



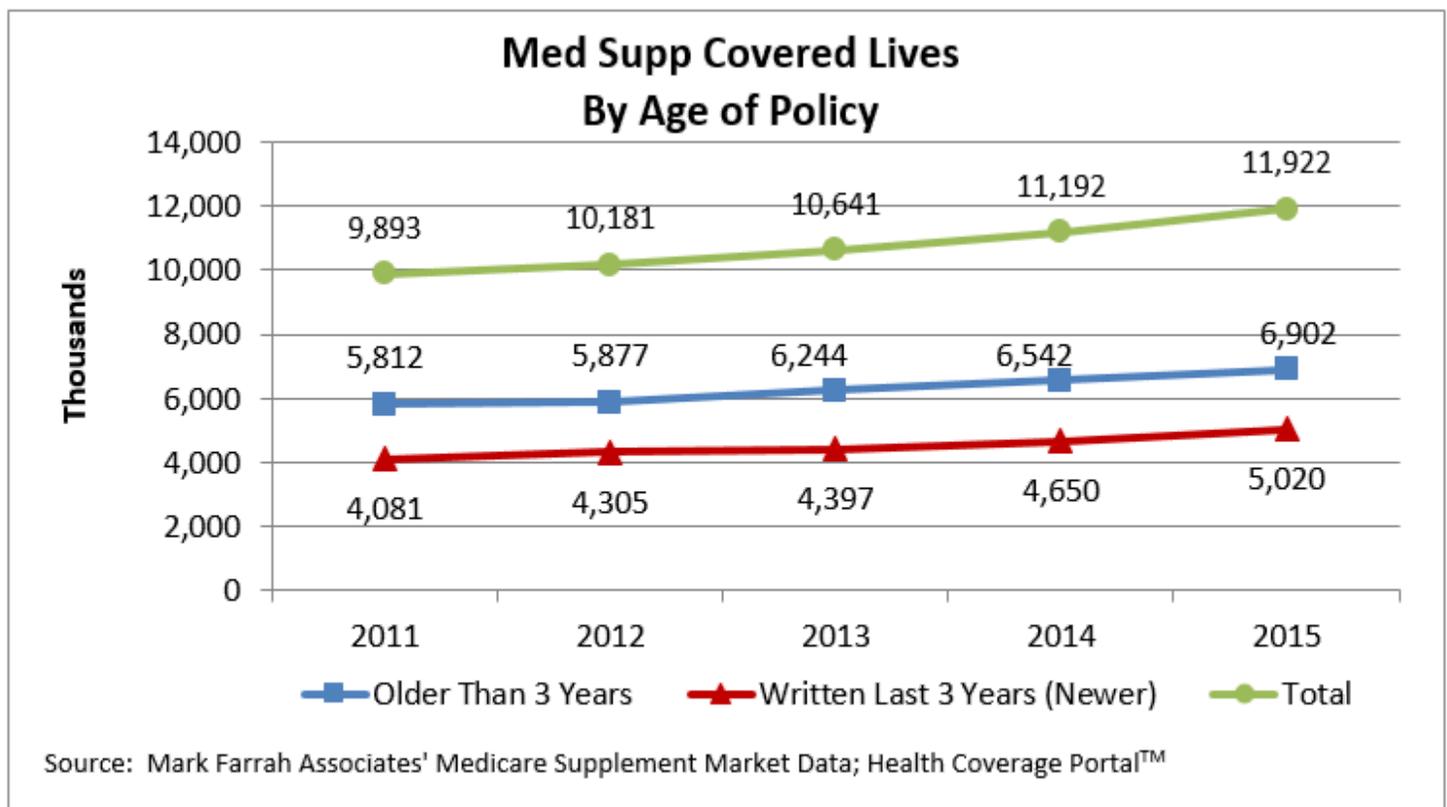
Med Supp Market Shows Strong Growth in 2015

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by Mark Farrah Associates

In 2015, Medicare Supplement carriers experienced another notable year of membership growth. As of December 31, 2015, enrollment in Medicare Supplement plans (also known as Med Supp or Medigap) exceeded 11.9 million, up 6.5% over 2014 figures. This brief analyzes data reported by insurance companies in the NAIC (National Association of Insurance Commissioners) annual financial statement. UnitedHealth retained a strong lead in this segment as its membership surpassed 4 million. Many other Med Supp carriers realized membership increases in the last year as well. Breakdowns of in-force policies show that carriers issued more than 5.020 million new policies from 2013 through 2015. Carriers reported an aggregate of 6.901 million in-force older policies that had been issued prior to the year 2013.

