

Prepared by:

**Jeremy D. Palmer, FSA, MAAA**  
Principal and Consulting Actuary

**Christopher T. Pettit, FSA, MAAA**  
Consulting Actuary

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# Medicaid risk-based managed care: Analysis of financial results for 2013





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## TABLE OF CONTENTS

|   |    |
|---|----|
| INTRODUCTION  | 2  |
| SUMMARY OF RESULTS                                  | 3  |
| FINANCIAL METRICS                                   | 5  |
| Medical loss ratio                                  | 5  |
| Administrative loss ratio                           | 6  |
| Underwriting ratio                                  | 6  |
| Risk-based capital ratio                            | 7  |
| MCO GROUPING  | 8  |
| CMS region  | 8  |
| State of domicile                                   | 8  |
| Annual Medicaid revenue                             | 10 |
| Medicaid revenue PMPM                               | 10 |
| Type of MCO (Medicaid-focused or Medicaid other)    | 11 |
| Affiliation type of MCO (independent or affiliated) | 11 |
| MCO financial structure (for-profit, nonprofit)     | 12 |
| Pharmacy indicator                                  | 12 |
| Reported gain or loss                               | 13 |
| CONCLUSION  | 14 |
| LIMITATIONS AND DATA RELIANCE                       | 15 |
| QUALIFICATIONS                                      | 15 |
| ABOUT THE AUTHORS                                   | 16 |
| ACKNOWLEDGEMENTS                                    | 17 |
| <br>  |    |
| APPENDIX 1 (MAPPING OF CMS REGIONS)                 | 18 |
| APPENDIX 2 (DETAILED RESULTS OF FINANCIAL METRICS)  | 19 |
| APPENDIX 3 (MCO ATTRIBUTES)                         | 23 |

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## INTRODUCTION

Risk-based managed care is the current platform from which Medicaid recipients receive healthcare benefits, at least in part, in more than 35 states in the United States. Managed care organizations (MCOs) of all varieties contract with state Medicaid agencies to deliver and manage the healthcare benefits under the Medicaid program in exchange for predetermined capitation revenue.

Most states require that a contracted MCO also be a licensed health maintenance organization (HMO), which includes the requirement to file a statutory annual statement with the state insurance regulator. The statutory HMO annual statement is a standard reporting structure developed and maintained by the National Association of Insurance Commissioners (NAIC) with prescribed definitions allowing comparisons among various reporting entities.

This report summarizes the calendar year (CY) 2013 experience for selected financial metrics of organizations reporting Medicaid experience under the Title XIX Medicaid line of business on the NAIC annual statement. The information was compiled from the reported annual statements.<sup>1</sup> Companies may be excluded from this report if they did not submit an annual statement, if they have less than \$10 million in annual Medicaid (Title XIX) revenue, if they are a specialized behavioral health or community care plan, if premium revenues indicate a limited set of covered services, or if they are omitted from the NAIC database of annual statements utilized for this report.

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**The primary purpose of this report is to provide reference and benchmarking information for certain key financial metrics used in the day-to-day analysis of Medicaid MCO financial performance.**

The primary purpose of this report is to provide reference and benchmarking information for certain key financial metrics used in the day-to-day analysis of Medicaid MCO financial performance. The financial results are summarized on a composite basis for all reporting MCOs. Additionally, this report explores the differences among various types of MCOs using available segmentation attributes defined from the reported financial statements.

The target audiences of this report include state Medicaid agency and MCO personnel responsible for reviewing and monitoring the financial results of a risk-based managed care program.

The intent is that this report will be updated on an annual basis. This is the sixth version of the report, reflecting CY 2013 information. Previous versions of this report can be obtained from the Milliman website ([www.milliman.com](http://www.milliman.com)). The methodology used to generate this report is substantially consistent with the previous year's report.

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<sup>1</sup> National Association of Insurance Commissioners Annual Statement Database, as delivered by SNL Financial, LC, all rights reserved.

## SUMMARY OF RESULTS

The CY 2013 annual statements for 35 states and territories comprising 167 MCOs were compiled to produce outcomes of key financial metrics for various company groupings. The distribution of results is summarized in this report to allow for user reference and benchmarking purposes.

MCOs reporting \$10 million or more in annual Medicaid (Title XIX) revenue, excluding specialized behavioral health and community care plans, were retained and categorized using certain key attributes. The attributes included the Centers for Medicare and Medicaid Services (CMS) region, state of domicile, annual Medicaid revenue, Medicaid revenue per member per month (PMPM), type of MCO (Medicaid focused or Medicaid other), affiliation type of MCO (independent or affiliated), MCO financial structure, pharmacy indicator, and underwriting (UW) gain or loss.

The financial metrics include the medical loss ratio (MLR), administrative loss ratio (ALR), underwriting ratio (UW Ratio), and risk-based capital ratio (RBC Ratio). The selected metrics focus primarily on the income statement values of the financial statement, with the exception of the RBC Ratio, which is a capital (or solvency) measure.

Figure 1 summarizes the composite CY 2013 financial results for the 167 companies meeting the criteria selected for this study. The companies represent experience from 35 states with over \$83 billion in annual revenue.

The CY 2013 annual statements for 35 states and territories comprising 167 MCOs were compiled to produce outcomes of key financial metrics for various company groupings.

**FIGURE 1: COMPOSITE CY 2013 FINANCIAL RESULTS**

| FINANCIAL METRIC                | COMPOSITE MEAN | 25TH PERCENTILE | 50TH PERCENTILE | 75TH PERCENTILE |
|---------------------------------|----------------|-----------------|-----------------|-----------------|
| MEDICAL LOSS RATIO (MLR)        | 87.4%          | 83.5%           | 87.3%           | 92.0%           |
| ADMINISTRATIVE LOSS RATIO (ALR) | 11.4%          | 8.3%            | 11.0%           | 13.7%           |
| UW RATIO                        | 1.2%           | (1.8%)          | 1.0%            | 4.2%            |
| RBC RATIO                       | 468%           | 301%            | 390%            | 537%            |

1. Values have been rounded.
2. The percentile distributions were developed independently for each metric. As such, the MLR plus ALR plus UW Ratio do not necessarily sum to 100%.

Figure 2 summarizes the composite financial results for the most recent five-year period. The companies in each year are not the same; however, the criteria used to select the companies are consistent from year to year.

| <b>FIGURE 2: COMPOSITE FINANCIAL RESULTS</b> |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>FINANCIAL METRIC</b>                      | <b>CY 2009</b> | <b>CY 2010</b> | <b>CY 2011</b> | <b>CY 2012</b> | <b>CY 2013</b> |
| <b>NUMBER OF COMPANIES</b>                   | <b>148</b>     | <b>150</b>     | <b>151</b>     | <b>162</b>     | <b>167</b>     |
| <b>MEDICAID REVENUE (IN \$BILLIONS)</b>      | <b>\$48.1</b>  | <b>\$54.6</b>  | <b>\$62.0</b>  | <b>\$73.8</b>  | <b>\$83.7</b>  |
| <b>MEMBER MONTHS (IN MILLIONS)</b>           | <b>194</b>     | <b>218</b>     | <b>230</b>     | <b>249</b>     | <b>262</b>     |
| <b>MEDICAL LOSS RATIO (MLR)</b>              | <b>87.9%</b>   | <b>85.3%</b>   | <b>85.5%</b>   | <b>87.9%</b>   | <b>87.4%</b>   |
| <b>ADMINISTRATIVE LOSS RATIO (ALR)</b>       | <b>11.5%</b>   | <b>12.1%</b>   | <b>12.1%</b>   | <b>11.4%</b>   | <b>11.5%</b>   |
| <b>UW RATIO</b>                              | <b>0.6%</b>    | <b>2.6%</b>    | <b>2.4%</b>    | <b>0.7%</b>    | <b>1.2%</b>    |
| <b>RBC RATIO</b>                             | <b>447%</b>    | <b>511%</b>    | <b>515%</b>    | <b>491%</b>    | <b>468%</b>    |

1. Values have been rounded.

**The results illustrated above indicate that, in aggregate, the financial results for the MCOs in this report deteriorated significantly from CY 2011 to CY 2012, but rebounded somewhat in CY 2013.**

The results illustrated above indicate that, in aggregate, the financial results for the MCOs in this report deteriorated significantly from CY 2011 to CY 2012, but rebounded somewhat in CY 2013. Additionally, the amount of capital maintained by the MCOs (measured using the RBC Ratio) has continued to decrease in comparison to CY 2010 and 2011 RBC Ratio levels. While Medicaid enrollment continues to increase with the member months growing by over 5% from CY 2012 to CY 2013, the revenues increased by over 13%. The larger growth in revenue is partially due to the continuing expansion of managed care to higher-cost Medicaid-eligible populations.

## FINANCIAL METRICS

The financial metrics calculated for purposes of this report include the medical loss ratio (MLR), administrative loss ratio (ALR), underwriting ratio (UW Ratio), and risk-based capital ratio (RBC Ratio). The selected metrics focus primarily on the income statement values of the financial statement, with the exception of the RBC Ratio, which is a capital (or solvency) measure.

The financial metrics selected encompass four of the primary ratios used by MCOs, state Medicaid agencies, and other stakeholders to evaluate the financial performance of a health plan. The metrics are defined in greater detail below.

### Medical loss ratio

MLR is a common financial metric used to report and benchmark the financial performance of an MCO. The MLR represents the proportion of revenue that was used by the MCO to fund claim expenses. The MLR is stated as a percentage with claim expense in the numerator and revenue in the denominator.

In terms of the statutory annual statement, the MLR was defined as follows:

|               |   |
|---------------|---|
| <b>MLR =</b>  | $\frac{\text{Total Hospital and Medical Expenses} + \text{Increase in Reserves for A\&H Contracts}}{\text{Total Revenue}}$  |
| <b>Where:</b> | <p>Total Hospital and Medical Expenses: Title XIX–Medicaid (P.7, L.17, C.8)</p> <p>Increase in Reserves for Accident and Health (A&amp;H)<br/>Contracts: Title XIX–Medicaid (P.7, L.21, C.8)</p> <p>Total Revenue: Title XIX–Medicaid (P.7, L.7, C.8)</p> |

Note: Certain states include pass-through type programs such as franchise fees or provider taxes. These items may or may not be included in the total revenue reported by the MCO because the reporting practices vary among plans. If reported in the total revenue, there should be a corresponding offset amount included in the administrative costs for this as well.

