paid by Insurance Companies*, lists types of non-medical expenses for health insurers.

A *medical loss ratio* is a statistic that tells consumers and employers *what percentage of premium dollars paid to health insurance companies is spent on health care*. Medical loss ratios provide high-level, basic information on how premium dollars are used by health insurance companies. They educate us about the relationship between the costs of health care and health insurance, empowering policyholders to be better health insurance and health care consumers. A medical loss ratio is calculated by dividing the medical claims paid out by an insurer by the premiums taken.

Medical Loss Ratio = Claims Paid ÷ Premiums

The lower the ratio, the smaller the percentage of a premium dollar is spent on medical costs. For example, a medical loss ratio of 75 percent means that $0.75 of every premium dollar taken in is spent on medical services while $0.25 is spent on non-medical costs. Nationwide on average, about 87 percent of health insurance premiums are spent on health care costs with the remaining 13 percent spent on non-medical costs.[1]

A medical loss ratio is one measure of "accuracy of pricing and efficiency" for health insurance.[2] Health plans set and adjust premiums to achieve a target medical loss ratio for a health insurance product based on projected medical and administrative costs and intended profits.[3] Actual medical loss ratios vary between health plans and products based in part on target medical loss ratios and actual experience. For example, a relatively low medical loss ratio could result from: (1) a company pricing a product well over the amount needed to pay for expected health care claims; (2) actual claims experience that is less expensive than anticipated; or (3) some combination of the two.

Medical loss ratios are one of the key types of data used by regulators in states that review health insurance rates to determine if proposed rates are reasonable. Some states approve proposed premium rates under review if they are expected to achieve a medical loss ratio over a minimum standard, sufficiently demonstrating that premiums are reasonable in relation to covered benefits and not excessive.[4] Trends in medical loss ratios are also used by stockholders and financial analysts as one indicator of profitability for health insurance companies and competitiveness in pricing.[5] For investors, lower loss ratios indicate a higher margin for potential profit.[6]

When available, medical loss ratio data are one tool consumers can use to compare health plans, and when considered with other factors, can help consumers make determinations about the relative value of health insurance products. For example, according to an annual report on medical loss ratios by the Minnesota Department of Commerce, a medical loss ratio, "can be a good measure of relative value if two health plan companies are very similar in the benefits they provide and other factors. In that case, the plan with the higher loss ratio would be a better value."[7] The report goes on to caution, however, that due to differences in health plans, "the relative loss ratio is not always indicative of relative value."[8] If disclosed in an easy-to-compare format, consumers could easily identify companies with medical loss ratios that are well below or above the norm. A consumer may still conclude that a health plan with a relatively low medical loss ratio, for example, is the plan they want, but they would be able to make that decision knowing more about how their premium dollars are used.

A medical loss ratio is just one piece of information used by insurance companies, regulators, investors, and consumers. While it provides valuable information to different audiences, it does not provide a complete evaluation of all factors important to each audience. For example, a medical loss ratio cannot provide information to consumers on quality of medical care or customer satisfaction with a health plan. A report on the usefulness and limits of medical loss ratios by the American Academy of Actuaries Loss Ratio Work Group concluded that a medical loss ratio, "when used and interpreted correctly, does represent a valid method of observing trends in a business over time, and should not be discarded as an important evaluation tool."[9]

Loss Ratio Experience in Texas

Data Collection

For the most part, Texas law does not require disclosure of medical loss ratio data; however, the Texas Department of Insurance (TDI) posts medical loss ratio data for health maintenance organizations (HMOs) on its website. Data from the 2007 HMO Annual Report show medical loss ratios varying from 61 percent to 105 percent by HMO for their consolidated Texas business (coverage across one or more Texas regions).[10] While useful, this data is not relevant to most Texans who are more likely to be covered through preferred provider organization (PPO) plans, as opposed to HMO plans. Within the fully insured market in Texas, 81 percent of Texans have coverage through PPO plans, while 19 percent have coverage through HMOs.[11] Similar medical loss ratio data is not readily available for PPO plans in Texas.

Health insurance companies do not currently have to report medical loss ratios to TDI, though TDI does collect data (premiums collected and claims paid) through an annual survey of the fully insured group health insurance market from which medical loss ratios can be calculated.[12] The survey collects premiums and claims data from group health insurance in the Texas small employer and large group markets. TDI does not collect equivalent data on the individual health insurance market. For health insurance policies sold in Texas from 2003-2006, the overall market medical loss ratio averaged 72 percent for the small employer market (for firms with 2 to 50 employees) and 84 percent for the large employer market (for firms with 51+ employees). **However, the wide range in medical loss ratios between insurance companies—from 22 percent to 267 percent—shows that insurers vary considerably in the portion of premiums spent on medical care.** Figures 2 and 3 show medical loss ratios for Texas business in the small and large group markets by insurance company. These medical loss ratios apply to the company's business in Texas within the specific market: small employer or large group. These ratios do not include an insurance company's business in other states, making them a good reflection of how Texas premiums are spent. **Some of these insurance companies spent a surprisingly low percentage—less than half in some years—of Texans' premium dollars on medical expenses.**

Medical loss ratios generally vary by insurance market, with higher medical loss ratios found in the large group market, lower ones in the small employer market, and still lower ones in the individual market. This is in part because administrative costs are greater per person when distributed among a smaller number of policy holders. For example, it is more expensive for insurance companies to market policies and enroll members individually or in small groups than it is for one larger group. Also, individuals and small employers are subject to medical underwriting (a review of health status and history used to set premiums), which adds administrative costs, while larger groups generally are not.

Texas Medical Loss Ratio Data Not Easy to Get

CPPP obtained previously unreleased 2003-2006 TDI survey data on premiums and claims by insurer through a four-month process initiated by an open records request and decided through an Attorney General ruling. A few insurance companies asked the Attorney General's office to block the release of the requested data, claiming trade secret status. One insurer requested that email addresses related to its survey submission not be released (email addresses were neither requested nor released), but did not object to the release of survey data. Most affected insurers did not object to the data being released, and the Attorney General ruled that the survey data were subject to release through open records requests. Though it is now technically available to the public, the data is not easy to get, nor does it come in a form consumers can readily use.

Trends in Texas Small Employer Medical Loss Ratios

From 2003-2006, the medical loss ratio in Texas' small employer market increased slightly on average from about 71 percent in 2003 to 73 percent in 2006. American Medical Security Life Insurance Company, Golden Rule Insurance Company, and Pacificare Life Assurance Company saw the reverse trend, however, and spent a declining proportion of premiums on medical expenses. Companies that had a medical loss ratio lower than the market average in each of the four years were Blue Cross and Blue Shield of Texas, MEGA Life and Health Insurance Company, and Union Security Insurance Company/Fortis Benefits. Companies that met or exceeded the market average medical loss ratio in each of the four years were Guardian Life Insurance Company of America, Humana Insurance Company, and Principal Life Insurance Company. Of companies that reported premiums and claims data in all four years, MEGA Life and Health Insurance Company had the lowest four-year average medical loss ratio of 46 percent, and Metropolitan Life Insurance Company had the highest four-year average of 95 percent.

