

Glossary of Terms

Total Premiums: The combined amount of premium income earned by the insurer for the administration and payment of medical treatment and services.

Hospital/medical benefits: Payments made to hospitals or physicians for the delivery of medical care. This includes treatment and services during a hospital stay, such as nursing care, use of medical or surgical equipment and supplies, pharmaceutical drugs provided during a hospital stay, and room and board. It may also include services outside the hospital, such as laboratory, physical therapy or other rehabilitation services, and doctor visits. It does not include expenses for emergency room care and out-of-area hospitalization as those items are reported separately. This line item also includes payments to the Uncompensated Care Pool/ Health Safety Net Trust Fund.

Other Professional Services: Payments to non-physician providers for activities in direct support of the provision of medical services, such as pharmacists, psychologists, podiatrists, paramedics, ambulance drivers, and other clinical personnel.

ER and Out-of-Area: Payments for emergency room care or urgent services provided by physicians or hospitals outside the health plan's service area.

Prescription Drugs: Payments for pharmaceutical drugs and other pharmacy benefits. It does not include prescription drug charges that are provided in the hospital, which are classified as Hospital/Medical Benefits.

Incentive Pool: Payment adjustments or bonuses paid for meeting certain pre-determined measures of patient satisfaction, access, quality and/or utilization savings. Includes adjustments to amounts withheld from providers.

Reinsurance Recoveries: Amounts recovered and recoverable from reinsurers on paid losses related to ceded business.

Claims Adjustment Expenses, Including Cost-Containment Expenses: Expenses incurred in connection with the recording, adjustment and settlement of claims, including expenses to improve the quality, safety and efficiency of health care.

General Administrative Expenses: Costs associated with the general expenses, such as member and provider communications, and salaries for personnel not related to administration of claims.

Premium Taxes: State taxes incurred and due as a result of the current year's taxable basis calculated in accordance with state laws and regulations related to the contractually determined premiums written by insurer.

Premium Deficiency Reserve: When the expected claims payments or incurred costs, claim adjustment expenses and administrative costs exceed the premiums to be collected for the remainder of a contract period, a premium deficiency reserve is recognized with a charge to operations.

Operating Income (Loss): Total revenues from an insurer's operations less total medical, claim adjustment, and general administrative expenses.

Investment and Other Income: Net investment income earned during the reporting period from all forms of investments and includes realized capital gains or losses usually resulting from the disposal of investments. Realized capital gains (losses) are reported net of taxes. Also includes other income credited to the health plan due to non-operating activities.

Federal Income Tax Expense: Income taxes provision (benefits) based on estimated amounts of federal income taxes paid (recovered) or payable (recoverable) for the current year.

Net Income (Loss): the excess or deficiency of total revenues over total expenses.

Commercial Membership: The number of individuals who are insured either through a product licensed and approved by the state's Division of Insurance and offered by their employer, purchased directly from the health plan, or enrolled in a Commonwealth Choice product available through the Commonwealth Health Insurance Connector Authority. Includes Federal Employees Health Benefit Plan members.

Medicare and Senior products Membership: The number of individuals enrolled in the health plan's product available to people eligible to Medicare and related products.

Medical Benefit Ratio: The percentage of premium dollars spent on medical care.

Administrative Expense Ratio: The percentage of premium dollars spent on claims adjustment and general administrative expenses.

Operating Margin: The percentage of premium dollars remaining after medical, claim adjustment, and general administrative expenses are paid that results in a profit or loss.