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MEDIGAP INSURANCE:
Premiums and Regulatory Changes After Repeal of the Medicare Catastrophic Coverage Act and 1988 Loss Ratio Data

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Before the
Subcommittee on Health
Committee on Ways and Means
House of Representatives

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SUMMARY

Almost from the beginning of Medicare in 1966, private insurance companies have offered Medigap policies designed to pay some or all of beneficiaries' deductibles and coinsurance. In 1980, the Congress established federal requirements that must be met before insurers can market Medigap policies.

In 1988, the Congress passed the Medicare Catastrophic Coverage Act, one of the most significant expansions of the program since its beginning. In November 1989, the Congress repealed the Act and restored Medicare benefits to what they were before the Catastrophic Coverage Act.

GAO recently surveyed 29 commercial Medigap insurers concerning their 1990 premiums for Medigap insurance. Twenty insurers responded and told GAO that they expect to increase their 1990 premiums for Medigap insurance by an average of 19.5 percent over their 1989 premiums. The companies attributed about half of this increase to increased benefits and administrative costs necessitated by repeal of the Catastrophic Act. The companies said that the other half of the increase was due to factors such as inflation, increased use of health services, and prior years' claims experience. For 19 companies, the increases will range from a low of 5.0 percent to a high of 51.6 percent, and one company said it expects its 1990 premium to remain unchanged.

The 1988 loss ratios of 34 percent of the commercial companies with over $250,000 in earned premiums from individual policies in force for 3 years or more were below the minimum standard of 60 percent. For Blue Cross/Blue Shield plan individual policies, about 98 percent met or exceeded the minimum standard. For group plans, about 66 percent of commercial companies and 24 percent of Blue Cross and/or Blue Shield plans had loss ratios that were below the minimum standard of 75 percent.

After repeal of the Catastrophic Coverage Act, the National Association of Insurance Commissioners revised its model regulation and minimum benefit standards for Medigap policies. These revisions include several new consumer protection provisions designed to eliminate certain abusive sales and marketing practices. Also, policies must now cover some expenses of policyholders that were not required before, such as all part B coinsurance after the beneficiary pays the annual part B deductible of $75.

GAO identifies several options for amending federal Medigap standards that could improve consumer protection and the economic value of Medigap policies.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the work we have been doing at the Subcommittee's request on Medicare supplemental (or Medigap) insurance. We will be discussing 1990 Medigap premium increases, the percentage of premiums paid out as benefits (the loss ratios) in 1988 and recent changes in federal and state regulatory requirements for Medigap policies. As you requested, we will also discuss posible changes to federal Medigap standards that could increase consumer protection and improve the economic value of Medigap policies.

MCCA AND ITS REPEAL

The Medicare Catastrophic Coverage Act (MCCA), which became law in July 1988, provided for the most significant expansion of Medicare benefits since the program's beginning. Beneficiary out-of-pocket costs for covered services were to be capped, and additional services would have been covered when the law was fully implemented.

In June and April 1989, we testified before committees of both houses of the Congress on the effects of MCCA on benefits provided by the Medicare program and Medigap insurance[1]. In both instances, we noted that MCCA expanded Medicare benefits and thus reduced the coverages required of Medigap policies. We pointed

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[1]See "MEDIGAP INSURANCE: Effects of the Catastrophic Coverage Act of 1988 on Future Benefits", Statement of Mr. Michael Zimmerman before the Senate Committee on Finance (GAO/T-HRD-89-22, June 1, 1989) and "MEDIGAP INSURANCE: Effects of the Catastrophic Coverage Act of 1988 on Benefits and Premiums", Statement of Mr. Michael Zimmerman before the Subcommittee on Commerce, Consumer Protection, and Competitiveness, House Committee on Energy and Commerce (GAO/T-HRD-89-13, Apr. 6, 1989).

out that a number of major benefits provided under MCCA would become effective in 1990, and we expected that Medigap premiums for 1990 would be substantially lower than they would have been without MCCA.