Required Disclosure of Medical Loss Ratios

Limited Information Available in Texas

Consumers would like to select health insurance companies and plans that meet their needs and offer a good value. Unfortunately, it is often difficult to compare different health insurance plans. The wide variation between health insurance policies makes it impossible for consumers to make apples-to-apples comparisons. On top of that, it is very difficult to compare the premium costs of different plans, especially for small employers and individuals who must go through a lengthy application and underwriting process before finally getting accurate premium quotes. Because small employers may be required to pay a full month of estimated premiums before receiving a final rate quote, many small employers report that they cannot afford to get a final rate quote from more than one company, making it is impossible to accurately compare prices.

TDI has conducted many focus groups with small business owners to gain a better understanding of their health insurance decisions. **Small employers consistently indicate that they do not have enough information available to help them choose a plan.**

If a consumer or small employer wants to compare medical loss ratios for policies available to them, they will have a difficult time finding useful information. Online, consumers may be able to find medical loss ratio information associated with earnings reports to the U.S. Securities and Exchange Commission. If they are particularly sophisticated and have a lot of time or money on their hands, they can look up medical loss ratio data in insurance company financial filings that are available online for a fee through the National Association of Insurance Commissioners or in hard copy at the Texas Department of Insurance. Although they can be found, these medical loss ratios are not available in a consolidated format for easy comparison and are not particularly useful to a small business owner or individual in Texas because they are calculated for the insurer's entire nationwide book of health insurance business. To be most useful, a small employer would want to compare medical loss ratios for the policies sold in the small employer market in Texas.

The medical loss ratio information published in this paper is specific to the Texas business in the small and large group markets, but these data are neither audited by TDI nor made publicly available other than through open records requests. Though this is helpful information, companies may not currently report claims and premium data using uniform definitions, so even these medical loss ratio data may not be directly comparable.

Texans buying health insurance in the individual market have an even harder time finding useful medical loss ratio data. TDI does not collect data on premiums and claims for the individual health insurance market, so these data are not available even through an open records request.

Consumer Education in Other States

At least three states, Minnesota, New Jersey, and Washington, make medical loss ratio information publicly available to consumers. All three states require insurers to report medical loss ratio data and post data online by insurance company.

- **Minnesota** releases an annual report with loss ratios by carrier for the small employer market and the individual health insurance market along with background information on medical loss ratios and what information they provide to consumers.
- **New Jersey** annually posts a report on the commercial health insurance market which includes information on sources of coverage, market share, medical loss ratios, and average premiums. The report includes medical loss ratio by carrier in the individual, small employer, and

large group markets.

- The **Washington** State Office of the Insurance Commissioner maintains a website where consumers can access and compare insurers' medical loss ratios, profit margins, average premiums, premium increase in the last year, administrative costs, and surplus amounts.[13] Information on medical loss ratios, average premiums, and premium increases are provided broken down by the individual, small employer, and large group markets. This range of data on the financial condition and performance of health insurers allows consumers in Washington to make well-informed decisions.

Bipartisan Support for Disclosure of Medical Loss Ratios in Texas

Increasing transparency around health insurance expenses enhances competitive forces in the market and empowers consumers. Giving Texans access to standardized medical loss ratio data would create the ability to make an apples-to-apples comparison in at least one area of health insurance. Just as importantly, it provides consumers with some very basic information on how their premium dollars are used, helping them understand more about the factors that drive health insurance costs. Unlike non-HMO preferred provider organization health plans, **medical loss ratios for HMO plans are already posted by health plan on TDI's website.**[14]

Bills filed this session that require disclosure of medical loss ratio data in Texas include:

- **HB 3264** Rose (D-Dripping Springs);
- **SB 1155** and **SB 1156** Davis (D-Fort Worth);
- **SB 485** Deuell (R-Greenville). Co-sponsored by Davis (D-Fort Worth) and Lucio (D-Brownsville); and
- **SB 1257** Averitt (R-Waco). Co-sponsored by Nelson (R-Lewisville), Shapleigh (D-El Paso), and Watson (D-Austin).

Representative Rose's HB 3264 has been modified through a committee substitute to address some concerns of the health insurance industry (discussed below), and was passed out of the House Insurance Committee on April 30, 2009. As filed, Senator Deuell's SB 485 and Senator Averitt's SB 1257 established a minimum medical loss ratio standard (discussed in the next section). To address industry opposition, both were modified through committee substitutes to require only disclosure of medical loss ratio data. SB 1257 and SB 485 were passed by the Senate on May 4 and May 5, 2009, respectively.

Some representatives of the insurance industry in Texas have proposed that medical loss ratios disclosed to consumers be redefined so that certain health insurance administrative costs for services related to health care access or health promotion, like network access fees and disease management, are classified as medical costs as opposed to insurance administrative costs.[15] Due to the nature of their business, HMOs should perform the highest level of health-promotion type activities of health plans. HMO medical loss ratios already posted online by TDI follow a traditional division of medical and administrative costs. Medical costs include payments to doctors, hospital, pharmacies, and other health care providers for the delivery or direct support of the delivery of medical services. Other expenses, including consumer education and payments to medical professionals for services other than the delivery of medical care, are counted as administrative costs. It is reasonable to expect the same presentation of data from non-HMO plans. To address insurance industry concerns, a possible solution would be to require the collection and posting of traditional medical loss ratio by market and also allow health plans to submit the percentage of premiums that go to health-promoting administrative costs.[16] As presented to consumers, it could look like this:

Company	Percentage of enrollee premiums used directly to pay for medical care (medical loss ratio)	Percentage of enrollee premiums that pay for health insurance administrative costs related to health promotion
Company A	75%	3%
Company B	70%	4%

Minimum Medical Loss Ratios

Medical loss ratios can be used as a tool to empower consumers, but they can also be used as a regulatory tool. Some states set minimum medical loss ratios by law to prevent insurance companies from charging excessive rates and retaining large margins for profit and other non-medical expenses.[17] Establishing a minimum standard for the proportion of premiums spent on medical care provides consumers with an assurance that the majority of their premium dollars are used to help them finance their health care—the reason people buy health insurance.

Fifteen states set a minimum medical loss ratio standard in the small employer or individual health insurance markets.[18] Figure 4 shows medical loss ratio standards in several states. If an insurance company does not meet the minimum medical loss ratio standard, some states require the company's premiums be adjusted accordingly the next year. Other states require insurance companies that fail to meet the standard to refund excess premiums to enrollees.[19] Medicare supplement plans (commonly called Medigap plans) sold in Texas must meet a minimum medical loss ratio of 75 percent for group coverage and 65 percent for individually purchased policies.[20] Similar standards do not exist for employer-sponsored or individually purchased health insurance in Texas.

