

MYTH

A health plan's administrative costs, executive salaries and profits drive health insurance premiums higher.



REALITY

Univera Healthcare and its parent company spent about 87 percent of its premium revenue on medical benefits in 2016, excluding the \$105 million dollar federal Health Insurer Tax.

Administrative costs and margin represent about 13 percent of the premium dollar. Administrative costs, which include salaries, have been reduced by about 10 percent from 2014 - 2016.

As a regional, nonprofit health insurer, our health plan's operating margin averaged just 0.3 percent of premium revenue from 2012 - 2016.

Premium increases locally and across the country are largely driven by medical and pharmaceutical cost trends that include:

- ▶ **Medical price inflation**
(driven by new technologies, etc.)
- ▶ **Increasing Rx prices**
(driven by specialty medications, etc.)
- ▶ **Increasing utilization/volume**
(driven by an aging population, etc.)
- ▶ **Medication non-adherence**
- ▶ **Lifestyle issues** (obesity, etc.)
- ▶ **Overtreatment/unnecessary care**
- ▶ **Government taxes and legislation**

There are other factors that directly drive premium rate increases, including selection, intensity, and leveraging.

For additional information about the components of a premium increase, go to:

<https://tinyurl.com/Understanding-Premiums-UN>



HEALTH INSURANCE: Separating MYTHS from REALITY

univera
HEALTHCARE
an excellus company

Health Insurance MYTHS vs. REALITY

MYTH	REALITY
 <p>Health insurers generate excessive profits.</p>	<p>As a nonprofit health plan, Univera Healthcare and its parent company's operating margin has averaged just 0.3 percent from 2012 to 2016. Average earnings before interest and taxes are less than one third of the average earnings of large for-profit insurers.</p> <p>2016 net income = \$83 per member for the year</p>
<p>As a nonprofit health plan, Univera Healthcare and its parent company doesn't pay taxes.</p> 	<p>Univera Healthcare and its parent company pays half a billion dollars a year in state and federal taxes (but is exempt from some other taxes, such as sales tax, property tax, etc.)</p> <p>2016 taxes = \$488 million 2015 taxes = \$498 million</p>
<p>Health insurers' administrative costs drive premiums higher.</p> 	<p>In 2016, our health plan had the lowest administrative cost-per-member among upstate NY health insurers.</p> <p>From 2014 to 2016, our administrative costs decreased by about 10 percent.</p>
 <p>Health plans set medical policies to save money and increase profits.</p>	<p>Univera Healthcare's medical policies are developed in collaboration with local physicians and health practitioners. They are based on clinical evidence to ensure the treatments are safe and effective.</p> <p>Before adoption, draft medical policies are posted on the web for public review and comment.</p>
<p>Health insurers have excessive financial reserves that could be used to reduce premiums.</p> 	<p>Reserves are required to financially protect members, doctors, hospitals and other providers from unexpected threats and events, such as natural disasters or health epidemics.</p> <p>Without strong reserves, an insurer could become insolvent if premiums are set artificially low. For example, Health Republic Insurance of NY was shut down in 2015 with about \$200 million in unpaid claims.</p> <p>Univera Healthcare and parent company 2016 reserves = 76 days of claims and administrative expenses = \$1,009 per member</p> <p>Other upstate health plans' reserves = \$1,261 per member</p>