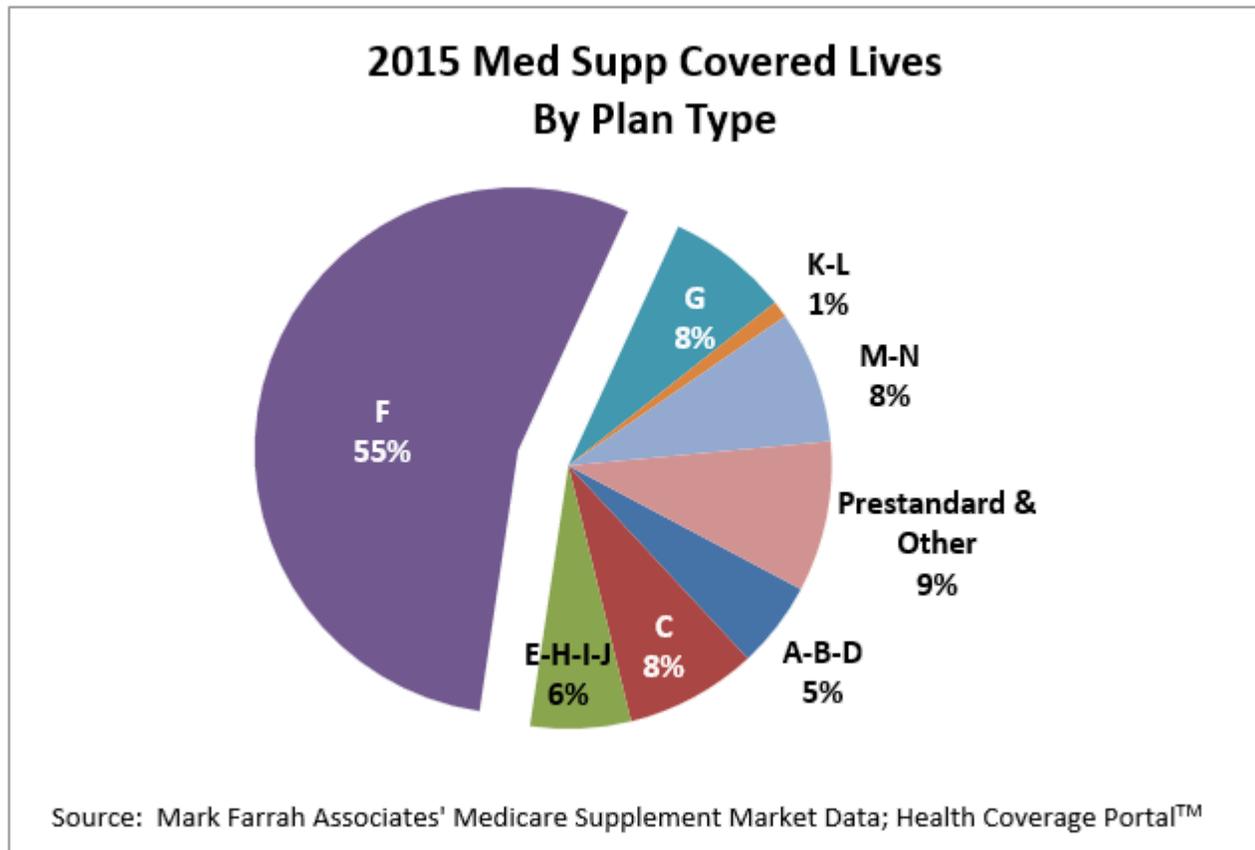
This brief provides an overview of the Medicare Supplement market with insights about competitive positioning and standardized plan type preferences.