- **New Jersey** requires a minimum 75 percent medical loss ratio in the small employer and individual markets and requires insurers to issue refunds to policyholders when the standard is not met. In 2005, the overall market medical loss ratios exceeded the state's minimum standards with an 82 percent actual medical loss ratio in the individual market and 81 percent in the small employer market.[21] The New Jersey Insurance Department reports that its minimum loss ratio standard is easy to administer, has helped control premiums in the individual market, and, due to the refund provision, allows both policyholders and insurance companies to benefit financially in good years when claim costs are less than expected.[22]
- **Minnesota** requires minimum medical loss ratios between 68-72 percent in the individual market and 71-82 percent in the small employer market.[23] In 2006, the overall market medical loss ratios exceeded the state's minimum standards with a 93 percent actual medical loss ratio in the individual market and 87percentt in the small employer market.[24]
- In 2008, **Washington** increased its minimum medical loss ratio standard in the individual market from 72 to 77 percent.[25]

Figure 5, *Small Employer Market Medical Loss Ratios, Minimum Standard and Actual*, compares actual small employer market medical loss ratios in Texas to those in New Jersey and Minnesota.[26] Small employer insurers in New Jersey and Minnesota achieve a higher average medical loss than the minimum standards in those states and the actual average medical loss ratio in Texas.

Health Insurance Premiums in Texas

Cost

Health insurance premiums are expensive. Employer-sponsored health insurance in Texas on average costs about $13,000 per year for family coverage and $4,600 per year for individual coverage. Figure 6, *Texas Average Premiums for Employer-Sponsored Health Insurance, 1999-2008,* shows average premiums for employer-sponsored coverage from 1999-2008.

While average rates can be useful for some comparisons, consumers and employers care more about the price they have to pay for coverage and many do not qualify for the average rate. Small businesses—those with two to 50 employees—traditionally face many challenges when trying to obtain health insurance coverage for their employees. One challenge is the wide variation in premiums charged in the market from the lowest to highest risk groups.[27] Data from the Texas Department of Insurance (TDI) show actual maximum rates being paid by Texas small employers in 2006 as high as $29,000 per employee per year (Figure 7, *Average and Maximum Per-person Premiums Paid by Texas Employers, 2003-2006*). With maximum premiums paid costing on average six times more than average premiums, it is easy to see how small employers are priced out of the market when assigned anything approaching maximum rates due to older or less healthy employees.

Oversight

Regulation of health insurance premiums in Texas is less rigorous than most other states.[28] Texas, unlike many states, lacks the authority to review health insurance rates to ensure that they are reasonable in relation to the benefits covered rather than excessive or inadequate.[29] Texas is one of just 10 states that fails to actively review rates in the group or individual health insurance markets,[30] preventing Texas consumers from knowing if the rates they pay are justified. Through rate oversight, most other states make sure that health insurance rates charged in the small employer and individual markets are not excessive. Setting a minimum medical loss ratio does not go that far. Minimum medical loss ratios ensure that premiums collected by insurance companies are within a reasonable range in relation to medical claims paid, as opposed to ensuring that a specific premium rate charged to a consumer is reasonable. Since Texas does not examine rates *at all*, a minimum medical loss ratio would be a step in the right direction. It may prove especially important to the small employers who pay especially high premiums (e.g., over $20,000 a year per employee) for health benefits to know that 75 cents, for example, of every premium dollar goes to health care.

Potential Refunds Due to Texas Consumers

Minimum medical loss ratio laws in place in Maine, New Jersey, and New York require insurers to issue refunds to make up the difference when premiums charged by an insurance company exceed the amount necessary to achieve the minimum medical loss ratio. If Texas followed suit, for example, by setting a minimum medical loss ratio of 75 percent in the small employer market and 80 percent in the large employer market, many Texas consumers and employers would get refund checks.[31] Of the 18 small employer insurers that reported data to TDI for 2006, nine had average medical loss ratios under 75 percent, and seven of 15 large employer insurers had medical loss ratios under 80 percent. To bring each company's average medical loss ratio up to the minimum standard, companies would have had to issue $125 million worth of refunds to small employers and $72 million in refunds to large employers in 2006 (shown in Figures 8 and 9).[32]

Bipartisan Support for Minimum Medical Loss Ratios in Texas

Bills to establish minimum medical loss ratios in Texas have been filed and co-sponsored by both Republicans and Democrats, showing bipartisan support. Bills filed this session include:

- **HB 531** Anchia (D-Dallas). Co-sponsored by Zerwas (R-Richmond), Shelton (R-Fort Worth), Donna Howard (D-Austin), and Hopson (D-Jacksonville);
- **SB 373** Shapleigh (D-El Paso);
- **SB 485** Deuell (R-Greenville). Co-sponsored by Davis (D-Fort Worth); and
- **SB 1257** Averitt (R-Waco). Companion bill is **HB 2750** Eiland (D-Galveston).

Strong insurance industry opposition to establishing minimum medical loss ratios in Texas will almost certainly mean that these bills will not pass as filed. Senator Deuell and Senator Averitt have both modified their bills through committee substitutes to remove the minimum medical loss ratio standard and instead require the disclosure of uniform medical loss ratio data.

Arguments against creating a minimum standard for medical loss ratios for fear that health plans would be less willing to enter or stay in the Texas market simply do not make sense. The health insurance industry in Texas brings in about $19 billion a year in accident and health premiums and $9 billion in coverage through health maintenance organizations (HMOs).[33] Not only is there lots of money being made in health insurance in Texas, with one in four Texans lacking health insurance coverage, the state has a huge untapped potential market. On top of that, with most states evaluating medical loss ratios as part of their rate review process, many health plans, especially those that sell in multiple states, are already accustomed to and participate in markets with rate or medical loss ratio regulation.

Conclusion

Texas consumers face many negative consequences of a health insurance market loosely regulated under Texas law. Unlike consumers in other states, Texans cannot know that the health insurance premiums we pay are reasonable in relation to the benefits our policies cover. Loosely constructed rate bands in the small employer market result in some Texas small employers paying up to $29,000 per employee per year for coverage. With several hundred health insurance policies approved for sale in Texas, it is impossible for consumers to make true applies-to-apples comparisons when shopping for coverage. Apart from the very real issue of the increasing cost of health care, Texas has significant room to improve health insurance regulation and oversight to improve access to health insurance.

