



For Immediate Release

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Fallon Community Health Plan reports first quarter financials

Worcester, Mass., May 17, 2010—Fallon Community Health Plan (FCHP) today reported a net loss of \$8.5 million on revenue of \$285 million for the first quarter, ending March 31, 2010. The net loss includes investment income of \$2.3 million and an operating loss of \$10.8 million. For the same quarter last year, FCHP posted net income of \$976,163 on revenue of \$269 million. Net income included investment income of \$2.2 million and an operating loss of \$1.3 million. Membership was 223,512 as of March 31, 2010, compared to 223,444 for the same quarter last year.

“Our first quarter financial performance is consistent with budgeted expectations,” said Charles Goheen, FCHP Executive Vice President and Chief Financial Officer. “We continue to be impacted by the rising cost of care and the difficult economics of the merged individual and small group market.”

Goheen said FCHP has been on track to return to profitability, but may now need to reassess the timeline depending on the outcome of its appeal hearings with the state Division of Insurance. In April, FCHP’s rates for the merged individual and small group market (along with the vast majority of rates filed by all of the Massachusetts not-for-profit health plans) were disapproved by the Division. FCHP is appealing that decision, asserting that the rates it filed were actuarially sound and appropriately developed based on the cost of providing care and services to its members.

“We understand the pressures faced by our customers and share their concern about rising health care costs, but capping rates threatens the stability of health plans and the structure of our entire health care system while ignoring the root causes of rising premiums – underlying medical costs, over-utilization of services and the market power of certain providers,” Goheen added.

FCHP remains vigilant in its efforts to deal with issues related to the cost of care. Efforts continue to be focused on appropriately managing medical costs while ensuring that members are receiving the right care at the right time and place. Specifically, through a company-wide cost of care initiative, FCHP continues to identify, implement and monitor cost savings opportunities with a focus on unit costs, utilization, fraud and abuse, payment policy and benefit design.

Additionally, since 2002, FCHP has offered a high-performing, limited network product (FCHP Direct Care) priced approximately 10% below its full network product – a unique concept now gaining attention from legislators looking for cost-saving options for small businesses. The providers in the limited network have proven track records for innovation, quality and delivering more cost-effective care. The premium for this product is favorably impacted by the combined efficiency and effectiveness of the providers in the limited network.

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About Fallon Community Health Plan

Founded in 1977, Fallon Community Health Plan is a nationally recognized, not-for-profit health care services organization. From traditional health insurance products available throughout Massachusetts for all populations, to innovative health care programs and services for independent seniors, FCHP supports the diverse and changing needs of all those it serves. FCHP has consistently ranked among the nation’s top health plans, and is the only health plan in Massachusetts to have been awarded “Excellent” Accreditation by the National Committee for Quality Assurance for its HMO, Medicare Advantage and Medicaid products. For more information, visit fchp.org.

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