

Medical Mutual of Ohio Enters South Carolina

By Lori Anne Parker

Fast-growing regional health plan Medical Mutual of Ohio has bought the financially troubled Carolina Care Plan Inc. of South Carolina. After receiving approval from Carolina Care shareholders and the South Carolina Department of Insurance, the deal was finalized in May.

The long-struggling South Carolina HMO posted a loss for 2006, losing \$14.5 million and showing a net worth of only \$5.76 million.

In March, the insurance rating firm AM Best downgraded Carolina Care Plan's financial strength rating from marginal to weak based on its huge year-end losses, erosion of reserves and lack of access to new capital. After the announcement of the Medical Mutual purchase, however, Best changed its ratings outlook from negative to positive.

The plan's financial fortunes had been headed south for a long time, with the company earning 34 cents in PMPM net income in 2004, and 85 cents PMPM in 2005, according to HealthLeaders-InterStudy. In 2006, the company lost \$17.69 PMPM. Enrollment has been relatively flat, moving from 68,018 in January of 2005 to 65,345 in July 2006, reflecting a degree of customer loyalty to the product.

"Carolina Care Plan appealed to us due to its size and market share, its solid statewide network, and the strong support of Carolina Care in the employer and broker community," said Joe Parent, vice president of new market development for Medical Mutual of Ohio.

Physician-owned Carolina Care Plan is heavily involved in the small group market, and currently has 67,200 members in 4,300 employers offering one of their health plans, according to the company.

The company offers HMO, POS and CDHP products, in addition to Medicare products.

"South Carolina was appealing for several reasons including its strong economy with a growing population, the reasonable regulatory environment, its proximity to our current operations in Georgia, and the support in local communities for health insurance competition," said Parent.

If Medical Mutual does indeed grow the plan, the com-

CAROLINA CARE PLAN FINANCIAL SNAPSHOT

	2003	2004	2005	2006
Average Commercial Premium PMPM	\$230	\$244	\$261	\$272
Net Income PMPM	\$3.54	\$.34	\$.85	(\$17.69)
Profit Margin	N/A	.14%	.33%	(6.57%)
Medical Loss Ratio	.81	.85	.84	.91

Source: HealthLeaders-InterStudy

petition is bound to be welcome. Carolina Care is the largest HMO in the Columbia area, where it is headquartered, with some 32,165 members in its HMO and POS combined as of July 1, 2006, according to HealthLeaders-InterStudy. Overall, however, the state's HMO market is dominated by the South Carolina Blues.

In the Columbia area there are 17,369 members in the Blues HMO and POS, only half as many as Carolina Care.

Statewide, Carolina Care is the third largest HMO in the state with 26.6 percent of the market. The Blues and CIGNA are the first and second place players with 35.1 percent and 28.8 percent of the market respectively, according to HealthLeaders-InterStudy.

With a little bit of effort and new product offerings Carolina Care could easily slip into number two position given the negligible difference between it and CIGNA's HMO membership.

Carolina Care Plan will continue to be based in Columbia and operate under the same name. It will also continue to offer its current line of health insurance products with the possibility of adding more.

"We foresee strong long-term growth in the South Carolina market [and] intend to continue working closely with the broker and provider community to strengthen and grow Carolina Care Plan," said Parent.

The company will focus on opening new markets such as

COMMERCIAL HMO ENROLLMENT (PURE+POS), JAN. 1, 2004-JULY 1, 2006

Plan	Jan. 2004	Jan. 2005	July 2005	Jan. 2006	July 2006
BlueChoice Health Plan	153,876	196,135	210,008	85,876	86,347
Carolina Care Plan	69,989	68,018	68,449	69,192	65,345
CIGNA Healthcare	86,733	75,754	75,754	70,756	70,756
WellPath Select	3,662	3,172	4,963	4,311	4,290
UnitedHealth Group	N/A	N/A	23,389	18,802	17,729

Source: HealthLeaders-InterStudy

large group coverage and self-insured TPA administration.

In recent years, Medical Mutual, which has 1.6 million members and \$2 billion in annual revenue, has expanded to eight states.

The South Carolina acquisition was a perfect fit for Medical Mutual's national growth strategy, said Parent, as the company's focus is on the Midwest and Southeastern U.S. Founded in 1934, Medical Mutual of Ohio is the oldest and largest health insurance company based in Ohio.

OUTLOOK: In the South Carolina managed care scene, CIGNA and the Blues have about 64 percent of the HMO market combined. Now that Carolina Care has the deeper pockets of a larger player, it is likely to gain more members, especially as it launches into new markets. Watch as Carolina Care gains more market share over the next year. The date of the acquisition gives the company plenty of time to dazzle employers with bulked up portfolios during renewal season. ■