Requiring disclosure of medical loss ratios to consumers and establishing a minimum medical loss ratio are not panaceas to the problems in Texas' health insurance market, but they are steps in the right direction. Making uniform medical loss ratio data available to consumers helps us better understand how our health insurance dollars are used. Increasing transparency around health insurance pricing will enhance competitive market forces and educate consumers. Establishing a minimum medical loss ratio would ensure that premiums collected by insurance companies are within a reasonable range in relation to costs for our medical care. This sets a standard for reasonableness of premiums and increases accountability and transparency in premiums. Even in a well-regulated market that balances consumer and insurance company interests, consumers would benefit from the assurance that most of their health insurance premiums are used to finance their health care. But in the loosely regulated Texas health insurance market, these assurances are even more critical.

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[1] America's Health Insurance Plans, *Factors Fueling Rising Healthcare Costs*, December 2008, www.ahip.org/content/default.aspx?docid=25123.

[2] New Jersey Department of Banking and Insurance, *New Jersey Commercial Health Market 2005*, January 11, 2008, www.state.nj.us/dobi/lifehealthactuarial/commercialhealth2005.pdf.

[3] American Academy of Actuaries Loss Ratio Work Group, *Loss Ratios and Health Coverages*, November 1998, www.actuary.org/pdf/health/lossratios.pdf.

[4] American Academy of Actuaries Loss Ratio Work Group, *Loss Ratios and Health Coverages*.

[5] The Washington Post, Primer: Medical Loss Ratio, April 30, 2006, www.washingtonpost.com/wp-dyn/content/article/2006/04/29/AR2006042900256.html.

[6] American Academy of Actuaries Loss Ratio Work Group, *Loss Ratios and Health Coverages*.

[7] Minnesota Department of Commerce, *Report of 2007 Loss Ratio Experience in the Individual and Small Employer Health Plan Markets for: Insurance Companies, Nonprofit Health Service Plan Corporations, and Health Maintenance Organizations*, June 2008 (Revised November 2008), www.state.mn.us/mn/externalDocs/Commerce/Current_Loss_Ratio_Report_052104013421_LossRatioReport.pdf.

[8] Ibid.

[9] American Academy of Actuaries Loss Ratio Work Group, *Loss Ratios and Health Coverages*.

[10] Texas Department of Insurance, *HMO Annual Report: 2007 Annual Basic Service,* www.tdi.state.tx.us/reports/report2.html. Medical loss ratio data are reported as a percentage of total medical and hospital expenses (M&H)/total premiums.

[11] Texas Sunset Advisory Commission, *TDI Sunset Staff Report*, 2008, p. 35, www.sunset.state.tx.us/81streports/tdi/tdi_opic_dec.pdf. The TDI Sunset Staff Report notes that very few traditional indemnity plans exist today in Texas, so TDI does not track enrollment in indemnity plans separate from managed care plans (HMOs and PPOs). Indemnity plans were the traditional form of coverage before the emergence of managed care plans in the 1980s and 1990s. About half of the private health insurance market in Texas is "fully insured," and the other half is "self-insured." Fully insured plans include individual and group health insurance products in which an individual or employer pays premiums to an insurer for coverage and the insurance company administers benefits, pays claims, and bears the risk for claims. Self-insured plans are generally offered by large employers, which due to their size, can pay their own claims and retain risk. The federal Employee Retirement Income Security Act (ERISA) preempts state regulation of the self-insured market.

[12] Data collected in TDI's annual Texas Group Accident and Health Insurance Survey. Data reported by insurers are not verified by TDI. There may be discrepancies in how different companies calculate and report data in the survey. Data are collected only for Texas' fully insured business, so unlike medical loss ratios reported by companies in their Annual Statement filings with state regulators and NAIC, data from the TDI survey reflects just insurers' experience in Texas.

[13] Washington State Office of the Insurance Commissioner, Health Carrier Information Comparison – Home, https://fortress.wa.gov/oic/hcis/public/comparisonhome.aspx.

[14] Texas Department of Insurance, *HMO Annual Reports,* www.tdi.state.tx.us/reports/report2.html. Medical loss ratio data are

reported as a percentage of total medical and hospital expenses (M&H)/total premiums.

[15] This will result in higher medical loss ratios, which represent a lower portion of premiums spent on administration. Some representatives of the insurance industry in Texas have expressed concern that consumers viewing medical loss ratio data will draw the conclusion that all insurance company administrative costs are unnecessary and wasteful, which is not the case. Insurance administrative functions include activities that help hold down costs (provider contracting, utilization review, fraud detection, etc.), promote health (disease management, wellness programs, etc.), and promote quality, as well as other costs like profit, marketing, lobbying, customer service, and general overhead. Both health care services and insurance administration have costs. Consumers benefit when costs for health care and insurance administration are transparent and result from activities that add value for consumers. There is undoubtedly plenty of room in both the health care and health insurance industries to increase efficiencies and reduce waste. Redefining how medical loss ratios are calculated does not do that.

[16] To still allow for comparisons across companies and markets, it is necessary for health-promoting administrative costs to be clearly defined so companies can report in a uniform manner.

[17] Families USA, *Medical Loss Ratios: Evidence from the States*, Health Policy Memo, June 2008, www.familiesusa.org/assets/pdfs/medical-loss-ratio.pdf; and American Academy of Actuaries Loss Ratio Work Group, *Loss Ratios and Health Coverages*.

[18] Families USA, *Medical Loss Ratios: Evidence from the States*, Health Policy Memo, June 2008.

[19] Families USA, *Medical Loss Ratios: Evidence from the States*, Health Policy Memo, June 2008.

[20] 28 TAC 3.3307. Medicare supplement coverage provides wrap-around coverage to fill in "gaps" in Medicare coverage. Medicare supplement coverage is regulated by state and federal laws in a manner that provides more consumer protections that employer-sponsored health insurance in Texas including guaranteed issue of policies (within six months of eligibility), prior approval of premium rates, and standardized policies that allow for true apples-to-apples comparisons.

[21] New Jersey Department of Banking and Insurance, *New Jersey Commercial Health Market 2005*, January 11, 2008, www.state.nj.us/dobi/lifehealthactuarial/2005comhealth_attach3.pdf.

[22] Families USA, *Understanding How Health Insurance Premiums are Regulated*, September 2006, www.familiesusa.org/assets/pdfs/rate-regulation.pdf.

[23] Minnesota varies minimum loss ratio standards by the insurer's market share. Companies with a larger market share must meet a higher loss ratio standard. In the small employer market, Minnesota also varies loss ratio standards for companies with a small market share by group size. Carriers must meet a lower standard on their policies sold to groups with fewer than 10 employees and a higher standard on policies sold to groups with 10 or more employees. Loss ratio standards range from 68 to 72 percent in the individual market and 71 to 82 percent in the small employer market.

[24] Minnesota Department of Commerce, *Report of 2006 Loss Ratio Experience in the Individual and Small Employer Health Plan Markets for: Insurance Companies Nonprofit Health Service Plan Corporations and Health Maintenance Organizations*, June 2007, www.state.mn.us/mn/externalDocs/Commerce/Current_Loss_Ratio_Report_052104013421_LossRatioReport.pdf.

