

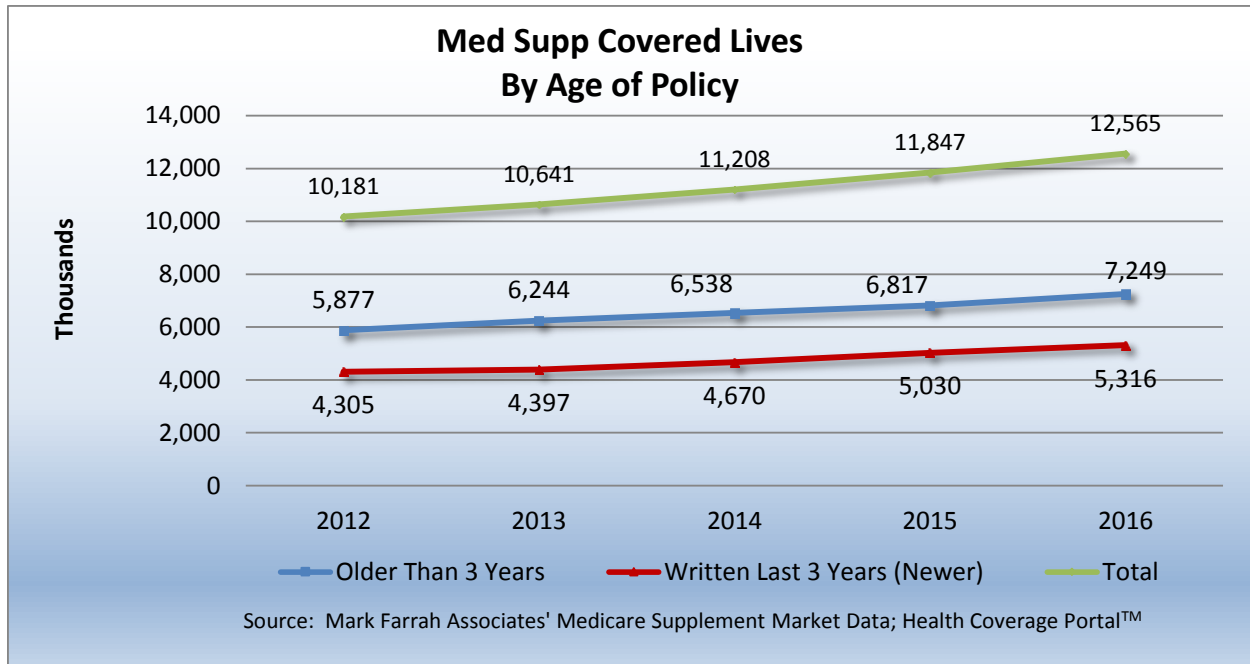
Year-over-Year Growth for Medicare Supplement

April 28, 2017

Despite the current unsettled state of the healthcare industry and pending Medicare Supplement policy changes, the number of Medigap beneficiaries continues to grow as Baby Boomers are aging into Medicare at a rapid pace. As of December 31, 2016, enrollment in Medicare Supplement plans (also known as Med Supp or Medigap) was nearly 12.6 million, up 6% over 2015 enrollment figures. This brief provides an overview of the Medicare Supplement market with insights about competitive positioning and standardized plan type preferences.

Based on performance data filed in annual financial statements from the NAIC (National Association of Insurance Commissioners), many Medicare Supplement carriers experienced yet another year of membership growth. Leading managed care organizations, Blues plans, regional plans and multiline carriers compete in the Medicare Supplement space. As of April 2017, Mark Farrah Associates (MFA) identified 189 distinct carriers that filed annual data with the NAIC. Note a small number of plans that had not yet filed when this analysis was conducted covered just over 50,000 people in 2015.

UnitedHealth maintained its leading position in this segment with approximately 4.3 million members. Breakdowns of in-force policies show that carriers issued more than 5.3 million new policies from 2014 through 2016. Carriers reported an aggregate of 7.25 million in-force older policies that had been issued prior to the year 2014.