Med Supp Business Snapshot

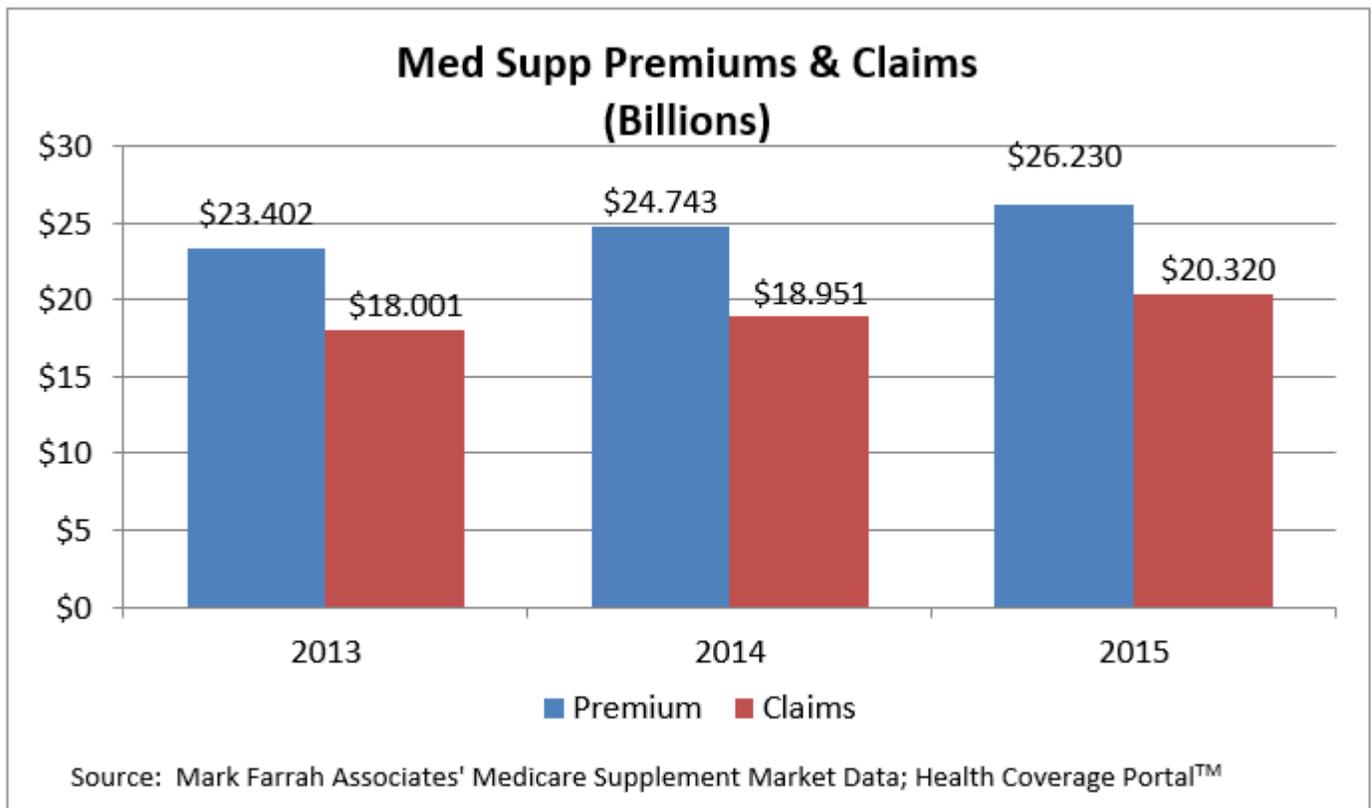
Medicare Supplement membership growth was impressive in 2015 as carriers added an aggregate of 729,495 covered lives to their portfolios. About 39% of this market growth is attributed to UnitedHealth's membership increase. In terms of standardized plans, the number of beneficiaries enrolled in the most popular plan -- Plan F -- increased by 491,780. In addition to having the most comprehensive benefits, Plan F provides "first-dollar

coverage", meaning it covers the annual Medicare Part B deductible. In 2015, Plan F enrolled almost 6.5 million Med Supp members and accounted for 55% of the market. However, the popular Plan F will no longer be an option for new Med Supp enrollees come January 1, 2020, but those already enrolled may keep it. This is due to a provision in the *Medicare Access and CHIP Reauthorization Act of 2016 (MACRA)* whereby supplemental plans covering the Part B deductible can no longer be purchased. Industry stakeholders expect this will create a growth spurt for Plan G, a plan that covers the same level of benefits but does not pay for the Part B deductible.