Actuaries and financial analysts use the MLR as a measure of premium adequacy and often compare the resulting MLR to a “target” level. The MLR alone is not sufficient to compare MCO financial results among various states and programs. The target loss ratios (the claim cost included in the premium or capitation rate) vary by state and populations enrolled. Additionally, there may be reporting differences among MCOs as to what is classified as medical expense versus administrative expense.

It should be noted that the definition of MLR for purposes of this report may not be consistent with other definitions, in particular the MLR definition resulting from the provisions in the Patient Protection and Affordable Care Act (ACA) for minimum loss ratios for commercial plans. The National Association of Insurance Commissioners (NAIC) allows for the reduction of taxes, licensing, and regulatory fees from the revenue as well as the addition of quality improvement expenditures to the hospital and medical expenses in the numerator. These items could increase the MLR percentage.

The financial metrics calculated for purposes of this report include the medical loss ratio (MLR), administrative loss ratio (ALR), underwriting ratio (UW Ratio), and risk-based capital ratio (RBC Ratio).

### Administrative loss ratio

ALR is also a common financial metric used to report and benchmark the financial performance of an MCO. The ALR represents the proportion of revenue that was used by the MCO to fund administrative expenses. The ALR is stated as a percentage with administrative expense in the numerator and revenue in the denominator.

In terms of the statutory annual statement, the ALR was defined as follows:

$$\text{ALR} = \frac{\text{Claim Adjustment Expenses} + \text{General Administrative Expenses}}{\text{Total Revenue}}$$

**Where:**  
Claim Adjustment Expenses: Title XIX–Medicaid (P.7, L.19, C.8)  
General Administrative Expenses: Title XIX–Medicaid (P.7, L.20, C.8)  
Total Revenue: Title XIX–Medicaid (P.7, L.7, C.8)

Note: Certain states include pass-through type programs such as franchise fees or provider taxes. These items may or may not be included in the total revenue reported by the MCO because the reporting practices vary among plans. If reported in the total revenue, there should be a corresponding offset amount included in the administrative costs for this as well.

The ALR requires interpretation and considerations similar in nature to the MLR metric outlined above.

### Underwriting ratio

The UW Ratio is the sum of the MLR and the ALR subtracted from 100%. A positive UW Ratio indicates a financial gain, while a negative UW Ratio indicates a loss. This financial metric is used to report and benchmark the financial performance of an MCO in consideration of both medical and administrative expenses. The UW Ratio represents the proportion of revenue that was “left over” to fund the MCO’s contribution to surplus and profit after funding medical and administrative expenses. The UW Ratio is stated as a percentage with total underwriting gain or loss in the numerator and revenue in the denominator.

In terms of the statutory annual statement, the UW Ratio was defined as follows:

$$\text{UW Ratio} = \frac{\text{Net Underwriting Gain or (Loss)}}{\text{Total Revenue}}$$

**Where:**  
Net Underwriting Gain or (Loss): Title XIX–Medicaid (P.7, L.24, C.8)  
Total Revenue: Title XIX–Medicaid (P.7, L.7, C.8)

Note: Certain states include pass-through type programs such as franchise fees or provider taxes. These items may or may not be included in the total revenue reported by the MCO because the reporting practices vary among plans. If reported in the total revenue, there should be a corresponding offset amount included in the administrative costs for this as well.

The UW Ratio is focused on the income from operations and excludes consideration of investment income and income taxes. The UW Ratio requires interpretation and considerations similar in nature to the MLR and ALR metrics outlined above.



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### Risk-based capital ratio

The RBC Ratio is a financial metric used by many insurance regulators to monitor the solvency of the MCOs. The RBC Ratio represents the proportion of the required minimum capital that is held by the MCO as of a specific date (the end of the financial reporting period). The RBC Ratio is stated as a percentage or a ratio with total adjusted capital (TAC) in the numerator and authorized control level (ACL) in the denominator.

The NAIC prescribes a specific formula to develop both the TAC and the ACL. Further, the MCO is subjected to various action levels based on the resulting RBC Ratio as follows:

- Company action level (TAC is between 150% and 200% of the ACL RBC)
- Regulatory action level (TAC is between 100% and 150% of the ACL RBC)
- Authorized control level (TAC is between 70% and 100% of the ACL RBC)
- Mandatory control level (TAC less than 70% of the ACL RBC)

Further details and discussion of the RBC requirements may be found at the NAIC website (<http://www.naic.org>).

In terms of the statutory annual statement, the RBC Ratio was defined as follows:

$$\text{RBC Ratio} = \frac{\text{Total Adjusted Capital}}{\text{Authorized Control Level}}$$

**Where:** Total Adjusted Capital: Total Adjusted Capital–Current Year (P.28, L.14, C.1)  
Authorized Control Level: Authorized Control Level–Current Year (P.28, L.15, C.1)

Note: The RBC Ratio is not unique to the Medicaid Title XIX line of business as it is calculated at the company level. Therefore, companies reporting non-Medicaid business will reflect composite RBC Ratios for all lines of business within the reported legal entity.

## MCO GROUPING

MCOs reporting \$10 million or more in annual Medicaid (Title XIX) revenue, excluding specialized behavioral health and community care plans and limited service plans, were retained and categorized using certain key attributes. The attributes included the CMS region, state of domicile, annual Medicaid revenue, Medicaid revenue PMPM, type of MCO (Medicaid focused or Medicaid other), affiliation type of MCO (independent or affiliated), MCO financial structure, pharmacy indicator, and UW gain or loss.

**The MCO groupings selected encompass plan characteristics that were available on the reported financial statements and may be expected to exhibit differing results for the selected financial metrics.**

The MCO groupings selected encompass plan characteristics that were available on the reported financial statements and may be expected to exhibit differing results for the selected financial metrics. The groupings are defined in greater detail below.

### CMS region

Healthcare delivery and premium revenue are believed to vary by geographic location. As such, it may be inferred that at least some portion of the financial results for an MCO are correlated to the geographic area in which the MCO is operating.

This report includes an MCO grouping representing the geographic segmentation of MCOs. The region was defined using the CMS regional definitions illustrated in Appendix 1 of this report. These definitions were taken from the CMS website (<http://www.cms.hhs.gov>). The region grouping is not the specific level at which premiums or capitations are established, however, and this could diminish the value of correlation among financial results at this grouping level.

Plans operating in the states of California and Arizona are not included in this report, which is due to the lack of consistency in reporting and separate identifications of Medicaid experience on the financial statement pages.

**FIGURE 3: CMS REGION**

| CMS REGION | N  | MLR   | ALR   | UW RATIO | RBC RATIO |
|------------|----|-------|-------|----------|-----------|
| REGION 1   | 8  | 94.1% | 7.9%  | (2.0%)   | 377%      |
| REGION 2   | 12 | 88.1% | 10.6% | 1.3%     | 591%      |
| REGION 3   | 24 | 87.7% | 11.3% | 0.9%     | 402%      |
| REGION 4   | 30 | 86.3% | 11.7% | 2.0%     | 387%      |
| REGION 5   | 43 | 85.8% | 11.8% | 2.4%     | 512%      |
| REGION 6   | 26 | 87.0% | 12.4% | 0.6%     | 409%      |
| REGION 7   | 10 | 93.5% | 9.9%  | (3.3%)   | 347%      |
| REGION 8   | 2  | 86.8% | 9.6%  | 3.6%     | 754%      |
| REGION 9   | 5  | 89.8% | 9.7%  | 0.6%     | 507%      |
| REGION 10  | 7  | 85.7% | 13.0% | 1.3%     | 400%      |

### State of domicile

The state in which the MCO is incorporated (state of domicile) was considered for segmentation purposes because the combination of MCO and state of domicile is the finest level of detail available for reporting the statutory annual statement values. The state level is also the level at which the premiums are calculated, ignoring populations enrolled, intrastate regions, and other premium rating characteristics. As such, the resulting financial performance for MCOs within a state may be thought to be correlated in some way given the homogeneous program characteristics and premium rating methodology. However, the state of domicile, in certain cases, may contain only a limited number of data points from which to compile reasonable results. Figure 4 provides average values for each state or territory with at least one health plan included in this analysis. For a limited number of health plans, the state of domicile was manually adjusted to represent the state where the Medicaid business is currently operated.

**FIGURE 4: STATE OF DOMICILE**

| STATE OF DOMICILE    | N  | MLR    | ALR   | UW RATIO | RBC RATIO |
|----------------------|----|--------|-------|----------|-----------|
| DISTRICT OF COLUMBIA | 4  | 82.5%  | 14.7% | 2.9%     | 163%      |
| FLORIDA              | 14 | 87.8%  | 12.5% | (0.2%)   | 324%      |
| GEORGIA              | 3  | 84.7%  | 14.1% | 1.2%     | 317%      |
| HAWAII               | 3  | 97.6%  | 7.8%  | (5.4%)   | 483%      |
| ILLINOIS             | 2  | 84.3%  | 14.8% | 0.9%     | 402%      |
| INDIANA              | 3  | 84.1%  | 15.2% | 0.8%     | 552%      |
| IOWA                 | 1  | 99.2%  | 9.1%  | (8.3%)   | 352%      |
| KANSAS               | 2  | 100.0% | 11.1% | (11.2%)  | 261%      |
| KENTUCKY             | 4  | 88.0%  | 7.3%  | 4.6%     | 456%      |
| LOUISIANA            | 3  | 85.9%  | 12.5% | 1.6%     | 294%      |
| MARYLAND             | 3  | 86.4%  | 11.6% | 1.9%     | 426%      |
| MASSACHUSETTS        | 5  | 95.2%  | 7.0%  | (2.2%)   | 363%      |
| MICHIGAN             | 12 | 90.0%  | 9.0%  | 0.9%     | 324%      |
| MINNESOTA            | 4  | 90.7%  | 6.9%  | 2.4%     | 654%      |
| MISSISSIPPI          | 2  | 91.2%  | 11.7% | (2.8%)   | 307%      |
| MISSOURI             | 4  | 89.3%  | 8.5%  | 2.2%     | 411%      |
| NEBRASKA             | 3  | 84.1%  | 9.8%  | 6.2%     | 412%      |
| NEVADA               | 2  | 75.8%  | 13.0% | 11.2%    | 577%      |
| NEW HAMPSHIRE        | 1  | 95.6%  | 17.1% | (12.7%)  | 917%      |
| NEW JERSEY           | 4  | 87.8%  | 10.6% | 1.6%     | 392%      |
| NEW MEXICO           | 4  | 88.5%  | 15.0% | (3.5%)   | 736%      |
| NEW YORK             | 7  | 87.4%  | 11.1% | 1.5%     | 671%      |
| OHIO                 | 7  | 80.9%  | 15.8% | 3.4%     | 506%      |
| OREGON               | 2  | 89.1%  | 10.8% | 0.1%     | 256%      |
| PENNSYLVANIA         | 8  | 87.5%  | 12.6% | (0.1%)   | 351%      |
| PUERTO RICO          | 1  | 95.2%  | 6.8%  | (2.0%)   | 248%      |
| RHODE ISLAND         | 2  | 89.3%  | 11.4% | (0.7%)   | 449%      |
| SOUTH CAROLINA       | 4  | 92.0%  | 8.2%  | (0.2%)   | 541%      |
| TENNESSEE            | 3  | 82.8%  | 13.7% | 3.5%     | 418%      |
| TEXAS                | 19 | 86.9%  | 12.1% | 1.0%     | 365%      |
| UTAH                 | 2  | 86.8%  | 9.6%  | 3.6%     | 754%      |
| VIRGINIA             | 6  | 91.2%  | 6.9%  | 1.9%     | 446%      |
| WASHINGTON           | 5  | 85.2%  | 13.3% | 1.5%     | 416%      |
| WEST VIRGINIA        | 3  | 81.8%  | 9.0%  | 9.2%     | 746%      |
| WISCONSIN            | 15 | 86.5%  | 9.9%  | 3.6%     | 395%      |

