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Harvard Pilgrim Health Care reports first quarter 2010 financial results

(Wellesley, MA) – Harvard Pilgrim Health Care today reported a net loss of \$27 million and an operating loss of \$28.6 million on revenue of \$715.3 million for the first quarter of 2010. As of March 31, 2010, total membership for Harvard Pilgrim was 1,118,000, an increase of 65,000 members from the first quarter of 2009 when membership was 1,053,000. For the first quarter of 2009, Harvard Pilgrim reported a net loss of \$3.0 million and an operating loss of \$6.9 million on revenue of \$660.2 million.

“Harvard Pilgrim’s first quarter financial loss is attributed to external factors and is not a reflection of our company’s performance. The recent mandate by the Massachusetts Division of Insurance that we use last year’s premium rates for this year’s small group and individual business has contributed \$21 million to the loss in the first quarter,” said James DuCharme, chief financial officer of Harvard Pilgrim. “In addition, earlier this year, the state of Massachusetts imposed an assessment on health plans to fund its pediatric immunization program, which was previously funded from the state budget, and resulted in an \$8 million charge to Harvard Pilgrim. Without these external actions, Harvard Pilgrim would be on budget for the first quarter of 2010 due to our continued and aggressive efforts to control medical and administrative costs.”

If the state’s mandate to use inadequate rates for the remainder of 2010 continues, Harvard Pilgrim’s financial losses will deepen. “We are proceeding with an administrative hearing with the DOI and are hoping for a speedy resolution. In the meantime, we will be relying on our reserves to continue to meet our current obligations to our customers,” said DuCharme.

DuCharme noted that Harvard Pilgrim understands and is continuously working to find solutions to ease the financial pressure premium increases place on its employer customers, particularly small businesses, and members, especially in a difficult economy. However, non-profit insurers like Harvard Pilgrim are not driving increases in the cost of health care, and simply rejecting rates is not the answer to controlling health care costs. Reports recently issued by the Massachusetts [Attorney General](#) and Massachusetts Division of Health Care Finance and Policy ([DHCFP](#)) document that prices charged by some hospitals and physicians for medical services are the primary drivers of medical costs. The Attorney General’s report shows that increasing prices charged by providers for medical services are the primary drivers of health care costs, accounting for as much as seventy-five percent of the increase in recent years.

Harvard Pilgrim is a not-for-profit health plan that provides a variety of health benefit options and funding arrangements to more than one million members in Massachusetts, New Hampshire and Maine. For the second year in a row, Harvard Pilgrim Health Care is the highest-ranked health insurance plan in the New England region in the *J.D. Power and Associates 2010 National Health Insurance Plan Study*.SM Harvard Pilgrim received the highest ranking for overall member satisfaction in the New England region. The study looked at key factors in delivering satisfaction to health plan members including customer service, coverage and benefits, provider choice, information and communication and claims processing. In addition, Harvard Pilgrim, for the fifth consecutive year, was named the #1 commercial health plan in America according to a joint ranking by *U.S. News & World Report* and the National Committee for Quality Assurance (NCQA)*. For more information, please visit www.harvardpilgrim.org.

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* ***U.S. News/NCQA America’s Best Health Insurance Plans 2009-10.* “America’s Best Health Plans” is a trademark of *U.S. News & World Report*.