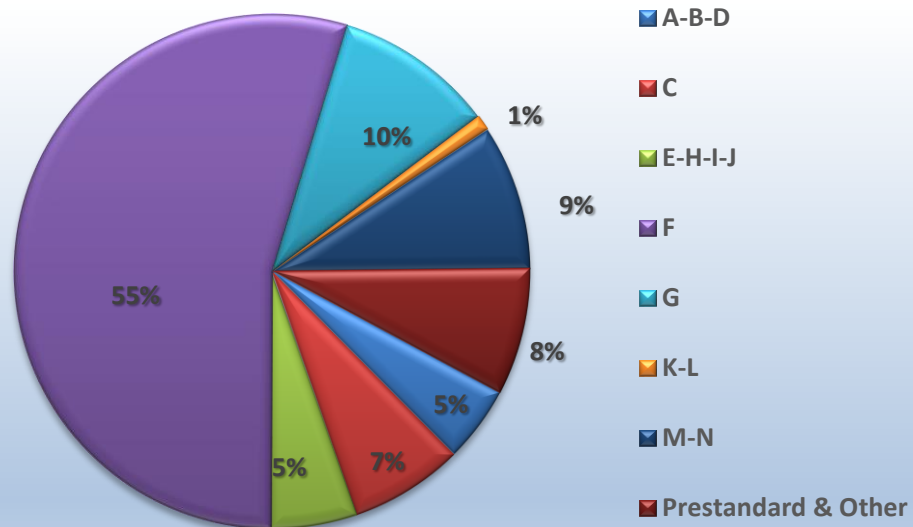


Medicare Supplement Business Snapshot

Medicare Supplement carriers added an aggregate of 718,418 covered lives to their portfolios from December 31, 2011 to December 31, 2016. About 30% 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 367,967. In addition to having the most comprehensive benefits, Plan F provides "first-dollar coverage", meaning it covers the annual Medicare Part B deductible.

Per the graph below, Plan F enrolled almost 6.9 million Med Supp members and accounted for 55% of the market. However, due to a provision in the *Medicare Access and CHIP Reauthorization Act of 2016 (MACRA)*, beginning January 1, 2020, Plan F will no longer be an option for newly eligible Medicare enrollees, whereby supplemental plans covering the Part B deductible can no longer be purchased. Beneficiaries who continue to pay their existing Medicare Supplement Plan F premium will not lose that coverage. As a result of this policy change, industry stakeholders expect more plans will begin to offer Plan G, a plan that covers the same level of benefits but does not pay for the Part B deductible. The expectations have proven correct in 2016 as Plan G added over 364K members, a growth rate of 41%, becoming the second most popular plan type.

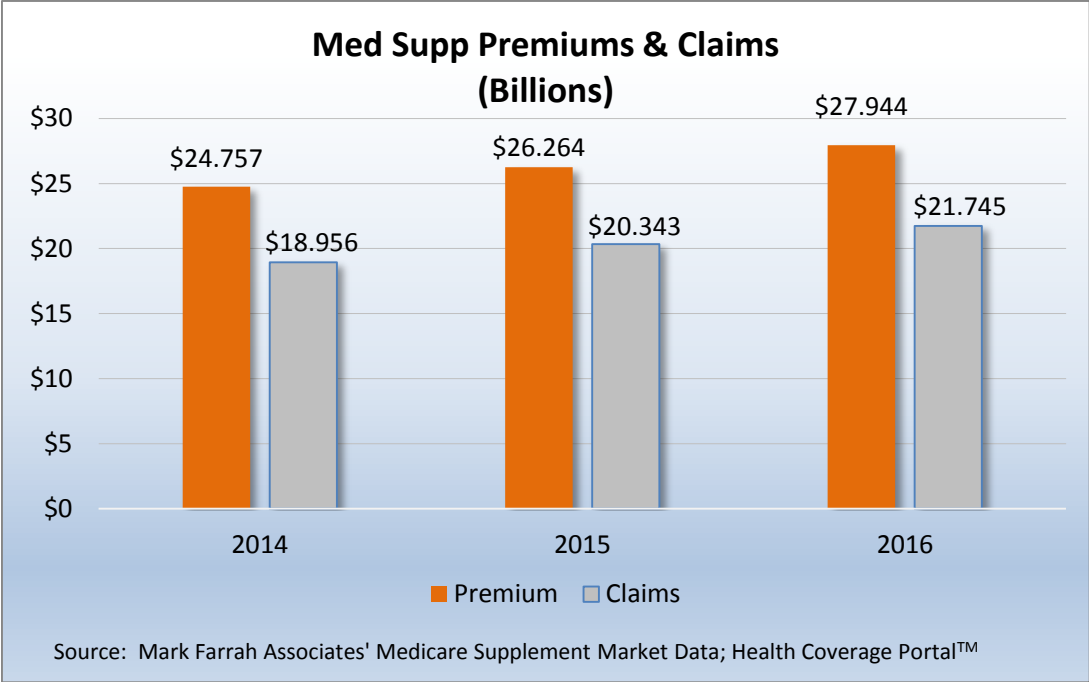
2016 Med Supp Covered Lives By Plan Type