### Annual Medicaid revenue

The annual revenue under which the MCO operates may be a contributing factor to the resulting financial performance metrics summarized in this report. Administrative expense percentages are believed to vary based on MCO size because of fixed and variable expense structures. Additionally, claim volume may also dictate the amount of leverage an MCO has in negotiations with providers regarding reimbursement levels.

The drawback of developing conclusions based on annual Medicaid revenue is that often MCOs, at the organization or parent company level, are larger than the Medicaid revenue they report in a given state program. The business in other programs such as Medicare and commercial or business in other states may provide the economies of scale to spread costs and create efficiencies. This distinction is not included in this report as each MCO and state was assumed to be an independent data point.

**FIGURE 5: ANNUAL MEDICAID REVENUE**

| ANNUAL MEDICAID REVENUE | N  | MLR   | ALR   | UW RATIO | RBC RATIO |
|-------------------------|----|-------|-------|----------|-----------|
| \$10M TO \$100M         | 34 | 88.2% | 11.5% | 0.3%     | 485%      |
| \$100M TO \$250M        | 46 | 87.6% | 11.3% | 1.0%     | 562%      |
| \$250M TO \$700M        | 46 | 88.4% | 10.9% | 0.6%     | 474%      |
| MORE THAN \$700M        | 41 | 86.9% | 11.7% | 1.5%     | 435%      |

The results shown in Figure 5 indicate that little variation occurred across the different revenue categories in terms of underwriting gains or losses.

The results shown in Figure 5 indicate that little variation occurred across the different revenue categories in terms of underwriting gains or losses. This is different from previous years in which companies with smaller revenue have observed losses or smaller gains.

### Medicaid revenue PMPM

Within Medicaid, there are various population types that observe significantly different claim costs. For example, the average claims per member per month (PMPM) for a typical Temporary Assistance for Needy Families (TANF) population is expected to be significantly less than for a disabled population. The segmentation of population was not available in the data used in this report. As such, the revenue PMPM was used as a proxy to indicate different population morbidities. The specific categories were selected to yield a sufficient sample size in each group such that comparison would be meaningful.

**FIGURE 6: MEDICAID REVENUE PMPM**

| MEDICAID REVENUE PMPM | N  | MLR   | ALR   | UW RATIO | RBC RATIO |
|-----------------------|----|-------|-------|----------|-----------|
| \$0 TO \$250          | 54 | 86.5% | 11.7% | 1.8%     | 444%      |
| \$250 TO \$350        | 63 | 88.3% | 10.7% | 0.9%     | 424%      |
| MORE THAN \$350       | 50 | 87.1% | 11.7% | 1.1%     | 502%      |

The results in Figure 6 indicate that the financial metrics among MCOs does not appear to vary significantly across the different revenue segments.

### Type of MCO (Medicaid-focused or Medicaid other)

MCOs participating in Medicaid managed care programs may be a "Medicaid-focused" plan or may participate in programs other than Medicaid. The purpose of this segmentation is to review the results of plans that are predominantly serving Medicaid populations as opposed to a more diverse product offering. Please note that the revenue amounts not listed under the Title XIX Medicaid line of business are considered non-Medicaid for purposes of this report. To the extent that Children's Health Insurance Program (CHIP) costs are reported in a line of business other than Medicaid, a plan may be categorized as "Medicaid other."

"Medicaid other" refers to any MCO reporting \$10 million or more of Medicaid revenue, but also reporting other lines of business making up more than 10% of the total revenue.

| FIGURE 7: MCO TYPE |     |       |       |          |           |
|--------------------|-----|-------|-------|----------|-----------|
| MCO TYPE           | N   | MLR   | ALR   | UW RATIO | RBC RATIO |
| MEDICAID-FOCUSED   | 66  | 86.6% | 12.4% | 1.0%     | 387%      |
| MEDICAID OTHER     | 101 | 87.8% | 10.8% | 1.4%     | 490%      |

The results in Figure 7 indicate that the ALR for Medicaid other plans is significantly lower than those for the Medicaid-focused plans. This observation could be due to the ability of plans that operate other lines of business to spread fixed costs across all business segments and lower the expenses allocated specifically to the Medicaid line of business.

The annual statements of MCOs are reported at the legal entity level. Many MCOs create separate legal entities for the Medicaid line of business. This practice complicates a comparison of Medicaid-focused and Medicaid other MCOs in that a Medicaid-focused MCO may be a subsidiary of a larger parent organization.

### Affiliation type of MCO (independent or affiliated)

The complications with the definitions of legal entities described above can be mitigated somewhat by using parent company information for the MCO legal entity, located on the jurat page of the annual statement.

Many researchers and analysts believe that an MCO that is affiliated with a larger organization will benefit from administrative efficiencies and other economies of scale because of their resource-sharing and overhead allocation capabilities. The economies of scale could also extend to claim items such as national prescription benefit management (PBM) contracts or stop-loss reinsurance contracts.

| FIGURE 8: MCO AFFILIATION TYPE |     |       |       |          |           |
|--------------------------------|-----|-------|-------|----------|-----------|
| MCO AFFILIATION TYPE           | N   | MLR   | ALR   | UW RATIO | RBC RATIO |
| INDEPENDENT                    | 37  | 88.8% | 10.6% | 0.6%     | 462%      |
| AFFILIATED                     | 130 | 87.2% | 11.6% | 1.3%     | 469%      |

The results shown in Figure 8 do not indicate that MCOs that are affiliated with a larger organization experience ALR values that are, on average, lower than the independent MCOs. To the contrary, the results indicate a higher average ALR for MCOs that are affiliated with a larger organization. The mean MLR, however, is lower for affiliated MCOs.

The results do not indicate that MCOs that are affiliated with a larger organization experience ALR values that are, on average, lower than the independent MCOs.

### MCO financial structure (for-profit or nonprofit)

The MCO financial structure was defined using the company type found on the jurat page of the annual statement. The segmentation of the financial structure includes profit and nonprofit MCOs.

The financial structure of an MCO is thought by some to be correlated to its resulting financial performance. For example, profit companies could be assumed to require higher UW Ratios to provide a greater return on investment for shareholders while nonprofit companies may be generally focused on a sufficient contribution to surplus to allow for ongoing research and development as well as other capital initiatives.

**FIGURE 9: MCO FINANCIAL STRUCTURE**

| FINANCIAL STRUCTURE | N   | MLR   | ALR   | UW RATIO | RBC RATIO |
|---------------------|-----|-------|-------|----------|-----------|
| FOR-PROFIT          | 113 | 86.7% | 11.9% | 1.4%     | 422%      |
| NONPROFIT           | 54  | 88.6% | 10.6% | 0.8%     | 527%      |

**The results indicate that the for-profit companies exhibit a higher ALR compared to the nonprofit.**

The results shown in Figure 9 indicate that the for-profit companies exhibit a higher ALR compared to the nonprofit. The RBC Ratios indicate a mean value that is lower for for-profit companies. This appears intuitive in that the nonprofit companies may retain more of their earnings and thus have an increased capital level as compared to for-profit companies, which may release capital in the form of dividends or stock repurchase initiatives.

### Pharmacy indicator

Pharmacy benefits typically make up 20% to 25% of the total claim cost for Medicaid beneficiaries enrolled in managed care. Certain states include pharmacy within the capitation rate while others carve this and potentially other services out of the capitation agreement and make separate arrangements for their payment.

Financial results of programs with or without pharmacy benefits in the capitation rates are reported because of the potential impact of the unique administrative structure of the pharmacy benefits as well as the potential impact of pharmacy management on other medical services within the risk-based structure.

**FIGURE 10: PHARMACY INDICATOR**

| PHARMACY INDICATOR | N   | MLR   | ALR   | UW RATIO | RBC RATIO |
|--------------------|-----|-------|-------|----------|-----------|
| PHARMACY INCLUDED  | 138 | 87.7% | 11.3% | 0.9%     | 471%      |
| PHARMACY EXCLUDED  | 29  | 84.6% | 12.4% | 3.0%     | 449%      |

**The resulting mean values vary for plans that include pharmacy as compared to plans that carve out pharmacy.**

As indicated in Figure 10, the resulting mean values vary for plans that include pharmacy as compared to plans that carve out pharmacy. While not necessarily a causal relationship, it appears intuitive that administrative costs for pharmacy-included plans would be lower on a composite basis as the pharmacy component is thought to have a lower administrative cost structure.

### Reported gain or loss

It is intuitive that MCOs reporting an underwriting gain would have lower MLRs and/or ALRs than those reporting an underwriting loss. This segmentation is intended to review the average MLR and ALR values, and observe the relative contribution of each component to the gain or loss position.

| FIGURE 11: MCO GAIN/LOSS |     |       |       |          |           |
|--------------------------|-----|-------|-------|----------|-----------|
| MCO GAIN / (LOSS)        | N   | MLR   | ALR   | UW RATIO | RBC RATIO |
| REPORTED A GAIN          | 104 | 85.1% | 11.9% | 3.1%     | 482%      |
| REPORTED A LOSS          | 63  | 93.0% | 10.4% | (3.4%)   | 444%      |

As observed in Figure 11, the mean values of the MLRs appear to be the primary drivers of the resulting gain or loss positions. The ALR mean values are higher, on average, among plans that reported a gain compared with those that reported a loss. One possible explanation for the ALR results is that there is an administrative cost associated with operating a lower MLR. For example, a health plan may invest in claim edit software that increases administrative costs but reduces the claim costs as a result of the new edits.