In November 1989, the Congress passed legislation to repeal MCCA and to restore Medicare benefits to what they were before the Act became effective. The repeal legislation reversed the reduction in coverage required of Medigap policies, and we expected this would result in significantly higher Medigap premiums than if MCCA had remained in effect.

PREMIUMS FOR MEDIGAP INSURANCE AFTER REPEAL OF MCCA

During the debate surrounding the repeal of MCCA, concerns were raised in the Congress about the effect repeal would have on Medigap premiums and how the additional premium increases would affect low-income elderly persons. At your request, Mr. Chairman, we took a look at these issues. We contacted 29 commercial Medigap insurers to obtain (1) their estimate of their 1990 premiums and (2) their reasons for premium changes. The results of that survey were reported to you in November 1989.[2] At that time, the Medigap insurers estimated that their 1990 premiums would be an average of 15.4 percent higher than their 1989 premiums.

After the Congress repealed MCCA, we again contacted those 29 commercial Medigap insurers to get updated estimates. Twenty

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[2]See Medicare Catastrophic Act: Estimated Effects of Repeal on Medigap Premiums and Medicaid Costs (GAO/HRD-90-48FS, Nov. 6, 1989).

companies responded to that request and are listed in appendix I to this statement. The policies sold by those 20 companies covered about 2.6 million policyholders, and they estimate their 1990 premiums will, on average, be 19.5 percent higher than premiums in 1989. The average increase is $11.44 per month. The increases range from 5.0 percent to 51.6 percent, and one company reported that it expected its 1990 premium to be the same as its 1989 premium. Appendix II to this statement shows the estimates from the twenty companies.

The companies attributed about half of the expected premium increases to general inflation within the medical sector of the economy, increased use of health services by the elderly, and higher than expected claims experience in prior years. The companies attributed the other half of the increase to repeal of MCCA. The companies said that changes required by repeal of MCCA included: (1) additions to benefits, such as coverage of the part A deductible or reducing the policy deductible for part B coinsurance coverage from $200 to $75, and (2) administrative costs associated with repeal of the MCCA, such as modifications to policies and notices to policyholders.

The Blue Cross and Blue Shield Association also surveyed its member organizations. Thirty-eight organizations responded, representing two-thirds of the total Blue Cross and Blue Shield Medigap enrollment. After summarizing the responses, the Association found that the median increase in 1990 non-group Medigap insurance premiums would be about 29 percent. Had MCCA

remained in force, the Association projected that premiums would rise by about 9 percent. The Association attributed plan rate increases to numerous factors, including growth in costs and utilization, benefit changes, and adjustments for prior rate inadequacies.

MEDIGAP LOSS RATIOS FOR 1988

In addition to concerns about increasing premiums for Medigap insurance, another congressional concern has been the portion of Medigap premiums returned to policyholders in the form of benefits, or the policies' loss ratios. A loss ratio is computed by dividing total incurred claims[3] by total earned premiums for the same period. The result of this computation is usually expressed as a percentage.

The Baucus amendment, which amended the Medicare law to establish federal Medigap standards, set loss ratio targets for Medigap policies. The Baucus amendment established expected loss ratios for Medigap policies -- at least 75 percent for group policies and at least 60 percent for individual policies. MCCA revised the Baucus amendment to require states to collect data on actual Medigap loss ratios.

In an earlier GAO report[4] and congressional hearings, we reported on the loss ratios of Medigap policies. Generally, we

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[3]Incurred claims include actual payments for claims plus reserves for claims incurred but not yet received or processed by the insurer.