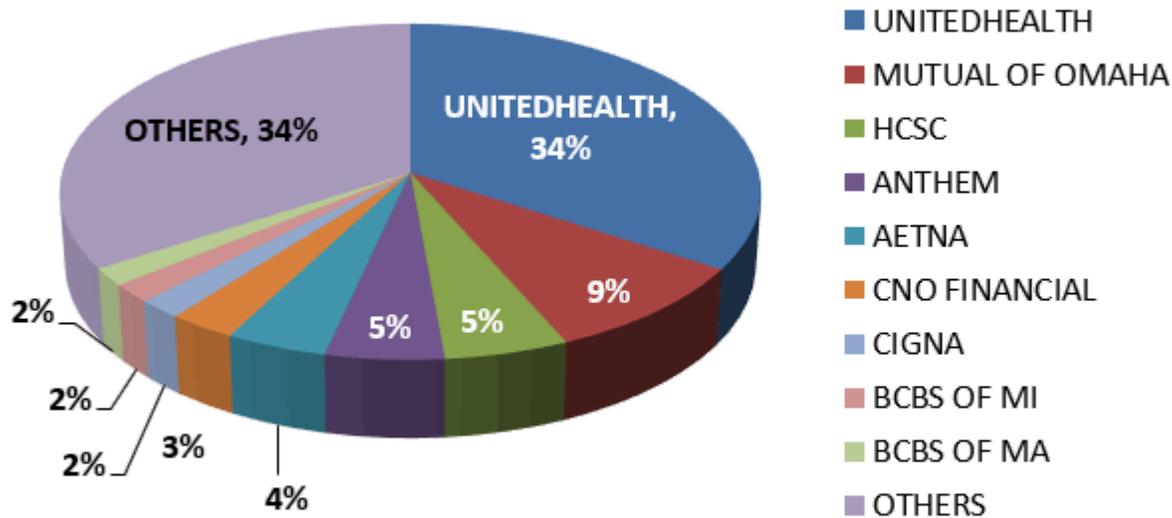
Note plan type O or Other is used by carriers in a few states including Massachusetts, Minnesota, and Wisconsin that have waivers to the standardized Medicare Supplement regulations. Plan type P for Pre-Standardized is used for policies issued prior to the enactment of the Omnibus Reconciliation Act (OBRA) of 1990, which standardized benefits for Medicare Supplement plan types.

Medicare Supplement plans collectively earned \$26.230 billion in premiums and incurred \$20.320 billion in claims during 2015. The aggregate loss ratio (incurred claims as a percent of earned premiums) was 77.5% in 2015, a slight uptick from 76.6% in 2014. Med Supp remains a lucrative line of business for carriers with expertise in supplemental insurance benefits.



Top competitive rankings in the Med Supp market have not changed year over year. UnitedHealth, with a longstanding AARP contract, continues to dominate with 34% market share and 2nd ranking Mutual of Omaha writes 9% of the market. Health Care Service Corporation (HCSC) and Anthem shared 3rd ranking positions. In the next competitive tier, Aetna strengthened its position experiencing 21% membership growth last year. Cigna, with the acquisition of Sterling Life Insurance Company's Medigap business in July 2015, became a more serious contender in the market. BCBS of MI and BCBS of MA have retained notable membership share in their respective markets. The balance of approximately 4 million Med Supp enrollees is distributed across a wide array of other insurance companies selling products in this highly competitive segment.

Med Supp Market Share 2015



Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Med Supp Industry Outlook

Earlier this week, more than 500 Medicare Supplement professionals convened in Kansas City, MO for the 8th annual conference - - *Issues & Trends in Medicare Supplement Insurance*. The presentation content was excellent and attendees enthusiastically participated and networked to discuss opportunities in this important senior market segment. LuAnne Farrah, President of Mark Farrah Associates, was a keynote speaker and she addressed *The Medicare Landscape: Spotlight on Med Supp*. To request a copy of these presentation slides, please email prodmgr@markfarrah.com (<mailto:prodmgr@markfarrah.com>). For information about the conference sponsor, American Association for Medicare Supplement Insurance, visit <http://www.medicaresupp.org/> (<http://www.medicaresupp.org/>).

Medicare Supplement will remain an attractive market for insurance companies as Baby Boomers continue to age into Medicare at a rapid pace. With 55 million Medicare eligibles, more insurers continue to diversify their senior market portfolios to leverage opportunities across all product lines in this growing segment. Meanwhile, long-standing competitors will continue to create new sales and marketing strategies to sustain and grow Medicare Supplement business in the coming years.

About Med Supp Market Data

Med Supp Market Data, a Health Coverage Portal option offered by Mark Farrah Associates, presents the latest market share and financial performance data for Medicare Supplement plans. The product includes state-by-state membership, premiums, claims and loss ratios for plans nationwide. Online tables also include claims contacts as reported in the financial statements as filed with the National Association of Insurance Commissioners (NAIC). California managed care plans do not file financial statements with the NAIC and are not included in this analysis. For more information about [Med Supp Market Data](/products/med-supp-market-data.aspx) (</products/med-supp-market-data.aspx>), please visit our website (www.markfarrah.com (</default.aspx/>)) or call 724.338.4100.

About Mark Farrah Associates (MFA)

Mark Farrah Associates (MFA) is a leading aggregator of health plan market data and provides analysis tools for the healthcare industry. Our products include Med Supp Market Data™, Medicare Business Online™, Medicare Benefits Analyzer™, Health Coverage Portal™, County Health Coverage™, Health Insurer Insights™, and Health Plans USA™.

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