**The mean values of the MLRs appear to be the primary drivers of the resulting gain or loss positions.**

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## CONCLUSION

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**Risk-based managed care represents a large portion of total Medicaid expenditures for CY 2013 and the amount of expenditures will continue to grow as Medicaid programs expand under the ACA.**

Risk-based managed care represents a large portion of total Medicaid expenditures for CY 2013 and the amount of expenditures will continue to grow as Medicaid programs expand under the ACA. MCOs are an integral part of this delivery system and their financial results will help us understand the continued sustainability of risk-based managed care.

The results provide reference and benchmarking information for certain key financial metrics used in the day-to-day analysis of Medicaid MCO financial performance. The results observed for the MCOs were volatile in nature but did suggest certain correlations among the various MCO characteristics selected for this study.

It will be important to monitor the results over time as the world of healthcare finance continues to evolve and pose new challenges.



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## LIMITATIONS AND DATA RELIANCE

The results contained in this report were compiled using data and information obtained from the statutory annual statements for Medicaid MCOs filed with the respective state insurance regulators. The annual statements were retrieved as of June 13, 2014, from an online database. In addition to the limiting criteria used to select companies in this report, certain MCOs may be omitted from this report because of the timing of the annual statement submission or their exclusions from the online database. For example, California and Arizona are known to operate managed care programs, but are not included in this report as there were no annual statements found in the online database for them.

The information was relied upon as reported and without audit. We performed a limited review of the data for reasonableness and consistency. To the extent that the data reported contained material errors or omissions, the values contained within this report would likewise contain similar reporting errors.

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The views expressed in this research paper are made by the authors of this research report and do not represent the opinions of Milliman, Inc. Other Milliman consultants may hold different views.

## QUALIFICATIONS

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The authors are members of the American Academy of Actuaries, and meet the qualification standards for performing the analyses in this report.

## ABOUT THE AUTHORS

Jeremy Palmer is a principal and consulting actuary with the Indianapolis office of Milliman and is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. He joined Milliman in 2004 and currently has over 18 years of healthcare-related actuarial experience.

Christopher Pettit is a consulting actuary with the Indianapolis office of Milliman and is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. He joined Milliman in 2004 and currently has over 10 years of healthcare-related actuarial experience.

Both authors have developed an expertise in the financial forecasting, pricing, reporting, and reserving of all types of health insurance, including Medicaid and commercial populations. Much of their experience is focused on Medicaid managed care consulting for both state Medicaid programs and Medicaid managed care plans in approximately 15 states.

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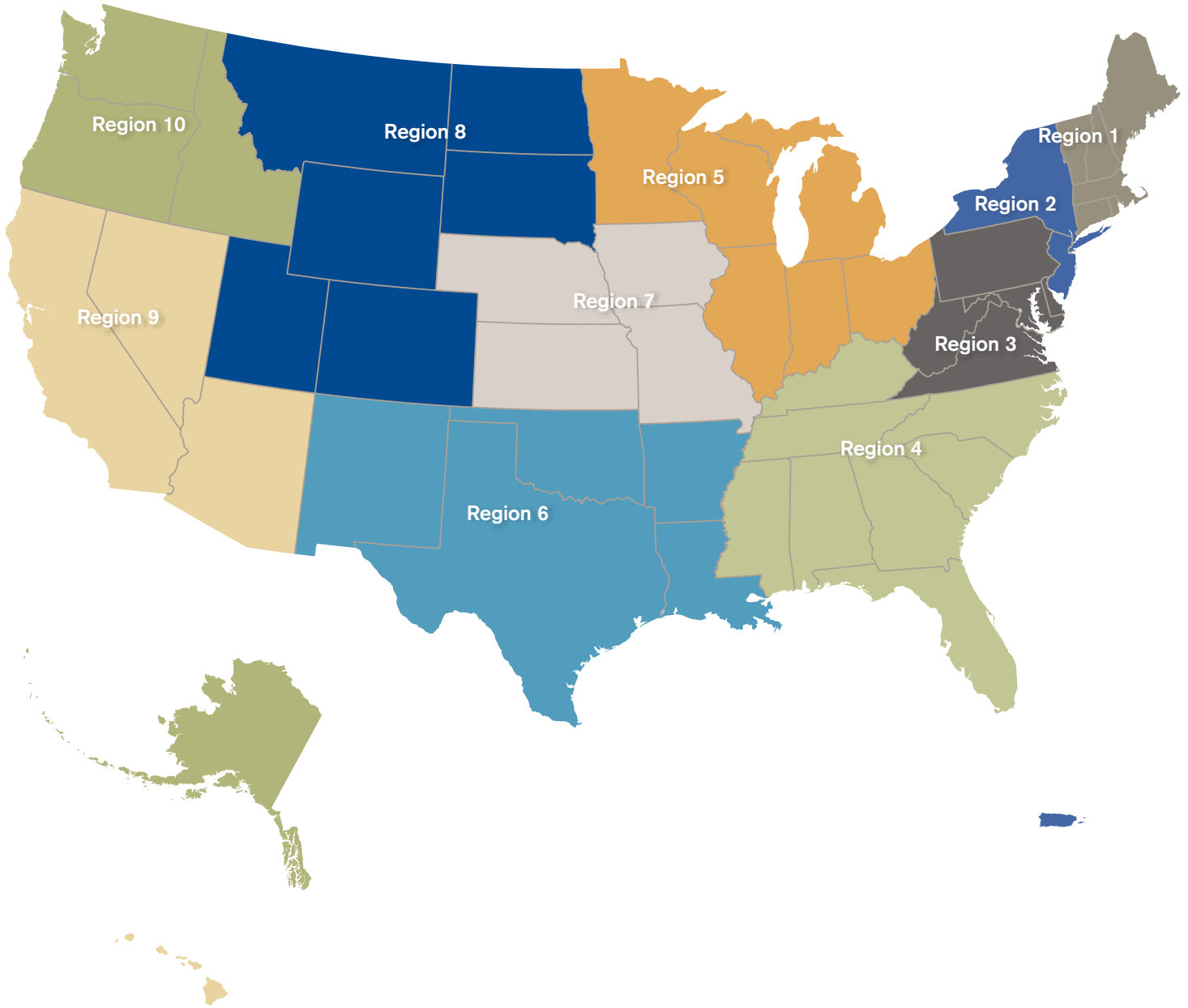
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## APPENDIX 1



## APPENDIX 2

### MEDICAL LOSS RATIO: CY 2013 RESULTS

| MCO GROUPING            | CATEGORY         | N   | REVENUE         |       | PERCENTILE |       |       |       |        |
|-------------------------|------------------|-----|-----------------|-------|------------|-------|-------|-------|--------|
|                         |                  |     | (IN \$BILLIONS) | MEAN  | 10TH       | 25TH  | 50TH  | 75TH  | 90TH   |
| COMPOSITE               | COMPOSITE        | 167 | 83.7            | 87.4% | 79.4%      | 83.5% | 87.3% | 92.0% | 96.6%  |
| CMS REGION              | REGION 1         | 8   | 3.5             | 94.1% | 90.1%      | 91.6% | 92.6% | 94.0% | 97.7%  |
|                         | REGION 2         | 12  | 9.5             | 88.1% | 81.2%      | 84.5% | 89.2% | 94.4% | 98.0%  |
|                         | REGION 3         | 24  | 13.3            | 87.7% | 77.7%      | 83.5% | 86.1% | 90.1% | 92.5%  |
|                         | REGION 4         | 30  | 16.8            | 86.3% | 82.3%      | 83.9% | 86.7% | 91.3% | 96.5%  |
|                         | REGION 5         | 43  | 19.3            | 85.8% | 78.7%      | 82.6% | 86.6% | 91.1% | 94.5%  |
|                         | REGION 6         | 26  | 14.0            | 87.0% | 80.5%      | 84.2% | 86.6% | 89.6% | 94.9%  |
|                         | REGION 7         | 10  | 3.4             | 93.5% | 83.6%      | 84.9% | 90.7% | 98.5% | 100.5% |
|                         | REGION 8         | 2   | 0.5             | 86.8% | 83.0%      | 84.3% | 86.4% | 88.5% | 89.8%  |
|                         | REGION 9         | 5   | 1.0             | 89.8% | 75.7%      | 77.9% | 91.7% | 99.1% | 121.6% |
|                         | REGION 10        | 7   | 2.4             | 85.7% | 83.5%      | 84.7% | 87.4% | 91.1% | 93.9%  |
| ANNUAL REVENUE          | \$10M TO \$100M  | 34  | 1.7             | 88.2% | 78.3%      | 82.7% | 88.1% | 93.9% | 100.6% |
|                         | \$100M TO \$250M | 46  | 8.2             | 87.6% | 79.3%      | 83.3% | 87.1% | 91.1% | 96.4%  |
|                         | \$250M TO \$700M | 46  | 21.1            | 88.4% | 82.7%      | 85.4% | 88.5% | 92.1% | 95.2%  |
|                         | MORE THAN \$700M | 41  | 52.7            | 86.9% | 79.8%      | 83.1% | 85.9% | 91.3% | 96.1%  |
| REVENUE PMPM            | \$0 TO \$250     | 54  | 15.7            | 86.5% | 79.2%      | 83.1% | 85.7% | 91.0% | 96.9%  |
|                         | \$250 TO \$350   | 63  | 24.6            | 88.3% | 80.6%      | 85.1% | 88.2% | 92.0% | 95.7%  |
|                         | MORE THAN \$350  | 50  | 43.4            | 87.1% | 79.2%      | 83.1% | 87.7% | 92.8% | 96.8%  |
| MCO TYPE                | MEDICAID-FOCUSED | 66  | 33.1            | 86.6% | 79.0%      | 83.3% | 87.4% | 92.6% | 96.1%  |
|                         | MEDICAID OTHER   | 101 | 50.7            | 87.8% | 80.7%      | 83.9% | 87.2% | 91.9% | 96.7%  |
| MCO AFFILIATION TYPE    | INDEPENDENT      | 37  | 10.6            | 88.8% | 79.5%      | 83.8% | 87.6% | 92.7% | 94.7%  |
|                         | AFFILIATED       | 130 | 73.1            | 87.2% | 79.4%      | 83.7% | 87.1% | 91.8% | 96.8%  |
| MCO FINANCIAL STRUCTURE | FOR-PROFIT       | 113 | 55.3            | 86.7% | 79.2%      | 83.1% | 86.1% | 90.5% | 96.2%  |
|                         | NONPROFIT        | 54  | 28.5            | 88.6% | 80.8%      | 85.7% | 90.4% | 93.5% | 96.5%  |
| PHARMACY INDICATOR      | INCLUDED         | 138 | 73.5            | 87.7% | 79.3%      | 84.1% | 87.8% | 92.4% | 96.7%  |
|                         | EXCLUDED         | 29  | 10.2            | 84.6% | 81.5%      | 82.6% | 85.0% | 90.0% | 95.8%  |
| GAIN/(LOSS) POSITION    | REPORTED A GAIN  | 104 | 59.5            | 85.1% | 78.2%      | 82.1% | 84.9% | 87.9% | 90.7%  |
|                         | REPORTED A LOSS  | 63  | 24.3            | 93.0% | 86.0%      | 89.5% | 93.0% | 96.9% | 100.8% |