[4]Medigap Insurance: Law Has Increased Protection Against Substandard and Overpriced Policies (GAO/HRD-87-8, Oct. 17, 1986).

have reported that pre-1988 loss ratios of most commercial policies were below the minimum standards. In contrast, the pre-1988 loss ratios of Blue Cross and Blue Shield plans were generally above the standards. For example, in our 1986 report, we said that the 1984 average loss ratio for individual policies sold by 92 commercial firms was 60 percent; for policies sold by 13 Blue Cross and Blue Shield plans, the average was 81 percent. In 1989, we reported that the 1987 average loss ratio for 92 commercial policies was 74 percent; however, that average was heavily influenced by the relatively large block of business represented by the Prudential Insurance Company, whose loss ratio was 83 percent. Excluding Prudential, the other commercial policies had an average loss ratio of 59 percent. For 75 Blue Cross and Blue Shield plans, the 1987 average loss ratio on individual plans was 93 percent. Because of changes in loss ratio reporting requirements discussed below, these pre-1988 loss ratios cannot be directly compared with more current loss ratio information.

Some caution is needed in the interpretation and use of loss ratio data because a number of factors may affect the computations. For example, early policy experience may result in a relatively low loss ratio because policies do not cover costs related to pre-existing conditions during the policy's waiting period. Also, new policyholders may be relatively healthy and file few claims, so a policy with substantial amounts of new business may experience a relatively low loss ratio. Thus, a

policy's loss ratio should be viewed over the time that represents "mature" experience. For years prior to 1988, the National Association of Insurance Commissioners' (NAIC) form used by insurers to report Medigap loss ratio data included the reporting year's experience for all policies in force and a cumulative report of the 3 most current years' experience. Beginning with reports covering 1988 and later, the NAIC provides a two-tiered set of criteria for determining if loss ratios comply with loss ratio standards:[5]

-- For policies that have been in force 3 years or more, the most recent year's loss ratio must equal or exceed the 60 or 75 percent standard (whichever is applicable).

-- For policies that have been in force less than 3 years, the policies must have a third-year expected loss ratio equal to or greater than the 60 or 75 percent standard.

We have obtained 1988 loss ratio data (the latest available) for Medigap insurance from NAIC[6] and the Blue Cross and Blue Shield Association. The data are reported in aggregate for all policies sold by a company. These aggregate data measure a company's overall performance because they average experience

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[5]In addition, the NAIC has revised the formula for determining the incurred claims portion of the loss ratio. Prior to 1988, incurred claims included actual payments for claims plus reserves for claims incurred but not yet reported to or processed by the company plus a life-time reserve for future claims. For loss ratios covering 1988 and later years, incurred claims no longer include the life-time reserves in the computation.

[6]The NAIC labeled its data "preliminary results only," and these data are subject to change.

across all policies. This means that a company whose aggregate loss ratio is below the standards has one or more policies which fail to meet the minimum standards but may have other policies that meet or exceed the standards. Conversely, a company can have an aggregate loss ratio above the standards but have some policies that fall below them.

The aggregate loss ratios by companies for policies in force 3 years or more with more than $250,000 in earned premiums are summarized in appendices III and IV. Similar data for policies that have been in force for less than 3 years are in appendices V and VI.

Many company loss ratios are still not meeting the minimum standards. In 1988, the loss ratios for companies with policies in force 3 years or more were based on total earned premiums of approximately $3.7 billion. For policies sold to individuals:

-- By commercial insurers, 34 percent of the company loss ratios were below the 60 percent minimum standard. The average loss ratios for companies exceeding the standard was 68.5 percent while the average for companies below the standard was 50 percent. About 88 percent of total earned premiums was with companies whose average loss ratio exceeded the minimum standard.

-- Among the Blue Cross and Blue Shield plans, 98 percent met or exceeded the target loss ratio percentage. The average loss ratio for these plans was 93.4 percent; the loss ratio of the single plan that fell below the standard was 53.9

percent. Over 99 percent of total earned premiums was with plans whose average loss ratio exceeded the minimum standard.

For group coverage:

-- About 66 percent of the commercial company loss ratios were below the 75 percent minimum standard. The average loss ratio for companies that were at or above the target was 101.5 percent, and the average for those below the target was 62.6 percent. About 93 percent of total earned premiums was with plans whose average loss ratio exceeded the minimum standard.

