

Annual Report Series 2015: Performance of the Massachusetts Health Care System
Massachusetts Medical Loss Ratios

Data Source

CHIA and Oliver Wyman Actuarial Consulting analyzed Massachusetts Division of Insurance (DOI) Annual Comprehensive Financial Statement (ACFS) data for 2013 from the following fourteen (14) companies:

Company	NAIC Code
Blue Cross and Blue Shield of Massachusetts, Inc.	53228
Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc.	12219
Boston Medical Center Health Plan, Inc.	13203
CeltiCare Health Plan of Massachusetts, Inc.	13632
Fallon Community Health Plan, Inc.	95541
Fallon Health & Life Assurance Company, Inc.	66828
Health New England, Inc.	95673
Harvard Pilgrim Health Care, Inc.	96911
HPHC Insurance Company, Inc.	18975
Neighborhood Health Plan, Inc.	11109
Tufts Health Public Plans / Network Health, LLC	14131
Tufts Associated Health Maintenance Organization, Inc.	95688
Tufts Insurance Company	60117
United HealthCare Insurance Company	79413

Health insurance carriers operating in Massachusetts file the ACFS with the DOI annually. The ACFS contains premiums, claims, and other expense detail for each line of business that the carrier offers. At the time of analysis, 2013 was the latest year for which data for the full market (Merged Market, Large Group, Medicaid, and Medicare Advantage) was available.

Annual Report Series 2015: Performance of the Massachusetts Health Care System

Massachusetts Medical Loss Ratios

Definitions and Analytic Detail

Large Group

Commercial plans with over 50 members, excluding the Group Insurance Commission (GIC) and Federal Employee Health Benefit Plan (FEHBP).

Medical Loss Ratios

Medical Loss Ratios (MLRs) represent the proportion of a plan's earned premium, net of taxes and assessments, spent by that plan on member medical claims (and other qualifying expenses). CHIA and Oliver Wyman calculated MLRs as follows:

$$\text{MLR} = (\text{Incurred Claims} + \text{Quality Improvement} + \text{Fraud and Abuse Expenses}) / (\text{Premiums} - \text{Taxes} - \text{Assessments})$$

MLRs presented in brief and databook are estimates without potential credibility adjustments and prior years' experience. Estimated MLRs may differ from those presented by the Massachusetts DOI due to different data sources used for different purposes.

Merged Market

Commercial Individual and Small Group business excluding the Group Insurance Commission (GIC).

Premium Decomposition

Premium decomposition represents the breakdown of premium revenue into its various uses. As shown in the brief and databook, premium decomposition comprises the following categories:

- Medical Claims
- Quality Improvement and Fraud Detection/Recovery Expenses
- Profit/Loss
- Administration, Taxes, and Profit/Loss (net of Investment Income)

Premium Retention

Premium retention represents the difference between premiums earned and incurred claims. CHIA and Oliver Wyman calculated retention as the sum of the following AFCS categories:

- Investment Gains and Losses
- Financial Administration Expenses
- Marketing and Sales Expenses
- Distribution Expenses
- Claims Operations Expenses
- Medical Administration Expenses
- Network Operational Expenses
- Taxes, Assessments & Fines
- General Administration
- Charitable Expense
- Detailed Miscellaneous Expenses

Annual Report Series 2015: Performance of the Massachusetts Health Care System
Massachusetts Medical Loss Ratios

- Capital Expenses & Depreciation
- Net Income Gain or Loss

Small Group

Commercial non-Individual plans with between 1 and 50 members.

[For questions, contact: Kevin Meives, Senior Health System Policy Analyst, at Kevin.Meives@state.ma.us]