**ADMINISTRATIVE LOSS RATIO: CY 2013 RESULTS**

| MCO GROUPING            | CATEGORY         | N   | REVENUE         |       | PERCENTILE |       |       |       |       |
|-------------------------|------------------|-----|-----------------|-------|------------|-------|-------|-------|-------|
|                         |                  |     | (IN \$BILLIONS) | MEAN  | 10TH       | 25TH  | 50TH  | 75TH  | 90TH  |
| COMPOSITE               | COMPOSITE        | 167 | 83.7            | 11.4% | 6.6%       | 8.3%  | 11.0% | 13.7% | 17.0% |
| CMS REGION              | REGION 1         | 8   | 3.5             | 7.9%  | 6.9%       | 7.3%  | 9.1%  | 11.1% | 13.9% |
|                         | REGION 2         | 12  | 9.5             | 10.6% | 7.1%       | 8.6%  | 10.5% | 12.7% | 13.2% |
|                         | REGION 3         | 24  | 13.3            | 11.3% | 6.4%       | 7.8%  | 11.8% | 14.8% | 16.1% |
|                         | REGION 4         | 30  | 16.8            | 11.7% | 6.9%       | 8.5%  | 11.8% | 14.1% | 16.6% |
|                         | REGION 5         | 43  | 19.3            | 11.8% | 6.2%       | 7.9%  | 10.2% | 14.8% | 18.5% |
|                         | REGION 6         | 26  | 14.0            | 12.4% | 9.3%       | 10.5% | 11.9% | 15.0% | 17.8% |
|                         | REGION 7         | 10  | 3.4             | 9.9%  | 6.4%       | 8.6%  | 10.2% | 12.2% | 13.3% |
|                         | REGION 8         | 2   | 0.5             | 9.6%  | 8.0%       | 8.7%  | 9.9%  | 11.0% | 11.7% |
|                         | REGION 9         | 5   | 1.0             | 9.7%  | 6.3%       | 7.8%  | 8.3%  | 9.8%  | 14.0% |
|                         | REGION 10        | 7   | 2.4             | 13.0% | 9.2%       | 10.4% | 11.9% | 13.4% | 14.2% |
| ANNUAL REVENUE          | \$10M TO \$100M  | 34  | 1.7             | 11.5% | 6.8%       | 8.3%  | 10.4% | 14.8% | 18.9% |
|                         | \$100M TO \$250M | 46  | 8.2             | 11.3% | 7.4%       | 8.7%  | 10.9% | 13.4% | 17.3% |
|                         | \$250M TO \$700M | 46  | 21.1            | 10.9% | 6.2%       | 8.5%  | 10.8% | 13.3% | 16.0% |
|                         | MORE THAN \$700M | 41  | 52.7            | 11.7% | 6.6%       | 8.0%  | 11.9% | 14.1% | 16.9% |
| REVENUE PMPM            | \$0 TO \$250     | 54  | 15.7            | 11.7% | 6.9%       | 8.6%  | 10.2% | 13.4% | 16.4% |
|                         | \$250 TO \$350   | 63  | 24.6            | 10.7% | 6.6%       | 8.5%  | 11.2% | 13.9% | 17.5% |
|                         | MORE THAN \$350  | 50  | 43.4            | 11.7% | 6.8%       | 8.4%  | 11.7% | 13.6% | 16.7% |
| MCO TYPE                | MEDICAID-FOCUSED | 66  | 33.1            | 12.4% | 6.8%       | 8.8%  | 11.8% | 15.4% | 18.4% |
|                         | MEDICAID OTHER   | 101 | 50.7            | 10.8% | 6.5%       | 8.2%  | 10.8% | 13.2% | 15.6% |
| MCO AFFILIATION TYPE    | INDEPENDENT      | 37  | 10.6            | 10.6% | 6.9%       | 8.2%  | 10.4% | 13.2% | 17.0% |
|                         | AFFILIATED       | 130 | 73.1            | 11.6% | 6.5%       | 8.5%  | 11.2% | 13.8% | 16.9% |
| MCO FINANCIAL STRUCTURE | FOR-PROFIT       | 113 | 55.3            | 11.9% | 7.1%       | 9.5%  | 11.8% | 14.3% | 17.5% |
|                         | NONPROFIT        | 54  | 28.5            | 10.6% | 5.8%       | 7.4%  | 9.0%  | 12.0% | 15.5% |
| PHARMACY INDICATOR      | INCLUDED         | 138 | 73.5            | 11.3% | 6.7%       | 8.3%  | 10.9% | 13.8% | 17.2% |
|                         | EXCLUDED         | 29  | 10.2            | 12.4% | 6.3%       | 8.7%  | 11.4% | 13.6% | 16.5% |
| GAIN / (LOSS) POSITION  | REPORTED A GAIN  | 104 | 59.5            | 11.9% | 6.6%       | 8.4%  | 11.1% | 13.5% | 16.3% |
|                         | REPORTED A LOSS  | 63  | 24.3            | 10.4% | 6.7%       | 8.5%  | 11.0% | 14.3% | 17.7% |

**UNDERWRITING RATIO: CY 2013 RESULTS**

| MCO GROUPING            | CATEGORY         | N   | REVENUE         |        | PERCENTILE |        |        |        |        |
|-------------------------|------------------|-----|-----------------|--------|------------|--------|--------|--------|--------|
|                         |                  |     | (IN \$BILLIONS) | MEAN   | 10TH       | 25TH   | 50TH   | 75TH   | 90TH   |
| COMPOSITE               | COMPOSITE        | 167 | 83.7            | 1.2%   | (6.9%)     | (1.8%) | 1.0%   | 4.2%   | 7.7%   |
| CMS REGION              | REGION 1         | 8   | 3.5             | (2.0%) | (10.2%)    | (4.4%) | (1.1%) | (0.4%) | 0.4%   |
|                         | REGION 2         | 12  | 9.5             | 1.3%   | (5.7%)     | (3.4%) | 0.1%   | 3.3%   | 5.8%   |
|                         | REGION 3         | 24  | 13.3            | 0.9%   | (3.6%)     | (0.9%) | 0.9%   | 5.5%   | 10.7%  |
|                         | REGION 4         | 30  | 16.8            | 2.0%   | (9.0%)     | (3.1%) | 2.1%   | 3.8%   | 7.0%   |
|                         | REGION 5         | 43  | 19.3            | 2.4%   | (1.9%)     | (0.1%) | 1.7%   | 4.2%   | 7.2%   |
|                         | REGION 6         | 26  | 14.0            | 0.6%   | (7.5%)     | (0.8%) | 1.0%   | 2.9%   | 5.2%   |
|                         | REGION 7         | 10  | 3.4             | (3.3%) | (11.6%)    | (7.9%) | (1.1%) | 6.1%   | 6.9%   |
|                         | REGION 8         | 2   | 0.5             | 3.6%   | 2.2%       | 2.8%   | 3.7%   | 4.7%   | 5.3%   |
|                         | REGION 9         | 5   | 1.0             | 0.6%   | (28.1%)    | (6.9%) | (0.6%) | 6.6%   | 12.0%  |
|                         | REGION 10        | 7   | 2.4             | 1.3%   | (3.2%)     | (2.4%) | 0.7%   | 2.2%   | 3.9%   |
| ANNUAL REVENUE          | \$10M TO \$100M  | 34  | 1.7             | 0.3%   | (16.8%)    | (3.8%) | 0.4%   | 5.2%   | 10.4%  |
|                         | \$100M TO \$250M | 46  | 8.2             | 1.0%   | (7.2%)     | (3.2%) | 1.2%   | 6.3%   | 8.3%   |
|                         | \$250M TO \$700M | 46  | 21.1            | 0.6%   | (5.4%)     | (1.5%) | 0.8%   | 3.1%   | 5.4%   |
|                         | MORE THAN \$700M | 41  | 52.7            | 1.5%   | (4.3%)     | 0.2%   | 1.2%   | 3.4%   | 4.9%   |
| REVENUE PMPM            | \$0 TO \$250     | 54  | 15.7            | 1.8%   | (5.6%)     | (0.6%) | 1.7%   | 5.2%   | 9.1%   |
|                         | \$250 TO \$350   | 63  | 24.6            | 0.9%   | (8.0%)     | (2.8%) | 0.9%   | 3.7%   | 6.4%   |
|                         | MORE THAN \$350  | 50  | 43.4            | 1.1%   | (6.6%)     | (1.9%) | 0.5%   | 3.7%   | 6.4%   |
| MCO TYPE                | MEDICAID-FOCUSED | 66  | 33.1            | 1.0%   | (6.6%)     | (1.8%) | 0.8%   | 3.7%   | 6.3%   |
|                         | MEDICAID OTHER   | 101 | 50.7            | 1.4%   | (6.9%)     | (1.9%) | 1.3%   | 4.6%   | 8.2%   |
| MCO AFFILIATION TYPE    | INDEPENDENT      | 37  | 10.6            | 0.6%   | (3.6%)     | (1.6%) | 0.4%   | 2.7%   | 7.2%   |
|                         | AFFILIATED       | 130 | 73.1            | 1.3%   | (7.6%)     | (1.8%) | 1.2%   | 4.5%   | 7.4%   |
| MCO FINANCIAL STRUCTURE | FOR-PROFIT       | 113 | 55.3            | 1.4%   | (7.3%)     | (1.7%) | 1.7%   | 4.8%   | 8.0%   |
|                         | NONPROFIT        | 54  | 28.5            | 0.8%   | (5.2%)     | (1.9%) | 0.3%   | 2.5%   | 5.8%   |
| PHARMACY INDICATOR      | INCLUDED         | 138 | 73.5            | 0.9%   | (7.2%)     | (2.0%) | 0.9%   | 4.0%   | 7.7%   |
|                         | EXCLUDED         | 29  | 10.2            | 3.0%   | (4.3%)     | (0.5%) | 2.2%   | 5.0%   | 7.4%   |
| GAIN / (LOSS) POSITION  | REPORTED A GAIN  | 104 | 59.5            | 3.1%   | 0.5%       | 1.3%   | 3.3%   | 6.0%   | 9.4%   |
|                         | REPORTED A LOSS  | 63  | 24.3            | (3.4%) | (12.3%)    | (7.3%) | (3.1%) | (1.3%) | (0.4%) |