[25] Families USA, *Medical Loss Ratios: Evidence from the States*, Health Policy Memo, June 2008.

[26] New Jersey and Minnesota both set minimum medical loss ratio standards and have readily accessible data on actual medical loss ratio market averages.

[27] For more information on how insurance premiums are set in the small employer market in Texas see CPPP, *Texas Needs Tools to Increase Private Health Coverage: How Improving Public Oversight Can Bring Health Care to More Texans*, June 2009, http://www.cppp.org/research.php?aid=769&cid=3&scid=4.

[28] For more information on health insurance premium oversight tools, see CPPP, *Texas Needs Tools to Increase Private Health Coverage: How Improving Public Oversight Can Bring Health Care to More Texans*, June 2009, http://www.cppp.org/research.php?aid=769&cid=3&scid=4.

[29] State-by-state listing of health insurance rate filing and review authority in the National Association of Insurance Commissioners, Compendium of State Laws on Insurance Topics, Filing Requirements for Health Insurance Forms and Rates, updated as of November 2007.

[30] Adele M. Kirk and Deborah Chollet, "State Review of Major Medical Health Insurance Rates," *Journal of Insurance Regulation*, Summer 2002, pp. 3-18.

[31] Minimum medical loss ratio standards used in this example are the standards set under HB 531 by Representative Anchia, which directs insurers to offer refunds if minimum medical loss ratios are not achieved.

[32] This example uses actual premiums and claims data reported for 2006 in Texas and a hypothetical standard. Had there been an actual medical loss ratio standard in the market in that year, companies would be encouraged to set premiums in a manner to achieve the standard, likely resulting in lower refunds due. It is reasonable to assume that refunds would still be required for some companies. Even with standards in place, in 2008 health insurance companies in Maine issued $7.6 million in refunds and a health insurance company in New York issued $50 million in refunds. Families USA, *Medical Loss Ratios: Evidence from the States.*

[33] Texas Department of Insurance, *Biennial Report of the Texas Department of Insurance to the 81st Texas Legislature*, December 2008, www.tdi.state.tx.us/reports/documents/finalbie09.pdf.

Figure 1: Examples of Administrative Costs Paid by Insurance Companies
Billing and enrollment
Claims processing
Fraud detection and prevention
Customer service
Product management and marketing
Underwriting
Regulatory compliance and government relations
Lobbying
Provider relations and contracting
Quality assurance and utilization management
Wellness and health education
Research and product development
Charitable contributions
General administration
Taxes

Source: Categories listed in the Minnesota Department of Health's annual report, *Administrative Costs at Minnesota Health Plans,* http://www.health.state.mn.us/divs/hpsc/dap/cdireports/grppurch/index.html

Figure 2: Medical Loss Ratios - Texas Small Employer Market

Company	2006 Premium Volume	2003	2004	2005	2006	Average 2003-2006
United Healthcare Insurance Company	$965,697,959	81%	N/A	69%	78%	**76%**
Blue Cross and Blue Shield of Texas	$838,070,000	63%	67%	68%	67%	**66%**
Humana Insurance Company	$371,953,209	74%	76%	75%	78%	**76%**
Principal Life Insurance Company	$275,068,258	74%	80%	75%	73%	**76%**
Aetna Life Insurance Company	$245,319,857	75%	75%	62%	58%	**67%**
Pacificare Life Assurance Company	$176,959,292	46%	75%	65%	85%	**67%**
Unicare Life & Health Insurance Company	$153,040,910	72%	52%	90%	76%	**73%**
John Alden Life Insurance Company	$63,471,687	65%	71%	80%	70%	**71%**
Guardian Life Insurance Company of America	$45,900,866	97%	80%	83%	81%	**85%**
Union Security Insurance Company (Fortis Benefits)	$42,905,871	62%	65%	69%	69%	**66%**
Chesapeake Life Insurance Company	$29,521,320	N/A	N/A	44%	87%	**65%**
American Medical Security Life Insurance Company	$22,531,003	79%	84%	75%	64%	**76%**
Time Insurance Company (Fortis)	$22,073,250	53%	64%	67%	74%	**64%**
Pacific Life & Annuity Company	$21,244,494	78%	77%	69%	103%	**82%**
Genworth Life and Health Insurance Company (GE Group Life Assurance)	$2,778,991	75%	69%	63%	62%	**67%**
MEGA Life and Health Insurance Company	$1,959,264	49%	40%	33%	63%	**46%**
Golden Rule Insurance Company	$1,121,490	72%	59%	73%	82%	**71%**
Metropolitan Life Insurance Company	$21,887	88%	73%	98%	122%	**95%**
American Travelers Assurance Company	N/A	70%	N/A	N/A	N/A	**70%**
New England Life Insurance Company	N/A	N/A	N/A	100%	N/A	**100%**
North Carolina Mutual Life Insurance Company	N/A	89%	92%	N/A	N/A	**91%**
Trustmark Insurance Company	N/A	66%	79%	N/A	N/A	**72%**

Overall Small Employer Market Medical Loss Ratio

Year	Premiums Collected	Claims Paid	Medical Loss Ratio
2003	$2,514,094,766	$1,843,750,754	73%
2004	$2,088,539,498	$1,510,870,886	72%
2005	$3,004,148,139	$2,124,635,991	71%
2006	$3,279,639,608	$2,405,626,861	73%

Data from the TDI Annual Group Accident and Health Survey, 2003 – 2006.
Notes: Medical loss ratio = (Claims paid/premiums written). Premiums "written" (or collected) and claims paid data are as reported by insurers to TDI. TDI does not audit these data. Insurers do not necessarily define the terms or report these data in a uniform manner.

Figure 3: Medical Loss Ratios - Texas Large Group Market

Company	2006 Premium Volume	2003	2004	2005	2006	Average 2003-2006
United Healthcare Insurance Company	$1,113,296,014	88%	N/A	69%	107%	**88%**
Blue Cross and Blue Shield of Texas	$710,322,000	67%	74%	76%	75%	**73%**
Aetna Life Insurance Company	$443,278,297	70%	72%	82%	91%	**79%**
Humana Insurance Company	$275,187,908	85%	84%	85%	82%	**84%**
Connecticut General Life Insurance Company	$218,529,409	124%	130%	79%	80%	**103%**
Principal Life Insurance Company	$128,793,175	74%	81%	81%	87%	**81%**
Unicare Life & Health Insurance Company	$96,827,638	101%	129%	87%	134%	**113%**
Pacificare Life Assurance Company	$88,320,255	81%	86%	80%	37%	**71%**
Guardian Life Insurance Company of America	$64,414,393	111%	80%	83%	81%	**89%**
American Medical Security Life Insurance Company	$848,381	239%	148%	35%	70%	**123%**
Union Security Insurance Company (Fortis Benefits)	$800,738	71%	70%	67%	41%	**62%**
Pacific Life & Annuity Company	$362,624	77%	84%	73%	123%	**89%**
Time Insurance Company (Fortis)	$202,026	94%	146%	52%	22%	**78%**
Genworth Life and Health Insurance Company (GE Group Life Assurance)	$104,903	112%	117%	50%	71%	**87%**
John Alden Life Insurance Company	$72,341	33%	93%	188%	178%	**123%**
American Travelers Assurance Company	N/A	97%	N/A	N/A	N/A	**97%**
Bankers Life and Casualty Company	N/A	74%	N/A	N/A	N/A	**74%**
Great-West Life & Annuity Insurance Company	N/A	67%	102%	210%	N/A	**126%**
Mutual of Omaha Insurance Company	N/A	37%	267%	N/A	N/A	**152%**
North Carolina Mutual Life Insurance Company	N/A	84%	70%	N/A	N/A	**77%**
Trustmark Insurance Company	N/A	86%	105%	N/A	N/A	**96%**