-- Among the Blue Cross and Blue Shield plans, 24 percent had loss ratios that fell below the minimum target. The average loss ratio for plans that met or exceeded the target was 91.4 percent, and the average for those below the target was 71.5 percent. About 88 percent of total earned premiums was with plans whose average loss ratio exceeded the minimum standard.

Earned premiums for policies in force less than 3 years totaled approximately $3.5 billion for 1988. For policies sold to individuals:

-- By commercial insurers, 60 percent of the company loss ratios were below the 60 percent minimum standard.

-- Among the Blue Cross and Blue Shield plans, all met or exceeded the standard.

For group coverage, about 71 percent of the commercial companies and 16 percent of the Blue Cross and Blue Shield plans did not meet the 75 percent target. Additional details are in appendix VI.

Under the Baucus amendment, states are responsible for monitoring whether Medigap policies meet the loss ratio standards and for taking action when they do not. In the past, states did little to assure that the loss ratio targets were met. This was because the loss ratio standards were expressed as targets and the manner in which loss ratio data were reported by insurers did not facilitate monitoring. Under the revised federal and NAIC standards, policies must meet the loss ratio standards after 3 years and the manner in which loss ratios are reported will make such determinations easier than in the past. When the new standards are adopted, the states should be better able to enforce the standards than was the case in the past.

This Subcommittee has already asked us to monitor Medigap loss ratios through 1994.

REGULATORY REQUIREMENTS FOR MEDIGAP POLICIES AFTER REPEAL OF MCCA

Over the years, another congressional concern related to Medigap has been marketing abuses and consumer protection against those abuses. NAIC's most recent revision to its model regulations, adopted in early December 1989, included several new consumer protection provisions. These new standards have been incorporated under the Baucus amendment as the criteria for approval of state regulatory programs and are now before the

states for their consideration and adoption. The new NAIC standards continue efforts, which began with the passage of the Baucus amendment, to eliminate abuses in the sale and marketing of Medigap insurance. We believe that if adopted and enforced by the states, the new provisions will help prevent abuses in the sale of Medigap policies.

One problem in the sale of Medigap insurance that has been identified over the years is that some Medicare beneficiaries purchase multiple policies that duplicate coverage. Revised consumer protection provisions in the NAIC model should help alleviate this problem. Application forms will include questions asking whether the applicant has another Medigap policy in force and, if so, whether the policy being applied for is intended to replace any medical or health insurance already in force. Agents must also list on the application any health insurance policies they have sold to the applicant. The sale of more than one Medigap policy to an individual is prohibited, unless the combined policies' coverages do not exceed 100% of the individual's actual medical expenses. In addition, if the sale involves replacement of a Medigap policy, an insurer or its agent must provide the applicant with a notice before the replacement policy goes into effect that the coverage applied for replaces health insurance in force. This notice will give purchasers an additional opportunity to review their coverage and to cancel the new policy without penalty if they decide not to replace a policy already in force.

Another problem with Medigap marketing has been frequent replacement of policies which results in new waiting periods for pre-existing conditions. Insurance agents had an incentive to sell replacement policies because the sale commission structure gave much higher remuneration for the first year a policy was in effect than for renewal years. New NAIC provisions should decrease the incentives to sell new policies by placing restrictions on the way commissions are paid and prohibiting waiting periods when replacement policies are sold. The compensation provision limits the first-year commission and other compensation[7] that may be paid to an agent selling a Medigap policy and also requires companies to spread the total compensation for selling a policy over a reasonable number of years. These requirements will prevent companies from loading agent compensation into the first years a policy is in effect, thus decreasing the incentive to sell replacement policies. Also, when issuing a replacement Medigap policy, insurers must waive waiting periods applicable to pre-existing conditions or other similar restrictions to the extent such time was spent under the original policy.

In addition to the consumer protection provisions, the new NAIC model regulation modified some minimum benefit standards for Medigap policies from those required before MCCA was enacted. For example:

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[7]Compensation includes bonuses, gifts, prizes, awards, finders fees, and other similar forms of remuneration.