**RISK-BASED CAPITAL RATIO: CY 2013 RESULTS**

| MCO GROUPING            | CATEGORY         | N   | REVENUE         |      | PERCENTILE |      |      |      |      |
|-------------------------|------------------|-----|-----------------|------|------------|------|------|------|------|
|                         |                  |     | (IN \$BILLIONS) | MEAN | 10TH       | 25TH | 50TH | 75TH | 90TH |
| COMPOSITE               | COMPOSITE        | 167 | 83.7            | 468% | 219%       | 301% | 390% | 537% | 743% |
| CMS REGION              | REGION 1         | 8   | 3.5             | 377% | 255%       | 298% | 376% | 484% | 701% |
|                         | REGION 2         | 12  | 9.5             | 591% | 240%       | 407% | 570% | 679% | 849% |
|                         | REGION 3         | 24  | 13.3            | 402% | 232%       | 310% | 372% | 478% | 698% |
|                         | REGION 4         | 30  | 16.8            | 387% | 85%        | 233% | 353% | 466% | 666% |
|                         | REGION 5         | 43  | 19.3            | 512% | 269%       | 326% | 410% | 488% | 626% |
|                         | REGION 6         | 26  | 14.0            | 409% | 273%       | 300% | 353% | 565% | 792% |
|                         | REGION 7         | 10  | 3.4             | 347% | 256%       | 279% | 356% | 411% | 469% |
|                         | REGION 8         | 2   | 0.5             | 754% | 525%       | 572% | 650% | 729% | 776% |
|                         | REGION 9         | 5   | 1.0             | 507% | 443%       | 495% | 588% | 683% | 764% |
|                         | REGION 10        | 7   | 2.4             | 400% | 269%       | 325% | 441% | 539% | 637% |
| ANNUAL REVENUE          | \$10M TO \$100M  | 34  | 1.7             | 485% | 185%       | 291% | 353% | 564% | 880% |
|                         | \$100M TO \$250M | 46  | 8.2             | 562% | 192%       | 372% | 469% | 612% | 787% |
|                         | \$250M TO \$700M | 46  | 21.1            | 474% | 252%       | 281% | 368% | 516% | 639% |
|                         | MORE THAN \$700M | 41  | 52.7            | 435% | 267%       | 307% | 376% | 446% | 552% |
| REVENUE PMPM            | \$0 TO \$250     | 54  | 15.7            | 444% | 266%       | 324% | 404% | 541% | 723% |
|                         | \$250 TO \$350   | 63  | 24.6            | 424% | 187%       | 278% | 380% | 502% | 763% |
|                         | MORE THAN \$350  | 50  | 43.4            | 502% | 258%       | 313% | 391% | 550% | 705% |
| MCO TYPE                | MEDICAID-FOCUSED | 66  | 33.1            | 387% | 237%       | 284% | 358% | 480% | 747% |
|                         | MEDICAID OTHER   | 101 | 50.7            | 490% | 200%       | 318% | 420% | 563% | 743% |
| MCO AFFILIATION TYPE    | INDEPENDENT      | 37  | 10.6            | 462% | 135%       | 283% | 360% | 525% | 757% |
|                         | AFFILIATED       | 130 | 73.1            | 469% | 251%       | 313% | 403% | 535% | 736% |
| MCO FINANCIAL STRUCTURE | FOR-PROFIT       | 113 | 55.3            | 422% | 199%       | 290% | 376% | 508% | 739% |
|                         | NONPROFIT        | 54  | 28.5            | 527% | 263%       | 327% | 423% | 567% | 763% |
| PHARMACY INDICATOR      | INCLUDED         | 138 | 73.5            | 471% | 203%       | 294% | 398% | 559% | 792% |
|                         | EXCLUDED         | 29  | 10.2            | 449% | 293%       | 330% | 382% | 431% | 506% |
| GAIN / (LOSS) POSITION  | REPORTED A GAIN  | 104 | 59.5            | 482% | 258%       | 323% | 414% | 550% | 784% |
|                         | REPORTED A LOSS  | 63  | 24.3            | 444% | 193%       | 277% | 351% | 488% | 716% |



## APPENDIX 3

### MCO GROUPING ASSUMPTIONS, 2013

| STATE                | MCO                                  | CMS REGION | ANNUAL REVENUE | REVENUE PMPM | MCO TYPE         | MCO AFFILIATION TYPE | FINANCIAL STRUCTURE | PHARMACY INDICATOR | GAIN OR LOSS |
|----------------------|--------------------------------------|------------|----------------|--------------|------------------|----------------------|---------------------|--------------------|--------------|
| DISTRICT OF COLUMBIA | UNITEDHEALTHCARE COMMUNITY (DC)      | REGION 3   | \$100M-250M    | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| DISTRICT OF COLUMBIA | DC CHARTERED HEALTH PLAN INC.        | REGION 3   | \$100M-250M    | \$250-350    | MEDICAID-FOCUSED | INDEPENDENT          | FOR-PROFIT          | RX - YES           | LOSS         |
| DISTRICT OF COLUMBIA | AMERIHEALTH DC INC.                  | REGION 3   | \$250M-700M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| DISTRICT OF COLUMBIA | TRUSTED HEALTH PLAN                  | REGION 3   | \$10M-100M     | \$250-350    | MEDICAID-FOCUSED | INDEPENDENT          | FOR-PROFIT          | RX - YES           | GAIN         |
| FLORIDA              | AMERIGROUP FLORIDA INC.              | REGION 4   | \$250M-700M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| FLORIDA              | COVENTRY HEALTH CARE OF FLORIDA INC. | REGION 4   | \$100M-250M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| FLORIDA              | HEALTHY PALM BEACHES INC.            | REGION 4   | \$10M-100M     | \$0-250      | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | GAIN         |
| FLORIDA              | HUMANA MEDICAL PLAN INC.             | REGION 4   | \$100M-250M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| FLORIDA              | MEDICA HEALTH PLANS OF FLORIDA INC.  | REGION 4   | \$10M-100M     | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| FLORIDA              | MOLINA HEALTHCARE OF FLORIDA INC.    | REGION 4   | \$100M-250M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| FLORIDA              | PREFERRED MEDICAL PLAN INC.          | REGION 4   | \$10M-100M     | \$250-350    | MEDICAID OTHER   | INDEPENDENT          | FOR-PROFIT          | RX - YES           | GAIN         |
| FLORIDA              | SUNSHINE STATE HEALTH PLAN INC.      | REGION 4   | \$250M-700M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| FLORIDA              | UNITEDHEALTHCARE OF FLORIDA INC.     | REGION 4   | \$250M-700M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| FLORIDA              | WELLCARE OF FLORIDA INC.             | REGION 4   | \$700+M        | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| FLORIDA              | PREFERRED CARE PARTNERS INC.         | REGION 4   | \$10M-100M     | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| FLORIDA              | FREEDOM HEALTH, INC.                 | REGION 4   | \$10M-100M     | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| FLORIDA              | SIMPLY HEALTHCARE PLANS, INC.        | REGION 4   | \$100M-250M    | \$350+       | MEDICAID OTHER   | INDEPENDENT          | FOR-PROFIT          | RX - YES           | GAIN         |
| FLORIDA              | FLORIDA TRUE HEALTH INC.             | REGION 4   | \$10M-100M     | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| GEORGIA              | AMGP GEORGIA MANAGED CARE CO.        | REGION 4   | \$700+M        | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| GEORGIA              | PEACH STATE HEALTH PLAN INC.         | REGION 4   | \$700+M        | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| GEORGIA              | WELLCARE OF GEORGIA INC.             | REGION 4   | \$700+M        | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| HAWAII               | ALOHACARE                            | REGION 9   | \$100M-250M    | \$0-250      | MEDICAID-FOCUSED | INDEPENDENT          | NONPROFIT           | RX - YES           | LOSS         |
| HAWAII               | HAWAII MEDICAL SERVICE ASSOCIATION   | REGION 9   | \$250M-700M    | \$250-350    | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | LOSS         |
| HAWAII               | KAISER FNDTN HEALTH PLAN INC. HAWAII | REGION 9   | \$10M-100M     | \$0-250      | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |

