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Local health insurers report operating losses over \$680 million

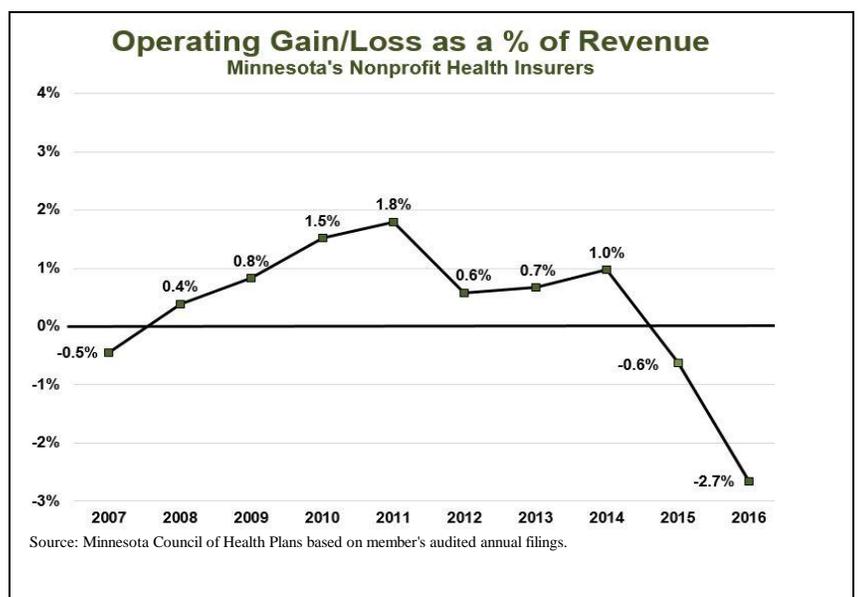
Minnesota Council of Health Plans releases 2016 industry results

St. Paul, Minn.—Minnesota health insurers reported \$687 million in operating losses for 2016, according to information released today by the Minnesota Council of Health Plans. Medical reserves were tapped to pay for doctor visits, nursing, hospital stays, medications and other care.

By law, insurance companies and HMOs file yearly financial reports March 1 and April 1. The Council's analysis combines data from the two reports and adds numbers from people who get insurance from large employers. These data provide the most complete and up-to-date picture available on health insurance in Minnesota.

"While information throughout last year pointed to some financial problems, \$687 million is a much bigger number than I expected," said Jim Schowalter, Council president. "Yet our medical bills got paid."

Overall, revenue from premiums increased 4 percent over the prior year to nearly \$25.9 billion, while expenses increased 6 percent to \$26.6 billion. State public programs accounted for more than half of the overall red ink, followed by continued losses in the individual market. Insurance employers provide remained steady. On average, health insurers paid \$763 per second for care. To pay those bills, insurers withdrew nearly \$560 million from state-mandated medical reserves.



Gap between premiums, expenses remains for Minnesotans who buy health insurance on their own

For the third straight year, premiums fell short of expenses for Minnesotans who do not get insurance through work or government-supported programs like Medicare or Medicaid. In 2016, individual market expenses were \$275.3 million more than premiums paid. This loss was reduced to \$222.7 million through federal help that pays some big medical bills. That help ended for 2017, making this the first year that premiums had to include all expected medical expenses. The

number of Minnesotans who bought health insurance on their own last year decreased 18 percent. On Dec. 31, 2016, about 4 percent of Minnesotans or 236,824 people bought policies directly.

Medical reserves pay \$374 million in care for Minnesotans with public insurance

Expenses for people in state-funded health insurance exceeded revenue as well. Payments from the state for care needed by children and families ended the year \$356.7 million short of expenses. Other state-supported insurance for people who are disabled or elderly and need extra help increased the shortfall by \$17.4 million.

For 2016, the Minnesota Department of Human Services (DHS) changed how it bought health insurance for children and families, announcing \$450 million in savings through competitive bidding. In the new contracting arrangement, health insurers hired by the state continued to be responsible for all expenses as in the past, but 2016 payments from DHS fell far short of paying expenses.

"The state wanted to save money and it did," said Schowalter. "The aim for the future should be working together so that taxpayers, businesses owners, individuals—whomever is paying the bill—saves money, too. Those savings require finding ways to reduce the actual expense of care we need."

Results drive past, future decisions effecting 4.8 million people

Numbers released today provide the context for difficult decisions of the past year that effected both Minnesotans who buy insurance on their own and those who get it with help from the state.

Schowalter cited fewer choices for individuals when choosing insurance, painful 2017 premium increases, and longer drives to get care for some Minnesotans. These changes prompted action at the beginning of the year by Gov. Dayton and legislators to pay 25 percent of the premium for many people who are buying insurance on their own in 2017 and take steps to help ensure these Minnesotans can get insurance and care closer to home in 2018.

While decisions coming from St. Paul and Washington, D.C., may still affect 2018 health insurance for some Minnesotans, employer-sponsored insurance for more than 3.2 million people is expected to be less effected. Employer insurance was the first to benefit from payment changes that reward wellbeing over the number of tests or procedures done. They have also experienced the success of partnerships with high-value networks of hospitals and clinics, as well as insurers' support of start-ups that offer new ways to get people the care they need. Health insurers are using what they learned from work with employers to make excellent care less expensive for all 4.8 million they serve, no matter who pays the medical bills.