-- For services covered under part A of Medicare. Current NAIC standards require Medigap policies to cover either all or none of the part A deductible ($592 per benefit period in 1990). The NAIC standard in effect before MCCA did not contain a minimum requirement for coverage of the part A deductible, and thus a policy could have covered just a portion of that deductible.

-- For services covered under part B of Medicare. NAIC's current standards require Medigap policies to cover all policyholders' coinsurance for services covered by part B of Medicare, after the policyholder has paid the part B deductible of $75 per year. This coinsurance is 20 percent of the Medicare-approved charge for services. Prior to the MCCA, the NAIC standards required Medigap policies to pay part B coinsurance after the policyholder paid $200 (the $75 annual part B deductible plus $125 in part B coinsurance), and Medigap policies could limit coverage to $5,000 in benefits in any calendar year.

POSSIBLE REVISIONS TO THE BAUCUS AMENDMENT

You asked that we identify changes that could be made to the Baucus amendment to improve the economic value of Medigap policies for beneficiaries, to assist beneficiaries when they are considering purchasing a Medigap policy, and to increase consumer protection. We have several suggestions for the Subcommittee to consider.

Require Medigap policies to meet the loss ratio standards. The Baucus amendment requires that policies be expected to meet the loss ratios stated in the provision. In effect, as long as the insurer estimates that a policy will meet the standard, it has complied with the requirement whether or not its actual loss ratio ever meets the minimum standard. The latest NAIC model regulation requires that policies in effect for 3 years or more actually meet the loss ratio standard. Amending the Baucus amendment to make it consistent with the NAIC model would remove any doubt that the Congress intends that policies meet the standards. Moreover, the revised provisions would make it easier for states to take action on premium rate increase requests because prior experience rather than merely estimated future experience could be factored into the rate approval process.

Raise the minimum loss ratios. To increase the economic value of Medigap policies, the Congress could increase the minimum allowable loss ratios in the Baucus amendment. In 1988, about two-thirds of the premium dollars for individual policies in force for 3 years or more were for policies with loss ratios of 80 percent or more and about 86 percent of the premium dollars for group policies in force for 3 years or more were for policies with loss ratios of 85 percent or more. Also, as I mentioned before, loss ratio data for the Blue Cross and Blue Shield plans have been ,on average, above these levels for a number of years. This indicates that if the loss ratio standards were raised to the 80- to 85-percent range, Medigap policies would continue to be widely available to

beneficiaries. Increasing the minimum acceptable loss ratios would mainly affect those insurers with high levels of profits and/or marketing costs. These companies would have to accept lower profits, reduce marketing costs, or leave the business.

Require states to review advertising materials for Medigap policies. As in the case of rate reviews, states have varying advertising review authority.[8] The NAIC says that most states are file and use jurisdictions. Of the 12 states we visited, 1 is a prior approval state and 11 are file and use states. Under current federal law, insurers are required to follow state law regarding submission of their advertising materials for state review. The Congress may wish to require all states to subject advertising material to some level of review before it may be used. This would make advertising review consistent across the states and would help assure that the elderly are not exposed to deceptive or misleading Medigap advertising materials.

Encourage the states to operate a consumer counseling service. Of the 12 states we visited, 4 had some type of consumer counseling service, relying on insurance department or office of aging employees, or volunteers, to help the elderly assess their Medigap needs and the options available. Legislation recently

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[8]There are three basic types of review authority. Under prior approval authority, insurers are required to submit their advertising for review and may use it after receiving approval from the state. Under file and use authority, insurers must submit their advertising and may use it if it is not disapproved within a stated period of time. Under use and file authority, insurers may begin using their advertising at the same time they submit it for state approval.

introduced in the Senate would provide grants to states to operate toll-free telephone assistance lines and counseling services for Medicare beneficiaries. This proposal is designed to help increase the availability to the elderly of information on benefits under Medicare, how to shop for Medigap or long-term care insurance, and how to obtain help if they have a problem with their health insurance.