| STATE         | MCO                                   | CMS REGION | ANNUAL REVENUE | REVENUE PMPM | MCO TYPE         | MCO AFFILIATION TYPE | FINANCIAL STRUCTURE | PHARMACY INDICATOR | GAIN OR LOSS |
|---------------|---------------------------------------|------------|----------------|--------------|------------------|----------------------|---------------------|--------------------|--------------|
| ILLINOIS      | HARMONY HEALTH PLANS OF ILLINOIS INC. | REGION 5   | \$100M-250M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| ILLINOIS      | MERIDIAN HEALTH PLAN OF ILLINOIS INC. | REGION 5   | \$10M-100M     | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| INDIANA       | ANTHEM INSURANCE COMPANIES INC.       | REGION 5   | \$250M-700M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| INDIANA       | COORDINATED CARE CORP.                | REGION 5   | \$250M-700M    | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| INDIANA       | MDWISE INC.                           | REGION 5   | \$250M-700M    | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | NONPROFIT           | RX - NO            | GAIN         |
| IOWA          | MERIDIAN HEALTH PLAN OF IOWA, INC.    | REGION 7   | \$10M-100M     | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - NO            | LOSS         |
| KANSAS        | AMERIGROUP KANSAS INC.                | REGION 7   | \$250M-700M    | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| KANSAS        | SUNFLOWER STATE HEALTH PLAN INC.      | REGION 7   | \$700+M        | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| KENTUCKY      | COVENTRY HEALTH & LIFE INSURANCE CO.  | REGION 4   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| KENTUCKY      | KENTUCKY SPIRIT HEALTH PLAN INC.      | REGION 4   | \$100M-250M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| KENTUCKY      | UNIVERSITY HEALTH CARE INC.           | REGION 4   | \$250M-700M    | \$350+       | MEDICAID-FOCUSED | INDEPENDENT          | NONPROFIT           | RX - YES           | LOSS         |
| KENTUCKY      | WELLCARE HEALTH INS. OF ILLINOIS INC. | REGION 4   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| LOUISIANA     | AMERIGROUP LOUISIANA INC.             | REGION 6   | \$250M-700M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| LOUISIANA     | AMERIHEALTH MERCY OF LOUISIANA INC.   | REGION 6   | \$250M-700M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| LOUISIANA     | LOUISIANA HEALTHCARE CONNECTIONS INC. | REGION 6   | \$250M-700M    | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| MARYLAND      | AMERIGROUP MARYLAND INC.              | REGION 3   | \$700+M        | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| MARYLAND      | COVENTRY HEALTH CARE OF DELAWARE INC. | REGION 3   | \$10M-100M     | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| MARYLAND      | UNITEDHEALTHCARE                      | REGION 3   | \$250M-700M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| MASSACHUSETTS | BOSTON MEDICAL CENTER HEALTH PLAN     | REGION 1   | \$700+M        | \$350+       | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | GAIN         |
| MASSACHUSETTS | FALLON COMMUNITY HEALTH PLAN INC.     | REGION 1   | \$10M-100M     | \$350+       | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| MASSACHUSETTS | HEALTH NEW ENGLAND INC.               | REGION 1   | \$10M-100M     | \$350+       | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| MASSACHUSETTS | NEIGHBORHOOD HEALTH PLAN INC.         | REGION 1   | \$700+M        | \$350+       | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | GAIN         |
| MASSACHUSETTS | NETWORK HEALTH LLC                    | REGION 1   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |

| STATE       | MCO                                   | CMS REGION | ANNUAL REVENUE | REVENUE PMPM | MCO TYPE         | MCO AFFILIATION TYPE | FINANCIAL STRUCTURE | PHARMACY INDICATOR | GAIN OR LOSS |
|-------------|---------------------------------------|------------|----------------|--------------|------------------|----------------------|---------------------|--------------------|--------------|
| MICHIGAN    | BLUE CROSS COMPLETE OF MICHIGAN       | REGION 5   | \$100M-250M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| MICHIGAN    | COVENTRYCARES OF MICHIGAN INC.        | REGION 5   | \$100M-250M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| MICHIGAN    | HEALTHPLUS PARTNERS INC.              | REGION 5   | \$100M-250M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| MICHIGAN    | MCLAREN HEALTH PLAN INC.              | REGION 5   | \$250M-700M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| MICHIGAN    | MERIDIAN HEALTH PLAN OF MICHIGAN INC. | REGION 5   | \$700+M        | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| MICHIGAN    | MIDWEST HEALTH PLAN INC.              | REGION 5   | \$250M-700M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| MICHIGAN    | MOLINA HEALTHCARE OF MICHIGAN INC.    | REGION 5   | \$700+M        | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| MICHIGAN    | PHP FAMILYCARE                        | REGION 5   | \$10M-100M     | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| MICHIGAN    | PRIORITY HEALTH GOVT. PROGRAMS INC.   | REGION 5   | \$100M-250M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| MICHIGAN    | TOTAL HEALTH CARE INC.                | REGION 5   | \$100M-250M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| MICHIGAN    | UNITEDHEALTHCARE COMMUNITY (MICHIGAN) | REGION 5   | \$700+M        | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| MICHIGAN    | UPPER PENINSULA HEALTH PLAN LLC       | REGION 5   | \$100M-250M    | \$250-350    | MEDICAID-FOCUSED | INDEPENDENT          | FOR-PROFIT          | RX - YES           | GAIN         |
| MINNESOTA   | HEALTHPARTNERS INC.                   | REGION 5   | \$250M-700M    | \$350+       | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| MINNESOTA   | HMO MINNESOTA                         | REGION 5   | \$250M-700M    | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| MINNESOTA   | MEDICA HEALTH PLANS                   | REGION 5   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| MINNESOTA   | UCARE MINNESOTA                       | REGION 5   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| MISSISSIPPI | MAGNOLIA HEALTH PLAN INC.             | REGION 4   | \$250M-700M    | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| MISSISSIPPI | UNITEDHEALTHCARE OF MISSISSIPPI INC.  | REGION 4   | \$250M-700M    | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| MISSOURI    | HEALTHCARE USA OF MISSOURI LLC        | REGION 7   | \$250M-700M    | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| MISSOURI    | HOME STATE HEALTH PLAN INC.           | REGION 7   | \$100M-250M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - NO            | LOSS         |
| MISSOURI    | MISSOURI CARE INC.                    | REGION 7   | \$250-700M     | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| MISSOURI    | UNITEDHEALTHCARE OF THE MIDWEST INC.  | REGION 7   | \$100M-250M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - NO            | LOSS         |
| NEBRASKA    | AMERIHEALTH NEBRASKA INC.             | REGION 7   | \$10M-100M     | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| NEBRASKA    | COVENTRY HEALTH CARE OF NEBRASKA INC. | REGION 7   | \$100M-250M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| NEBRASKA    | UNITEDHEALTHCARE (MIDLANDS)           | REGION 7   | \$100M-250M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |

| STATE         | MCO                                   | CMS REGION | ANNUAL REVENUE | REVENUE PMPM | MCO TYPE         | MCO AFFILIATION TYPE | FINANCIAL STRUCTURE | PHARMACY INDICATOR | GAIN OR LOSS |
|---------------|---------------------------------------|------------|----------------|--------------|------------------|----------------------|---------------------|--------------------|--------------|
| NEVADA        | AMERIGROUP NEVADA INC.                | REGION 9   | \$100M-250M    | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| NEVADA        | HEALTH PLAN OF NEVADA INC.            | REGION 9   | \$100M-250M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| NEW HAMPSHIRE | GRANITE STATE HEALTH PLAN INC.        | REGION 1   | \$10M-100M     | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| NEW JERSEY    | AMERICHoice OF NEW JERSEY INC.        | REGION 2   | \$700+M        | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| NEW JERSEY    | AMERIGROUP NEW JERSEY INC.            | REGION 2   | \$250M-700M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| NEW JERSEY    | HEALTHFIRST HEALTH PLAN OF NEW JERSEY | REGION 2   | \$100M-250M    | \$350+       | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | LOSS         |
| NEW JERSEY    | HORIZON HEALTHCARE OF NEW JERSEY INC. | REGION 2   | \$700+M        | \$250-350    | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| NEW MEXICO    | HCSC INSURANCE SERVICES CO.           | REGION 6   | \$100M-250M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| NEW MEXICO    | LOVELACE HEALTH SYSTEM INC.           | REGION 6   | \$100M-250M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| NEW MEXICO    | MOLINA HEALTHCARE OF NEW MEXICO INC.  | REGION 6   | \$250M-700M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| NEW MEXICO    | PRESBYTERIAN HEALTH PLAN INC.         | REGION 6   | \$250M-700M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| NEW YORK      | CAP DISTRICT PHYSICIANS' HEALTH       | REGION 2   | \$250M-700M    | \$350+       | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| NEW YORK      | EXCELLUS HEALTH PLAN INC.             | REGION 2   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| NEW YORK      | HEALTH INS. PLAN OF GREATER NEW YORK  | REGION 2   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| NEW YORK      | HEALTHNOW NEW YORK INC.               | REGION 2   | \$100M-250M    | \$350+       | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | LOSS         |
| NEW YORK      | INDEPENDENT HEALTH ASSOCIATION        | REGION 2   | \$250M-700M    | \$350+       | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | GAIN         |
| NEW YORK      | MVP HEALTH PLAN INC.                  | REGION 2   | \$100M-250M    | \$350+       | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| NEW YORK      | UNITEDHEALTHCARE OF NEW YORK INC.     | REGION 2   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| OHIO          | AMERIGROUP OHIO INC.                  | REGION 5   | \$10M-100M     | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| OHIO          | BUCKEYE COMMUNITY HEALTH PLAN INC.    | REGION 5   | \$700+M        | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| OHIO          | CARESOURCE                            | REGION 5   | \$700+M        | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| OHIO          | MOLINA HEALTHCARE OF OHIO INC.        | REGION 5   | \$700+M        | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| OHIO          | PARAMOUNT ADVANTAGE                   | REGION 5   | \$250M-700M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| OHIO          | UNITEDHEALTHCARE COMMUNITY (OHIO)     | REGION 5   | \$250M-700M    | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| OHIO          | WELLCARE OF OHIO INC.                 | REGION 5   | \$100M-250M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |

