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MCHP member health plans spent nearly \$19 billion on care in 2012

Per person spending grows, industry margin at 1 percent

ST. PAUL, Minn. — Health plans in Minnesota paid \$18.98 billion—\$52 million every day—for medical care on behalf of their members for doctor visits, prescription drugs, hospital stays and other medical services in 2012. In all, spending for care was up \$1.3 billion or 7 percent over 2011. According to the Minnesota Council of Health Plans (MCHP), the change between 2011 and 2012 in medical care by category was:

- Spending for care provided by hospitals in outpatient settings up 10 percent.
- Spending for care provided in emergency centers up 10 percent.
- Spending for care provided by chiropractors, therapists, social workers, nurse practitioners (health professionals other than physicians and dentists) up 15 percent.
- Spending on care for chemical dependency and mental health services provided in both inpatient and outpatient settings, excluding prescription medications and supplies, up 15 percent.
- Spending on care for people who were hospitalized up 9 percent.
- Spending on prescription drugs and non-reusable medical supplies spending up 14 percent.
- Spending for physician services, including costs for all services provided by or under the supervision of licensed medical doctors and doctors of osteopathy, up 8 percent.
- Spending on durable medical goods such as wheelchairs, eyewear, hearing aids, oxygen, equipment rental, etc., down 5 percent.
- Spending on care provided at a skilled nursing facility down 8 percent.
- Spending on care provided at home under the direction of a physician down 2 percent.

Overall, per person spending on care increased 5 percent over 2011.

Year	Operating Margin as % of premium revenue
2012	0.57
2011	1.8%
2010	1.52%
2009	0.83%
2008	0.39%
2007	(0.45%)
2006	(0.59%)
2005	(0.59%)

Average industry operating margin below 1 percent

The uptick in spending on care brought the overall industry-wide operating margin to 0.57 percent (\$120.1 million) on \$20.9 billion of premium revenue. Investment income of \$145.7 million made the 2012 contributions to reserves 1.2 percent (\$252.4 million) of total revenue.

National and state standards exist to ensure that health plans have sufficient reserves for continuous payment of members’ medical bills and for investing in technology and other improvements – even when there are unexpected catastrophic claims, natural disasters or market instability.

Margins in state public programs decrease

Revenue from state public programs serving 615,157 Minnesotans was \$4.1 billion in 2012 and the health plans spent more than \$10.2 million a day on care for enrollees. The year ended with an operating margin of 1.4 percent (\$56.7 million.) The average operating margin over the past 10 years on public programs is 1.8 percent of revenue.

“Managed care continues to demonstrate excellent value that allows the state to predict its budget and provide excellent coverage. As the state’s recent value of managed care report showed, Minnesota’s nonprofit health plans continue to outperform plans from across the nation in service, quality and access to care,” said Julie Brunner, executive director of the Minnesota Council of Health Plans.

Enrollments increase; small group enrollment decreases again; taxes on premiums \$261 million

In all, enrollment in MCHP’s seven member health plans topped 4.4 million, up 2 percent from 2011.

Enrollment in Special Needs BasicCare, an health plan for people ages 18 through 64 who have a disability and qualify for Medicaid, increased from 3,000 in 2011 to more than 18,000 in 2012 as the state moved from a fee-for-service coverage to managed care. (Individuals had the choice to opt out of the move.) Nearly 61,000 Minnesotans were enrolled in health care coverage under the federal expansion of Medicaid, an increase of 14 percent 2011. Overall, enrollment in all public programs combined (MinnesotaCare, Prepaid Medical Assistance Program, Special Needs BasicCare, Minnesota Senior Health Options and Minnesota Senior Care Plus) reached 615,157.

Data reported also show the following for 2012:

- Enrollment in coverage sponsored by large employers who self-fund their claims expenses remained steady at 2.2 million people, up 0.7 percent from 2011.
- Enrollment in insurance company products increased 4 percent to 1.5 million and HMO product enrollment remained steady at just more than 880,000 members.
- Group coverage for companies with 50 or fewer employees declined. More than 2,700 individuals (down 0.8 percent) lost small group coverage in 2012. Since 2004, nearly 115,000 individuals have lost small group coverage, a drop of 25 percent.
- Smaller employers and individual policyholders paid \$261.7 million health insurance premium taxes. The Medicaid surcharge on HMOs reached \$32 million, an increase of 26 percent over 2011.
- Enrollment in Medicare products increased to 459,917, up 5 percent over 2011.

State statute requires Minnesota’s health plans to submit reports on their financial status. The reports are independently audited to ensure they meet requirements of the Financial Accounting Standards Board, and definitions and standards promulgated by the National Association of Insurance Commissioners and the State of Minnesota. The Minnesota Council of Health Plans (MCHP) is the trade association for Minnesota’s seven nonprofit health plan companies. MCHP promotes the delivery of high-quality, affordable health care.