Require uniform Medigap policies. Medigap policies must meet minimum benefit levels, but companies offer many combinations of benefits in addition to the minimums. This makes it difficult for consumers to comparison shop for the best price, because policies offered by two different companies may have different benefit structures as well as different premiums. The Baucus amendment could be changed to require that only certain benefits be offered and that they be offered only in certain combinations. Under such a plan, companies might be limited to, say, four or five different levels and combinations of benefits. Each policy of a particular type from a company would provide the same benefits as policies of that type offered by any other company. The advantage of this proposal is that consumers could comparison shop among companies on the basis of price and service, knowing that the products are comparable. The disadvantages of this proposal are that it limits consumer choice to the approved levels of benefits and benefit combinations and precludes insurers from experimenting with new benefit packages.

Mr. Chairman, this concludes my prepared remarks. I will be happy to answer any questions you have.

INSURANCE COMPANIES THAT RESPONDED TO OUR REQUEST FOR DATA

Prudential Insurance Company of America
United American Insurance
Bankers Life
Mutual of Omaha
Union Fidelity Life Insurance Company
National Home Life Assurance Company
Union Bankers Insurance Company
Standard Life and Accident Insurance Company
The Principal Mutual Life Insurance Company
Pioneer Life Insurance Company of Illinois
Pyramid Life Insurance Company
Associated Doctors Health and Life Insurance Company
Colonial Penn Franklin
State Farm Mutual Auto Insurance Company
Continental Casualty Company
American Integrity Insurance Company
New York Life Insurance Company
Provident Companies
American Republic
Atlantic American Life Insurance Company

EXPECTED INCREASES IN 1990 MONTHLY MEDIGAP INSURANCE PREMIUMS AFTER REPEAL OF THE MEDICARE CATASTROPHIC COVERAGE ACT

Company	1989 monthly premium	1990 expected monthly premium	Increase (percentage)
Company AA	$50.00	$50.00	0.0
Company AB	83.09	87.26	5.0
Company AC	59.93	65.32	9.0
Company AD	73.96	81.29	9.9
Company AE	73.46	80.79	10.0
Company AF	61.65	70.15	13.8
Company AG	68.00	78.00	14.7
Company AH	81.00	94.00	16.0
Company AI	39.25	45.95	17.1
Company AJ	58.75	70.39	19.8
Company AK	68.00	81.52	19.9
Company AL	33.90	41.00	20.9
Company AM	57.65	70.33	22.0
Company AN	38.00	46.36	22.0
Company AO	43.29	53.68	24.0
Company AP	90.00	115.00	27.8
Company AQ	50.82	67.59	33.0
Company AR	43.84	59.67	36.1
Company AS	62.82	90.93	44.7
Company AT	32.95	49.95	51.6
Average	$58.52	$69.96	19.5

DISTRIBUTION OF 1988 MEDIGAP LOSS RATIOS FOR POLICIES THAT HAVE BEEN IN FORCE FOR 3 YEARS OR MORE

For policies sold to individuals, with more than $250,000 in earned premiums

Commercial plans

Loss ratios	Number of companies	Earned premiums (000)	Average loss ratio (%)
Under 40%	4	$ 7,666	31.8
40 - 49%	12	40,786	46.5
50 - 59%	28	52,179	55.4
Sub-total	44	$100,631	50.0
60 - 69%	38	$520,946	64.3
70 - 79%	22	76,570	74.8
80 - 89%	16	61,326	83.2
90 - 99%	9	29,332	91.9
100% or more	2	1,617	116.7
Sub-total	87	$689,791	68.5

Blue Cross/Blue Shield plans

Loss ratios	Number of companies	Earned premiums (000)	Average loss ratio (%)
Under 40%			
40 - 49%			
50 - 59%	1	$527	53.9
Sub-total	1	$527	53.9
60 - 69%	3	$ 68,904	65.7
70 - 79%	7	111,726	75.9
80 - 89%	15	510,690	84.3
90 - 99%	13	754,340	95.2
100% or more	12	$ 441,326	109.8
Sub-total	51	$1,887,513	93.4