| STATE          | MCO                                      | CMS REGION | ANNUAL REVENUE | REVENUE PMPM | MCO TYPE         | MCO AFFILIATION TYPE | FINANCIAL STRUCTURE | PHARMACY INDICATOR | GAIN OR LOSS |
|----------------|--|------------|----------------|--------------|------------------|----------------------|---------------------|--------------------|--------------|
| OREGON         | TRILLIUM COMMUNITY HEALTH PLAN INC.      | REGION 10  | \$100M-250M    | \$250-350    | MEDICAID OTHER   | INDEPENDENT          | FOR-PROFIT          | RX - YES           | GAIN         |
| OREGON         | PROVIDENCE HEALTH ASSURANCE              | REGION 10  | \$10M-100M     | \$0-250      | MEDICAID-FOCUSED | INDEPENDENT          | NONPROFIT           | RX - YES           | LOSS         |
| PENNSYLVANIA   | AETNA BETTER HEALTH INC. (PENNSYLVANIA)  | REGION 3   | \$250M-700M    | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| PENNSYLVANIA   | GATEWAY HEALTH PLAN INC.                 | REGION 3   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| PENNSYLVANIA   | HEALTH PARTNERS OF PHILADELPHIA          | REGION 3   | \$700+M        | \$350+       | MEDICAID-FOCUSED | INDEPENDENT          | NONPROFIT           | RX - YES           | GAIN         |
| PENNSYLVANIA   | HEALTHAMERICA PENNSYLVANIA INC.          | REGION 3   | \$250M-700M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| PENNSYLVANIA   | UNITEDHEALTHCARE OF PENNSYLVANIA INC.    | REGION 3   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| PENNSYLVANIA   | UPMC FOR YOU INC.                        | REGION 3   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| PENNSYLVANIA   | VISTA HEALTH PLAN (PENNSYLVANIA)         | REGION 3   | \$700+M        | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| PENNSYLVANIA   | GEISINGER HEALTH PLAN                    | REGION 3   | \$250M-700M    | \$350+       | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| PUERTO RICO    | HUMANA HEALTH PLANS OF PUERTO RICO INC.  | REGION 2   | \$250M-700M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| RHODE ISLAND   | NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND | REGION 1   | \$250M-700M    | \$350+       | MEDICAID-FOCUSED | INDEPENDENT          | NONPROFIT           | RX - YES           | LOSS         |
| RHODE ISLAND   | UNITEDHEALTHCARE (NEW ENGLAND)           | REGION 1   | \$250M-700M    | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| SOUTH CAROLINA | ABSOLUTE TOTAL CARE INC.                 | REGION 4   | \$250M-700M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| SOUTH CAROLINA | BLUECHOICE HEALTHPLAN OF SC              | REGION 4   | \$10M-100M     | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| SOUTH CAROLINA | SELECT HEALTH OF SOUTH CAROLINA INC.     | REGION 4   | \$700+M        | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| SOUTH CAROLINA | UNITEDHEALTHCARE OF SOUTH CAROLINA INC.  | REGION 4   | \$100M-250M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| TENNESSEE      | AMERIGROUP TENNESSEE INC.                | REGION 4   | \$700+M        | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| TENNESSEE      | UNITED HEALTHCARE PLAN                   | REGION 4   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| TENNESSEE      | VOLUNTEER STATE HEALTH PLAN INC.         | REGION 4   | \$700+M        | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| TEXAS          | AETNA HEALTH INC. (A TEXAS CORP.)        | REGION 6   | \$100M-250M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| TEXAS          | AMERIGROUP INSURANCE CO.                 | REGION 6   | \$250M-700M    | \$250-350    | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| TEXAS          | AMERIGROUP TEXAS INC.                    | REGION 6   | \$700+M        | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| TEXAS          | BANKERS RESERVE LIFE INSURANCE CO.       | REGION 6   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| TEXAS          | CHRISTUS HEALTH PLAN                     | REGION 6   | \$10M-100M     | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |

| STATE      | MCO                                  | CMS REGION | ANNUAL REVENUE | REVENUE PMPM | MCO TYPE         | MCO AFFILIATION TYPE | FINANCIAL STRUCTURE | PHARMACY INDICATOR | GAIN OR LOSS |
|------------|--------------------------------------|------------|----------------|--------------|------------------|----------------------|---------------------|--------------------|--------------|
| TEXAS      | COMMUNITY FIRST HEALTH PLANS INC.    | REGION 6   | \$100M-250M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| TEXAS      | COMMUNITY HEALTH CHOICE INC.         | REGION 6   | \$250M-700M    | \$0-250      | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | LOSS         |
| TEXAS      | COOK CHILDREN'S HEALTH PLAN          | REGION 6   | \$100M-250M    | \$0-250      | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | GAIN         |
| TEXAS      | DRISCOLL CHILDREN'S HEALTH PLAN      | REGION 6   | \$250M-700M    | \$250-350    | MEDICAID-FOCUSED | INDEPENDENT          | NONPROFIT           | RX - YES           | GAIN         |
| TEXAS      | EL PASO FIRST HEALTH PLANS INC.      | REGION 6   | \$100M-250M    | \$0-250      | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | GAIN         |
| TEXAS      | MOLINA HEALTHCARE OF TEXAS INC.      | REGION 6   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| TEXAS      | PARKLAND CMNTY HEALTH PLAN INC.      | REGION 6   | \$250M-700M    | \$0-250      | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | GAIN         |
| TEXAS      | SCOTT & WHITE HEALTH PLAN            | REGION 6   | \$100M-250M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | LOSS         |
| TEXAS      | SENDERO HEALTH PLANS INC.            | REGION 6   | \$10M-100M     | \$250-350    | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | LOSS         |
| TEXAS      | SETON HEALTH PLAN INC.               | REGION 6   | \$10M-100M     | \$0-250      | MEDICAID OTHER   | INDEPENDENT          | FOR-PROFIT          | RX - YES           | GAIN         |
| TEXAS      | SHA LLC                              | REGION 6   | \$250M-700M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| TEXAS      | SUPERIOR HEALTHPLAN INC.             | REGION 6   | \$700+M        | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| TEXAS      | TEXAS CHILDREN'S HEALTH PLAN INC.    | REGION 6   | \$250M-700M    | \$0-250      | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | LOSS         |
| TEXAS      | UNITEDHEALTHCARE COMMUNITY (TEXAS)   | REGION 6   | \$700+M        | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| UTAH       | MOLINA HEALTHCARE OF UTAH, INC.      | REGION 8   | \$100M-250M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| UTAH       | SELECTHEALTH INC.                    | REGION 8   | \$100M-250M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| VIRGINIA   | AMERIGROUP VIRGINIA LLC              | REGION 3   | \$100M-250M    | \$250-350    | MEDICAID-FOCUSED | INDEPENDENT          | FOR-PROFIT          | RX - YES           | GAIN         |
| VIRGINIA   | CARILION CLINIC MEDICARE RESEARCH    | REGION 3   | \$10M-100M     | \$350+       | MEDICAID OTHER   | INDEPENDENT          | FOR-PROFIT          | RX - YES           | LOSS         |
| VIRGINIA   | COVENTRY HEALTHCARE OF VIRGINIA INC. | REGION 3   | \$100M-250M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| VIRGINIA   | HEALTHKEEPERS INC.                   | REGION 3   | \$700+M        | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| VIRGINIA   | OPTIMA HEALTH PLAN                   | REGION 3   | \$250M-700M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| VIRGINIA   | VIRGINIA PREMIER HEALTH PLAN INC.    | REGION 3   | \$700+M        | \$250-350    | MEDICAID-FOCUSED | INDEPENDENT          | NONPROFIT           | RX - YES           | GAIN         |
| WASHINGTON | AMERIGROUP WASHINGTON INC.           | REGION 10  | \$100M-250M    | \$350+       | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| WASHINGTON | COLUMBIA UNITED PROVIDERS INC.       | REGION 10  | \$10M-100M     | \$0-250      | MEDICAID-FOCUSED | INDEPENDENT          | FOR-PROFIT          | RX - YES           | LOSS         |
| WASHINGTON | COMMUNITY HEALTH PLAN OF WASHINGTON  | REGION 10  | \$250M-700M    | \$0-250      | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - YES           | GAIN         |

| STATE         | MCO  | CMS REGION | ANNUAL REVENUE | REVENUE PMPM | MCO TYPE         | MCO AFFILIATION TYPE | FINANCIAL STRUCTURE | PHARMACY INDICATOR | GAIN OR LOSS |
|---------------|--|------------|----------------|--------------|------------------|----------------------|---------------------|--------------------|--------------|
| WASHINGTON    | MOLINA HEALTHCARE OF WASHINGTON INC.       | REGION 10  | \$700+M        | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| WASHINGTON    | UNITEDHEALTHCARE OF WASHINGTON INC.        | REGION 10  | \$100M-250M    | \$250-350    | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | LOSS         |
| WEST VIRGINIA | COVENTRY HEALTH CARE OF WEST VIRGINIA INC. | REGION 3   | \$100M-250M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| WEST VIRGINIA | HEALTH PLAN OF THE UPPER OHIO              | REGION 3   | \$10M-100M     | \$0-250      | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - YES           | GAIN         |
| WEST VIRGINIA | UNICARE HEALTH PLAN OF WEST VIRGINIA INC.  | REGION 3   | \$100M-250M    | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - YES           | GAIN         |
| WISCONSIN     | CHILDREN'S COMMUNITY HEALTH PLAN INC.      | REGION 5   | \$250M-700M    | \$0-250      | MEDICAID-FOCUSED | INDEPENDENT          | NONPROFIT           | RX - NO            | LOSS         |
| WISCONSIN     | COMPCARE HEALTH SERVICES INS. CORP.        | REGION 5   | \$100M-250M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - NO            | LOSS         |
| WISCONSIN     | DEAN HEALTH PLAN INC.                      | REGION 5   | \$10M-100M     | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| WISCONSIN     | GROUP HEALTH CO-OP OF EAU CLAIRE           | REGION 5   | \$10M-100M     | \$250-350    | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - NO            | GAIN         |
| WISCONSIN     | GUNDERSEN HEALTH PLAN INC.                 | REGION 5   | \$10M-100M     | \$ 0-250     | MEDICAID OTHER   | AFFILIATED           | NONPROFIT           | RX - NO            | GAIN         |
| WISCONSIN     | HEALTH TRADITION HEALTH PLAN               | REGION 5   | \$10M-100M     | \$0-250      | MEDICAID OTHER   | INDEPENDENT          | FOR-PROFIT          | RX - NO            | GAIN         |
| WISCONSIN     | INDEPENDENT CARE HEALTH PLAN               | REGION 5   | \$10M-100M     | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| WISCONSIN     | MANAGED HEALTH SERVICES INS. CORP.         | REGION 5   | \$100M-250M    | \$350+       | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| WISCONSIN     | MERCYCARE HMO INC.                         | REGION 5   | \$10M-100M     | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - NO            | LOSS         |
| WISCONSIN     | MOLINA HEALTHCARE OF WISCONSINI INC.       | REGION 5   | \$100M-250M    | \$0-250      | MEDICAID-FOCUSED | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| WISCONSIN     | NETWORK HEALTH PLAN                        | REGION 5   | \$10M-100M     | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| WISCONSIN     | PHYSICIANS PLUS INSURANCE CORP             | REGION 5   | \$10M-100M     | \$0-250      | MEDICAID OTHER   | INDEPENDENT          | FOR-PROFIT          | RX - NO            | LOSS         |
| WISCONSIN     | SECURITY HEALTH PLAN OF WISCONSIN INC      | REGION 5   | \$100M-250M    | \$0-250      | MEDICAID OTHER   | INDEPENDENT          | NONPROFIT           | RX - NO            | GAIN         |
| WISCONSIN     | UNITEDHEALTHCARE OF WISCONSIN INC.         | REGION 5   | \$250M-700M    | \$0-250      | MEDICAID OTHER   | AFFILIATED           | FOR-PROFIT          | RX - NO            | GAIN         |
| WISCONSIN     | UNITY HEALTH PLANS INSURANCE CORP.         | REGION 5   | \$10M-100M     | \$0-250      | MEDICAID OTHER   | INDEPENDENT          | FOR-PROFIT          | RX - NO            | LOSS         |



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