Overall Large Group Market Medical Loss Ratio

Year	Premiums Collected	Claims Paid	Medical Loss Ratio
2003	$2,310,661,282	$1,949,821,992	84%
2004	$1,784,185,009	$1,510,870,886	85%
2005	$3,072,936,315	$2,335,311,103	76%
2006	$3,141,360,102	$2,855,830,987	91%

Data from the TDI Annual Group Accident and Health Survey, 2003 – 2006.
Notes: Medical loss ratio = (Claims paid/premiums written). Premiums "written" (collected) and claims paid data are as reported by insurers to TDI. TDI does not audit these data. Insurers do not necessarily define the terms or report these data in a uniform manner.

Figure 4: Examples of Minimum Medical Loss Ratios in the Small & Individual Markets

State	Individual Market	Small Employer Market
Delaware	n/s	75%
Kentucky	65%	70% for groups 2-11 75% for groups 11-50
Maine	65%	75% - 78%
Maryland	60%	75%
Minnesota	68-72%	71% - 82%
New Jersey	75%	75%
New York	80%	75%
North Dakota	55%	70%
Oklahoma	n/s	60%
South Dakota	65%	75%
Vermont	70%	n/s
Washington	77%	n/s
Wyoming	60%	73%

Sources: Families USA, *Medical Loss Ratios: Evidence from the States*, Health Policy Memo, June 2008, www.familiesusa.org/assets/pdfs/medical-loss-ratio.pdf; and Minnesota Department of Commerce, *Report of 2006 Loss Ratio Experience in the Individual and Small Employer Health Plan Markets for: Insurance Companies Nonprofit Health Service Plan Corporations and Health Maintenance Organizations*, June 2007, www.state.mn.us/mn/externalDocs/Commerce/Current_Loss_Ratio_Report_052104013421_LossRatioReport.pdf.
Note: n/s means no standard is set by this state in this market.

Figure 5: Small Employer Market Medical Loss Ratios, Minimum Standard & Actual

	New Jersey 2005	Minnesota 2006	Texas 2006
Minimum Medical Loss Ratio Standard	75%	71-82%	N/A
Actual Market Medical Loss Ratio	81%	87%	73%

Sources: New Jersey Department of Banking and Insurance, *New Jersey Commercial Health Market 2005*, January 11, 2008, www.state.nj.us/dobi/lifehealthactuarial/2005comhealth_attach3.pdf; Minnesota Department of Commerce, *Report of 2006 Loss Ratio Experience in the Individual and Small Employer Health Plan Markets for: Insurance Companies, Nonprofit Health Service Plan Corporations, and Health Maintenance Organizations*, June 2007; and Texas Department of Insurance, Group Accident and Health Insurance Survey, 2006.

Figure 6: Texas Average Premiums for Employer-Sponsored Health Insurance, 1999-2008

Year	Coverage through Small Employers (businesses with fewer than 50 employees)		Coverage through Large Employers (businesses with 50+ employees)	
	Family	Employee-only	Family	Employee-only
1999	$6,486	$2,539	$6,161	$2,261
2000	$6,784	$2,955	$6,618	$2,538
2001	$7,974	$3,229	$7,423	$2,809
2002	$8,800	$3,580	$8,841	$3,195
2003	$9,831	$3,793	$9,545	$3,310
2004	$10,253	$4,346	$10,087	$3,607
2005	$10,970	$4,270	$11,613	$4,065
2006	$11,310	$4,463	$11,745	$4,057
2007 est.*	$12,000	$4,735	$12,461	$4,304
2008 est.*	$12,600	$4,972	$13,085	$4,520

Source for 1999-2006: Agency for Health Care Research and Quality, Medical Expenditure Panel Survey, Insurance Component 1999-2006. MEPS reports weighted, mean data for average premiums.

* Estimates for 2007 and 2008 premiums trended forward from 2006 using the national average increases for employer-sponsored premiums, 6.1% in 2007 and 5% in 2008, as reported by the Kaiser Family Foundation and Health Research Educational Trust, Annual Employer Benefits Surveys for 2007 and 2008.

Figure 7: Average and Maximum Per-person Premiums Paid by Texas Employers, 2003-2006

Small Employer Market

2006

Company	Average Premium	Maximum Premium	Magnitude of Difference
Aetna Life Insurance Company	$2,677	$62,209*	23.2
Humana Insurance Company	$2,955	$26,895	9.1
Union Security Insurance Company (Fortis Benefits)	$3,908	$28,837	7.4
John Alden Life Insurance Company	$3,521	$25,498	7.2
Unicare Life & Health Insurance Company	$3,073	$19,055	6.2
Blue Cross and Blue Shield of Texas	$3,834	$20,610	5.4
Principal Life Insurance Company	$3,992	$20,164	5.1
Time Insurance Company (Fortis)	$4,035	$19,753	4.9
Golden Rule Insurance Company	$2,843	$13,428	4.7
Pacific Life & Annuity Company	$2,461	$9,049	3.7
Genworth Life and Health (GE Group Life Assurance)	$12,341	$22,526	1.8
Metropolitan Life Insurance Company	$576	$935	1.6
MARKET AVERAGE	**$3,851**	**$22,413**	**5.8**

2005

Company	Average Premium	Maximum Premium	Magnitude of Difference
Aetna Life Insurance Company	$2,384	$57,464*	24.1
Union Security Insurance Company (Fortis Benefits)	$2,331	$30,612	13.1
Humana Insurance Company	$3,329	$23,693	7.1
Unicare Life & Health Insurance Company	$2,670	$17,967	6.7
Blue Cross and Blue Shield of Texas	$3,706	$19,416	5.2
Chesapeake Life Insurance Company, The	$4,581	$22,114	4.8
Principal Life Insurance Company	$3,824	$16,813	4.4
Golden Rule Insurance Company	$3,960	$15,418	3.9
MEGA Life and Health Insurance Company, The	$1,935	$6,516	3.4
Pacific Life & Annuity Company	$4,251	$9,049	2.1
Genworth Life and Health (GE Group Life Assurance)	$10,196	$19,867	1.9
Pacificare Life Assurance Company	$2,848	$4,505	1.6
John Alden Life Insurance Company	$5,373	$6,826	1.3
Time Insurance Company (Fortis)	$2,475	$3,063	1.2
MARKET AVERAGE	**$3,847**	**$18,095**	**4.7**

