



COURT INTERNATIONAL BUILDING
 2550 UNIVERSITY AVENUE WEST
 SUITE 255 SOUTH
 ST. PAUL, MINNESOTA 55114
 651-645-0099 FAX 651-645-0098

For immediate release
 April 3, 2012

Contact:
 Eileen Smith
 612-840-4554
smith@mnhealthplans.org
 @eilsmi

MCHP member health plans spent nearly \$18 billion on care in 2011 *Per person spending slows, year-to-year margins remain below 2 percent*

ST.PAUL, Minn. — Health plans in Minnesota paid \$17.7 billion—\$48.4 million every day—for medical care on behalf of their members for doctor visits, prescription drugs, hospital stays and other medical services in 2011. In all, spending for care was up \$307 million or 1.8 percent over 2010. According to the Minnesota Council of Health Plans (MCHP), the change between 2010 and 2011 for medical care by category was:

- Spending for care provided by hospitals in outpatient settings increased 13.4 percent.
- Spending for care provided in emergency centers increased 6.9 percent.
- Spending for care provided by chiropractors, therapists, social workers, nurse practitioners (health professionals other than physicians and dentists) increased 5.2 percent.
- Spending on care for chemical dependency and mental health services provided in both inpatient and outpatient settings, excluding prescription medications and supplies, increased 4.3 percent.
- Spending on durable medical goods such as wheelchairs, eyewear, hearing aids, oxygen, equipment rental, etc., increased 26.7 percent.
- Spending on care provided at a skilled nursing facility increased 10 percent.
- Spending on care provided at home under the direction of a physician increased 6 percent.
- Spending on care for people who were hospitalized decreased 4 percent.
- Spending on prescription drugs and non-reusable medical supplies spending decreased 1 percent.
- Spending for physician services, including costs for all services provided by or under the supervision of licensed medical doctors and doctors of osteopathy, decreased 3.7 percent.

Average industry operating margin is below 2 percent

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

Per enrollee, spending on care increased 0.4 percent. The 2010 increase was 2.6 percent. This slowdown in spending helped create an overall industry-wide operating margin of 1.8 percent (\$355.7 million) on \$19.8 billion of premium revenue. Investment income of \$116.9 million brought the 2011 contributions to reserves to 2 percent (\$403.3 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. Without reserves, health plans would be at risk for the type of financial crisis which the state of Minnesota experienced the past few years. Medical care spending per person per day on average is four times more than what health plans hold in reserve.

Margins in state public programs remain steady; MinnesotaCare, Prepaid Medical Assistance Program margin above 1 percent returned to state

Revenue from five state public programs serving 579,214 Minnesotans reached nearly \$3.8 billion in 2011, with spending on medical care near \$9.2 million day. The year ended with an operating margin of 1.5 percent (\$55.7 million.) The public programs market continues to fluctuate with operating losses and gains between -1.0 percent in 2006 to 4.0 percent in 2010. The average operating margin over the past 10 years on public programs is 1.8 percent.

Due to the increase in the number of people eligible for Medicaid and uncertainty around the health care needs of the new enrollees, four health plans working with the Minnesota Department of Human Services agreed to return MinnesotaCare and Prepaid Medical Assistance Program (PMAP) margins above 1 percent of revenue to the state. Medical care costs for enrollees in these programs were not as high for some plans as anticipated by DHS and therefore MCHP estimates about \$73.2 million will be returned to the state.

“Minnesota’s nonprofit health plans continue to demonstrate excellent value that allows the state to predict its budget while ensuring broad access to high quality health care,” said Julie Brunner, executive director of the Minnesota Council of Health Plans.

Public programs, large employer, Medicare enrollments increase; small group enrollment decreases again as taxes on premiums reach \$272 million

Nearly 54,000 Minnesotans were enrolled in health care coverage under the federal expansion of Medicaid, which drove an 8 percent increase in public programs enrollment. Enrollment for all programs combined (MinnesotaCare, Prepaid Medical Assistance Program, Special Needs BasicCare, Minnesota Senior Health Options and Minnesota Senior Care Plus) reached 579,214.

Data reported in 2011 also show:

- Enrollment in coverage sponsored by large employers who self-fund their claims expenses grew nearly 2.4 percent to 2.2 million.
- Group coverage for companies with 50 or fewer employees declined. More than 14,300 individuals (down 4 percent) lost small group coverage in 2011.
- Taxes and assessments on premiums paid by smaller employers and individuals continued to increase. These employers and individuals (26 percent of state residents) paid \$136.5 million in assessments to cover losses in the state’s program for people unable to buy individual coverage, in addition to \$104.9 million in taxes on premiums. In all taxes and assessments (Minnesota Comprehensive Health Association assessment, premium taxes on HMOs and insurance companies, Medicaid surcharge on HMOs) in 2011 totaled \$271.8 million, up \$17.6 million or 7 percent over 2010. By 2014, it is estimated that taxes and assessments will add 8.5 percent to premiums for individuals and smaller employers.
- Enrollment in Medicare products increased nearly 10 percent to 438,927.
- In all, enrollment in MCHP’s seven member health plans topped 4.3 million, up 1.4 percent.

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.