DISTRIBUTION OF 1988 MEDIGAP LOSS RATIOS FOR POLICIES THAT HAVE BEEN IN FORCE FOR 3 YEARS OR MORE

For policies sold to groups, with more than $250,000 in earned premiums

Commercial plans

Loss ratios	Number of companies	Earned premiums (000)	Average loss ratio (%)
Under 45%	4	$ 6,725	38.0
45 - 54%	3	1,317	48.4
55 - 64%	5	5,773	58.5
65 - 74%	7	34,778	68.5
Sub-total	19	$48,593	62.6
75 - 84%	3	$ 25,769	78.2
85 - 94%	3	4,474	92.4
95 - 104%	1	568,199	102.4
105% or more	3	1,493	161.3
Sub-total	10	$599,935	101.5

Blue Cross/Blue Shield plans

Loss ratios	Number of companies	Earned premiums (000)	Average loss ratio (%)
Under 45%			
45 - 54%	2	$ 2,496	47.8
55 - 64%	2	1,534	58.1
65 - 74%	4	43,598	73.3
Sub-total	8	$47,628	71.5
75 - 84%	5	$ 30,939	79.3
85 - 94%	11	134,125	91.3
95 - 104%	4	173,024	96.3
105% or more	6	22,688	112.8
Sub-total	26	$360,776	91.4

DISTRIBUTION OF 1988 MEDIGAP LOSS RATIOS FOR POLICIES THAT HAVE BEEN IN FORCE FOR LESS THAN 3 YEARS

For policies sold to individuals, with more than $250,000 in earned premiums

Commercial plans

Loss ratios	Number of companies	Earned premiums (000)	Average loss ratio (%)
Under 40%	17	$ 50,387	32.6
40 - 49%	23	88,986	44.1
50 - 59%	43	476,239	54.8
Sub-total	83	$615,612	51.4
60 - 69%	33	$447,597	62.4
70 - 79%	12	160,302	71.4
80 - 89%	5	13,573	85.9
90 - 99%	3	20,082	93.4
100% or more	2	8,000	114.7
Sub-total	55	$649,554	66.7

Blue Cross/Blue Shield plans

Loss ratios	Number of companies	Earned premiums (000)	Average loss ratio (%)
Under 40%			
40 - 49%			
50 - 59%			
Sub-total			
60 - 69%	7	$ 89,699	68.5
70 - 79%	6	127,254	73.9
80 - 89%	10	479,385	85.6
90 - 99%	10	452,326	94.0
100% or more	3	$ 66,606	108.1
Sub-total	36	$1,215,270	87.5

DISTRIBUTION OF 1988 MEDIGAP LOSS RATIOS FOR POLICIES THAT HAVE BEEN IN FORCE FOR LESS THAN 3 YEARS

For policies sold to groups, with more than $250,000 in earned premiums

Commercial plans

Loss ratios	Number of companies	Earned premiums (000)	Average loss ratio (%)
Under 45%	1	$ 3,246	34.0
45 - 54%	4	21,213	48.0
55 - 64%	4	11,309	59.3
65 - 74%	6	11,956	72.2
Sub-total	15	$47,724	55.8
75 - 84%	1	$ 521	77.7
85 - 94%	1	60,265	92.8
95 - 104%	3	553,092	100.6
105% or more	1	1,828	117.6
Sub-total	6	$615,706	99.9

Blue Cross/Blue Shield plans

Loss ratios	Number of companies	Earned premiums (000)	Average loss ratio (%)
Under 45%	1	$ 561	42.8
45 - 54%			
55 - 64%			
65 - 74%	2	12,406	68.4
Sub-total	3	$12,967	67.3
75 - 84%	6	$ 87,947	81.9
85 - 94%	5	217,078	93.0
95 - 104%	1	24,136	95.9
105% or more	4	34,394	115.2
Sub-total	16	$363,555	92.6