Large Group Market

2006

Company	Average Premium	Maximum Premium	Magnitude of Difference
Principal Life Insurance Company	$3,299	$17,597	5.3
Unicare Life & Health Insurance Company	$3,147	$13,098	4.2
Humana Insurance Company	$3,077	$10,241	3.3
Blue Cross and Blue Shield of Texas	$3,246	$7,866	2.4
Union Security Insurance Company (Fortis Benefits)	$2,017	$2,108	1.0
Genworth Life and Health (GE Group Life Assurance)	$5,076	$5,076	1.0
John Alden Life Insurance Company	$2,137	$2,137	1.0
MARKET AVERAGE	$3,143	$8,303	2.6

2005

Company	Average Premium	Maximum Premium	Magnitude of Difference
Unicare Life & Health Insurance Company	$2,035	$12,177	6.0
Principal Life Insurance Company	$3,201	$17,887	5.6
Union Security Insurance Company (Fortis Benefits)	$4,546	$25,278	5.6
Pacific Life & Annuity Company	$3,133	$13,750	4.4
Humana Insurance Company	$2,761	$8,304	3.0
Blue Cross and Blue Shield of Texas	$3,309	$6,864	2.1
Pacificare Life Assurance Company	$2,832	$3,969	1.4
John Alden Life Insurance Company	$4,871	$6,826	1.4
Genworth Life and Health (GE Group Life Assurance)	$5,477	$5,477	1.0
MARKET AVERAGE	$3,712	$10,667	3.2

* Aetna Life Insurance Company's reported data for maximum premiums charged for a small employer policy in force in 2005 and 2006 were much higher than the market median or mean. In April 2009, TDI contacted actuaries at Aetna to question the $62,209 per person maximum premium reported for 2006. TDI staff report that Aetna confirmed that this could be a potential maximum rate quote to a Texas small business (i.e. if a small group had very high risks associated with all six allowable rating factors, the per-person premium in Texas could actually come out to $62,000 a year); however, its sounds like this was presented by the health plan as a hypothetical maximum rate, not necessarily an actual rate being charged in the market, which is what the survey asks for. The $57,464 maximum per-person premiums reported by Aetna in 2005 should likely also be interpreted as a potential maximum, not an actual maximum being charged and paid in the market.

Small Employer Market

2004

Company	Average Premium	Maximum Premium	Magnitude of Difference
Union Security Insurance Company (Fortis Benefits)	$2,223	$24,360	11.0
Time Insurance Company (Fortis)	$2,470	$20,975	8.5
Humana Insurance Company	$3,135	$20,808	6.6
Aetna Life Insurance Company	$2,506	$16,573	6.6
Unicare Life & Health Insurance Company	$2,900	$17,240	5.9
Principal Life Insurance Company	$3,732	$18,860	5.1
Trustmark Insurance Company	$3,677	$16,716	4.5
Blue Cross and Blue Shield of Texas	$3,668	$14,924	4.1
Golden Rule Insurance Company	$3,354	$13,266	4.0
MEGA Life and Health Insurance Company, The	$5,475	$14,058	2.6
North Carolina Mutual Life Insurance Company	$3,347	$8,525	2.5
Genworth Life and Health (GE Group Life Assurance)	$9,294	$21,932	2.4
Pacific Life & Annuity Company	$3,731	$5,246	1.4
John Alden Life Insurance Company	$4,600	$5,843	1.3
Pacificare Life Assurance Company	$231	$236	1.0
MARKET AVERAGE	$3,623	$14,637	4.0

2003

Company	Average Premium	Maximum Premium	Magnitude of Difference
Humana Insurance Company	$2,907	$21,132	7.3
MEGA Life and Health Insurance Company, The	$4,044	$29,196	7.2
Aetna Life Insurance Company	$2,214	$14,411	6.5
Golden Rule Insurance Company	$2,329	$12,899	5.5
Trustmark Insurance Company	$3,081	$16,716	5.4
Union Security Insurance Company (Fortis Benefits)	$3,861	$20,446	5.3
Blue Cross and Blue Shield of Texas	$3,505	$16,579	4.7
Principal Life Insurance Company	$3,543	$15,543	4.4
Unicare Life & Health Insurance Company	$2,816	$8,125	2.9
Pacificare Life Assurance Company	$295	$786	2.7
North Carolina Mutual Life Insurance Company	$2,879	$7,539	2.6
Genworth Life and Health (GE Group Life Assurance)	$7,969	$19,960	2.5
Pacific Life & Annuity Company	$3,260	$5,930	1.8
American Travelers Assurance Company	$2,600	$3,623	1.4
Time Insurance Company (Fortis)	$2,132	$2,771	1.3
John Alden Life Insurance Company	$2,636	$3,291	1.2
MARKET AVERAGE	$3,129	$12,434	4.0

Large Group Market

2004

Company	Average Premium	Maximum Premium	Magnitude of Difference
Principal Life Insurance Company	$3,292.00	$17,340.00	5.3
Union Security Insurance Company (Fortis Benefits)	$2,717.00	$13,894.00	5.1
Connecticut General Life Insurance Company	$1,238.00	$5,844.00	4.7
Time Insurance Company (Fortis)	$2,877.88	$12,535.42	4.4
Pacific Life & Annuity Company	$3,056.00	$9,359.00	3.1
Humana Insurance Company	$2,710.34	$7,237.29	2.7
Unicare Life & Health Insurance Company	$3,385.10	$8,945.45	2.6
North Carolina Mutual Life Insurance Company	$3,171.39	$7,704.50	2.4
Blue Cross and Blue Shield of Texas	$2,862.00	$6,864.44	2.4
Genworth Life and Health (GE Group Life Assurance)	$1,764.00	$4,159.00	2.4
John Alden Life Insurance Company	$3,318.00	$5,843.00	1.8
Trustmark Insurance Company	$3,539.00	$5,549.00	1.6
Mutual of Omaha Insurance Company	$3,694.00	$4,076.00	1.1
Pacificare Life Assurance Company	$225.92	$233.13	1.0
MARKET AVERAGE	$2,703.62	$7,827.45	2.9

