

California Health Plans Continue Profitable Ways in 2010

Analysis of Financial Results from January 2010 through June 2010

By David Peel

*Publisher and Editor
California Healthcare News*



In a sign of continued stability for the California Health Plan industry, twenty-eight of the largest thirty plans reported positive net income through the first six months of 2010. Total enrollment of 20.9 million was comparable to the same time period in 2009 while total revenues of \$47.8 billion were up \$1.9 billion. Investment revenues were considerably higher during the first six months of 2010 with \$624.8 million reported versus \$193.9 million reported during the same time period in 2009.

Enrollment

Migration to plans with Medi-Cal

enrollment from plans with commercial enrollment continued throughout the first six months of 2010. L.A. Care Health Plan, Partnership HealthPlan of California, Inland Empire Health Plan and Central California Alliance for Health all saw enrollment gains greater than 50 thousand when compared to the same time period in 2009. All four plans manage significant blocks of Medi-Cal enrollment.

When comparing enrollment at June 30, 2010 to June 20, 2009, Blue Cross of California lost 206 thousand members, PacifiCare of California lost 202 thousand members and Aetna Health of California, Inc. lost 65 thousand members, respectively. All three plans have large blocks of commercial business.

Heritage Provider Network, Inc., a limited Knox-Keene licensed organization with only commercial and Medicare enrollment, bucked the trend and grew 126 thousand members to 450 thousand members. However, most of the growth came from the acquisition of Lakeside Medical Systems, Inc. during late 2009.

Total Revenues

The industry increase of 4% in to-

tal revenues suggests premium inflation may be slowing. However, this may be misleading given the migration of enrollment from commercial to Medi-Cal plans distort the true level of premium increase needed to cover costs. Per capita Medi-Cal premiums are much lower than commercial premiums and many providers believe they are set at rates below cost.

Investment Revenues

Total investment revenues, while substantially higher for the six months ended June 30, 2010 relative to the same time period in 2009, appear to be returning to historical norms. The stock market was erratic in the twelve month period from July 1, 2008 to June 30, 2009 and comparisons to portions of this one year time period are cautioned.

Net Income

Total net income of \$1.8 billion for the period January 1, 2010 through June 30, 2010 was comparable to the same time period in 2009. 14 plans reported lower net income and 16 plans reported higher net income which also demonstrates how balanced the California Health Plan industry was during the first six months of 2010.

California Health Plan Financial Results (000's omitted)

Largest Thirty Plans Sorted by 2010 Revenues

Calendar Year-to-Date June 30, 2010 compared to Calendar Year-to-Date June 30, 2009

Health Plan Name ¹	Enrollment as of Month End			Calendar Year-to-Date Revenues Through			Calendar Year-to-Date Investment Revenues Through			Calendar Year-to-Date Net Income Through		
	06/10	06/09	Change	06/10	06/09	Change	06/10	06/09	Change	06/10	06/09	Change
Kaiser Foundation Health Plan, Inc.	6,710	6,755	-45	22,362,578	21,161,695	1,200,883	388,879	68,733	320,146	1,110,510	1,050,439	60,071
Blue Cross of California	3,470	3,676	-206	5,575,020	5,583,270	-8,250	59,685	-38,108	97,793	130,218	201,946	-71,728
Health Net of California, Inc.	2,169	2,163	6	4,546,278	4,401,106	145,172	37,864	25,818	12,046	53,733	65,674	-11,941
Blue Shield of California	2,551	2,552	-1	4,381,449	4,258,582	122,867	99,354	60,206	39,148	133,604	118,052	15,552
PacificCare of California	908	1,110	-202	3,227,973	3,721,417	-493,444	18,939	21,381	-2,442	177,193	192,553	-15,360
Aetna Health of California, Inc.	421	486	-65	925,004	956,099	-31,095	8,476	8,779	-303	26,788	26,708	80
Scan Health Plan	117	109	8	816,247	815,580	667	-3,026	33,835	-36,861	803	43,326	-42,523
Heritage Provider Network, Inc.	450	324	126	763,273	543,947	219,326	1,728	656	1,072	996	1,204	-208
CalOptima	410	379	31	629,949	575,453	54,496	2,851	2,355	496	19,032	-25,103	44,135
L.A. Care Health Plan	848	795	53	589,268	575,306	13,962	909	2,077	-1,168	8,532	5,587	2,945
Cigna HealthCare of California, Inc.	242	224	18	433,473	401,899	31,574	1,475	1,682	-207	2,132	-4,295	6,427
Inland Empire Health Plan	453	400	53	363,584	271,643	91,941	221	199	22	4,603	2,217	2,386
Partnership HealthPlan of California	163	98	65	333,983	187,610	146,373	322	608	-286	16,458	14,503	1,955
Care 1st Health Plan	314	305	9	329,219	345,925	-16,706	652	832	-180	5,734	7,204	-1,470
CareMore Health Plan	38	32	6	287,954	236,682	51,272	690	836	-146	23,521	24,473	-952
Central California Alliance for Health	198	119	79	274,660	162,656	112,004	1,020	882	138	8,894	1,335	7,559
Molina Healthcare of California	348	349	-1	245,357	225,398	19,959	160	156	4	3,406	-10,371	13,777
San Mateo Health Commission	69	74	-5	208,134	141,818	66,316	127	306	-179	-2,076	-962	-1,114
PRIMECARE Medical Network, Inc.	174	186	-12	207,870	204,149	3,721	507	200	307	5,182	6,369	-1,187
Arcadian Health Plan, Inc.	40	29	11	189,768	136,521	53,247	2,942	1,100	1,842	5,240	8,431	-3,191
GenCal Health	102	95	7	146,295	131,227	15,068	123	356	-233	-5,560	-3,271	-2,289
Western Health Advantage	73	83	-10	145,672	145,014	658	83	103	-20	569	754	-185
County of LA-Dept of Health Svcs.	195	180	15	144,881	139,382	5,499	107	228	-121	8,876	15,766	-6,890
AIDS Healthcare Foundation	1	1	0	122,072	97,761	24,311	135	11	124	8,144	8,314	-170
Scripps Health Plan Services, Inc.	28	36	-8	114,362	130,213	-15,851	25	173	-148	282	5	277
Community Health Group	121	113	8	100,794	79,570	21,224	38	181	-143	10,843	-978	11,821
Contra Costa Health Plan	87	82	5	98,156	104,768	-6,612	-19	74	-93	1,300	878	422
Sharp Health Plan	48	46	2	98,145	86,824	11,321	290	202	88	1,329	493	836
Kern Health Systems	104	101	3	77,813	70,835	6,978	-224	-270	46	5,455	464	4,991
Valley Health Plan	73	68	5	74,413	64,664	9,749	122	259	-137	4,822	-145	4,967
Totals	20,925	20,970	-45	47,813,644	45,957,014	1,856,630	624,840	193,850	430,605	1,767,848	1,751,580	18,993

Source: California Department of Managed Health Care (DMHC). ¹Although among the largest thirty health plans, Santa Clara Family Health Plan figures aren't presented as their first quarter 2009 financial reports aren't on the DMHC web site.

David Peel is the Publisher and Editor of the California Healthcare News. He has held Chief Financial Officer positions at several west coast health plans over his 25 year career. He can be reached at dpeel@wahcnews.com or 425-577-1334. To learn more visit www.cahcnews.com.

Reprinted with permission from the California Healthcare News. To learn more about the California Healthcare News visit cahcnews.com.