

For immediate release
April 1, 2015

Eileen Smith
612-840-4554; smith@mnhealthplans.org

Health plan enrollment increases 308,895 *Spending on care up \$1.5 billion*

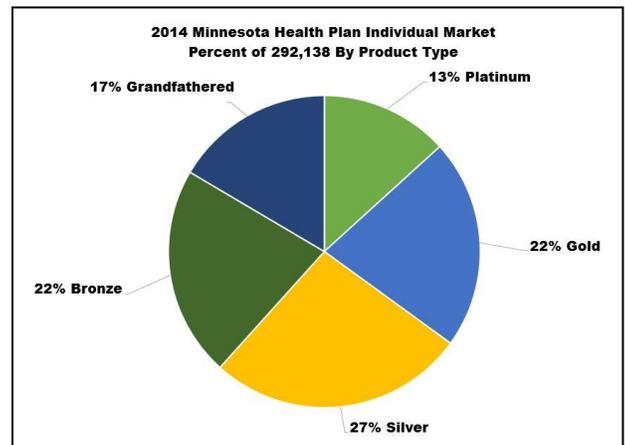
ST. PAUL, Minn.—Enrollment in Minnesota’s seven nonprofit health plans increased 308,895 or 6.8 percent, between 2013 and 2014, according to reports filed by Minnesota’s health insurers. With enrollment at more than 4.8 million, enrollment gains were seen in many segments but most notably within individual private coverage and public programs.

	2013 to 2014 Enrollment Increase	% increase 2013 to 2014
Individual market	101,505	53.3%
Employer Self-funded	82,031	3.6%
Medical Assistance/MinnesotaCare	148,907	29%
Medicare	40,199	8.1%

Data released today by the Minnesota Council of Health Plans (MCHP) provide the first industry-wide look at the impact of the Affordable Care Act (ACA) on Minnesota’s health market. ACA reforms help individuals pay for private market premiums, eliminate asset limits for Medicaid enrollment and make changes to standardize product options and add federal taxes.

“It’s great news that in year one of the ACA, more Minnesotans than ever before have health insurance,” said Jim Schowalter, president and CEO of MCHP. “But digging deeper into the data, we see that this is just the beginning of significant shifts in the marketplace.”

Enrollment in new individual market products showed consumers seeking a variety of options, with fewer than 1 in 4 selecting Bronze coverage. About 1 in 5 individual market members remained in grandfathered products, meaning their coverage started prior to the ACA start date. In total, most of these policies were sold directly to consumers, with MNsure, the state’s health insurance exchange, enrolling fewer than 14 percent of individual members.



Spending on care up \$1.5 billion

While aggregate year-over-year industry-wide financial performance remains steady, significant variation took place across companies, business lines and products. For example, more members from the state’s high risk pool selected new coverage in the individual market than predicted. With high risk pool members’ health care costs at three to four times higher than average, the accelerated move is one reason why individual market premium revenue did not cover expenses.

“Minnesotans have more choice than ever before—and that’s good—but it will take time to settle into a new normal. Individual market losses of \$316 million creates volatility that will take a few years to address,” said Schowalter.

Overall in 2014 MCHP member health plans paid \$21.3 billion—\$58.3 million every day—for medical care on behalf of their members for doctor visits, prescription drugs, hospital stays and other covered medical services. While per person spending on care increased just 0.8 percent, reflecting the impact of increased enrollment, overall spending for care was up more than \$1.5 billion or 7.7 percent over 2013.

Type of care/service	% Change	Type of care/service	% Change
Prescription drugs and non-reusable medical supplies	14.1%	Care provided in a skilled nursing facility	9.2%
Chemical dependency and mental health services	7.3%	Provided in emergency centers	6.9%
Care provided while hospitalized	4.3%	Services provided by physicians	3.4%
Care provided by hospitals in outpatient settings	7.1%	Services provided at home	(5.3%)
Care provided by chiropractors, therapists, social workers, nurse practitioners (health professionals other than physicians and dentists)	14.1%		

Industry operating margin remains below 1 percent

The overall industry-wide operating margin was 0.97 percent (\$229.4 million) on \$23.7 billion of premium revenue. Investment income was \$136.2 million. The 2014 contributions to reserves was 1.4 percent (\$330.9 million) of total revenue. Per enrollee, the amount of money in reserves decreased in 2014.

Year	Operating Margin as % of premium revenue
2014	0.97%
2013	0.67%
2012	0.57%
2011	1.8%
2010	1.52%
2009	0.83%
2008	0.39%
2007	(0.45%)
2006	(0.59%)
2005	(0.59%)

Revenue from state public programs serving 760,298 Minnesotans was \$5.1 billion in 2014. The year ended with an operating margin of 3.6 percent (\$185.2 million.) The average operating margin over the past 10 years on public programs is 1.8 percent of revenue.

Administrative costs remain flat

While overall administrative spending remains consistent as a percent of premium revenue (9.2 percent), the components of that spending have changed. The industry increased its spending on programs and services that improve the health of Minnesotans by 14.4 percent. In addition, premium taxes paid by smaller employers and individual policyholders increased 19.8 percent to \$387.9 million in 2014. The increase was driven by \$172.7 million in new fees and taxes designed to pay for premium subsidies, expanded public programs coverage and other changes called for as the ACA is implemented

nationwide. Taxes and assessments account for about 11 to 12 percent of the premium paid by policyholders. New taxes include:

- MNsure Premium Withhold, \$1.9 million
- ACA Comparative Effectiveness Fee, \$3 million
- ACA Federal Reinsurance Fund Fee, \$74 million
- ACA Federal Industry Tax, \$93.7 million

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.