2003

Company	Average Premium	Maximum Premium	Magnitude of Difference
Principal Life Insurance Company	$3,331.00	$17,403.00	5.2
Connecticut General Life Insurance Company	$1,340.00	$4,706.00	3.5
Genworth Life and Health (GE Group Life Assurance)	$4,331.00	$10,786.00	2.5
Humana Insurance Company	$2,624.17	$6,491.04	2.5
North Carolina Mutual Life Insurance Company	$2,731.40	$6,162.69	2.3
Blue Cross and Blue Shield of Texas	$2,843.80	$6,292.92	2.2
Unicare Life & Health Insurance Company	$3,104.00	$6,259.00	2.0
Pacific Life & Annuity Company	$2,870.00	$5,781.00	2.0
Union Security Insurance Company (Fortis Benefits)	$2,276.00	$4,109.00	1.8
Trustmark Insurance Company	$1,896.00	$3,048.00	1.6
American Travelers Assurance Company	$2,456.64	$3,924.00	1.6
Time Insurance Company (Fortis)	$1,491.77	$1,693.63	1.1
Pacificare Life Assurance Company	$218.18	$220.55	1.0
Bankers Life and Casualty Company	$2,351.00	$2,351.00	1.0
MARKET AVERAGE	$2,418.93	$5,659.13	2.2

Data from the TDI Annual Group Accident and Health Survey, 2003 - 2006

Notes: Data included for companies that reported both annual average and maximum premiums for a year. Data shown is as reported by insurers to TDI. TDI does not audit this data. Some premium data appears to have been reported as monthly premiums instead of annual premiums; however premium data were left as reported by insurers. Data were removed in the two instances where a company reported an average premium that exceeded its reported maximum premium in a year. Data included if companies reported the same amount for average and maximum premiums in any year.

Figure 8: Texas Small Employer Market - Refunds That Would Have Been Required Under HB 531

Illustration of Potential Refunds Due If a 75% Minimum Medical Loss Ratio Were Applied to 2006 Premiums and Claims Data

Company	Small Employer Premiums Written 2006	Small Employer Claims Paid 2006	Actual Medical Loss Ratio (C/B)	Example Minimum Medical Loss Ratio (Standard in HB 531)	Percentage Difference in Actual MLR and MLR Standard (D-E)	Refund Due Under HB 531: Additional expenditure needed as refunds to meet MLR standard (F*B)
Aetna Life Insurance Company	$245,319,857	$142,612,459	58.13%	75%	-16.87%	-$41,377,434
American Medical Security Life Insurance Company	$22,531,003	$14,399,019	63.91%	75%	-11.09%	-$2,499,233
Blue Cross and Blue Shield of Texas	$838,070,000	$558,945,000	66.69%	75%	-8.31%	-$69,607,500
Chesapeake Life Insurance Company	$29,521,320	$25,553,630	86.56%	75%	-	-
Genworth Life and Health Insurance Company (GE Group Life Assurance)	$2,778,991	$1,720,297	61.90%	75%	-13.10%	-$363,946
Golden Rule Insurance Company	$1,121,490	$914,775	81.57%	75%	-	-
Guardian Life Insurance Company of America	$45,900,866	$36,995,119	80.60%	75%	-	-
Humana Insurance Company	$371,953,209	$288,273,653	77.50%	75%	-	-
John Alden Life Insurance Company	$63,471,687	$44,473,567	70.07%	75%	-4.93%	-$3,130,198
MEGA Life and Health Insurance Company	$1,959,264	$1,233,213	62.94%	75%	-12.06%	-$236,235
Metropolitan Life Insurance Company	$21,887	$26,635	121.69%	75%	-	-
Pacific Life & Annuity Company	$21,244,494	$21,962,216	103.38%	75%	-	-
Pacificare Life Assurance Company	$176,959,292	$149,961,173	84.74%	75%	-	-
Principal Life Insurance Company	$275,068,258	$201,833,042	73.38%	75%	-1.62%	-$4,468,152
Time Insurance Company (Fortis)	$22,073,250	$16,324,543	73.96%	75%	-1.04%	-$230,395
Unicare Life & Health Insurance Company	$153,040,910	$116,409,955	76.06%	75%	-	-
Union Security Insurance Company (Fortis Benefits)	$42,905,871	$29,571,348	68.92%	75%	-6.08%	-$2,608,055
United Healthcare Insurance Company	$965,697,959	$754,417,217	78.12%	75%	-	-
TOTAL	**$3,279,639,608**	**$2,405,626,861**				**-$124,521,148**

Source: Premiums and claims data from the TDI Annual Group Accident and Health Survey, 2006

Figure 9: Texas Large Employer Market - Refunds That Would Have Been Required Under HB 531

Illustration of Potential Refunds Due If a 80% Minimum Medical Loss Ratio Were Applied to 2006 Premiums and Claims Data

Company	Large Employer Premiums Written 2006	Large Employer Claims Paid 2006	Actual Medical Loss Ratio (C/B)	Example Minimum Medical Loss Ratio (Standard in HB 531)	Percentage Difference in Actual MLR and MLR Standard (D-E)	Refund Due Under HB 531: Additional expenditure needed as refunds to meet MLR standard (F*B)
Aetna Life Insurance Company	$443,278,297	$402,639,359	90.83%	80%	-	-
American Medical Security Life Insurance Company	$848,381	$596,221	70.28%	80%	-9.72%	-$82,484
Blue Cross and Blue Shield of Texas	$710,322,000	$535,481,000	75.39%	80%	-4.61%	-$32,776,600
Connecticut General Life Insurance Company	$218,529,409	$173,866,245	79.56%	80%	-0.44%	-$957,282
Genworth Life and Health Insurance Company (GE Group Life Assurance)	$104,903	$74,353	70.88%	80%	-9.12%	-$9,569
Guardian Life Insurance Company of America	$64,414,393	$51,916,628	80.60%	80%	-	-
Humana Insurance Company	$275,187,908	$224,504,201	81.58%	80%	-	-
John Alden Life Insurance Company	$72,341	$129,077	178.43%	80%	-	-
Pacific Life & Annuity Company	$362,624	$445,867	122.96%	80%	-	-
Pacificare Life Assurance Company	$88,320,255	$33,101,103	37.48%	80%	-42.52%	-$37,555,101
Principal Life Insurance Company	$128,793,175	$112,119,020	87.05%	80%	-	-
Time Insurance Company (Fortis)	$202,026	$44,559	22.06%	80%	-57.94%	-$117,062
Unicare Life & Health Insurance Company	$96,827,638	$130,170,958	134.44%	80%	-	-
Union Security Insurance Company (Fortis Benefits)	$800,738	$331,900	41.45%	80%	-38.55%	-$308,690
United Healthcare Insurance Company	$1,113,296,014	$1,190,410,495	106.93%	80%	-	-
TOTAL	**$3,141,360,102**	**$2,855,830,987**				**-$71,806,789**

Source: Premiums and claims data from the TDI Annual Group Accident and Health Survey, 2006