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

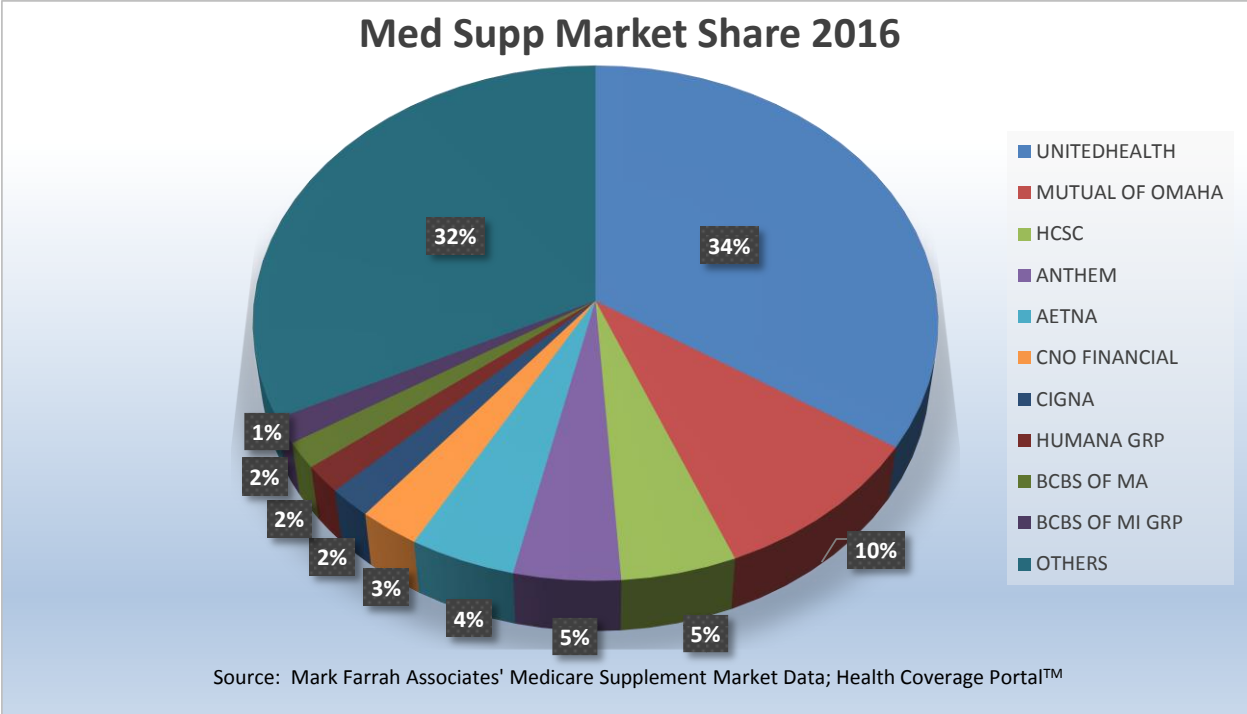
Note plan type "P" for *Pre-Standardized* is used for policies issued prior to the enactment of the Omnibus Reconciliation Act (OBRA) of 1990, which standardized benefits for Medicare Supplement plan types. Plan type "O" or "*Other*" is used by carriers in a few states including Massachusetts, Minnesota,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

Medicare Supplement remains a lucrative line of business for carriers. Med Supp plans collectively earned \$27.9 billion in premiums and incurred \$21.7 billion in claims during 2016, up from 2015. The aggregate loss ratio (incurred claims as a percent of earned premiums) was 77.8% in 2016, a marginal increase from 77.5% in 2015.



Top competitive rankings in the Med Supp market have remained consistent year over year. With its longstanding AARP contract, UnitedHealth commanded 34% of the market with 4.3 million members; a 5.3% increase from December 2015. Mutual of Omaha ranked 2nd with 10% market share and 1.2 million members, as of December 31, 2016. Health Care Service Corporation (HCSC), Anthem and Aetna maintained 3rd, 4th and 5th ranking positions for market share. Aetna continued to experience strong membership growth with a 15% increase in members last year in contrast to a slight enrollment decrease for CNO Financial. Cigna strengthened competition in the market with its acquisition of Sterling Life Insurance Company's Medigap business in 2015 and saw a membership gain of 7% from 2015 to 2016.

BCBS of MA and BCBS of MI continued to retain steady market share in this segment. However, Humana surpassed both in terms of enrollment as the company gained Med Supp members over the past year. The balance of 4.06 million enrollees is distributed across a wide array of other insurance companies selling Medicare Supplement products.



As roughly 75 million Americans of the Baby Boom generation are beginning to enter retirement, this presents an increasing opportunity for health insurers offering Medicare Supplement plans. With currently 55 million Medicare eligibles, the Medicare Supplement market continues to grow and insurers consistently diversify their senior market portfolios to leverage opportunities across all product lines. Mark Farrah Associates will continue to monitor enrollment and plan performance in this competitive segment.

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](#), please visit our website (www.markfarrah.com) or call 724.338.4100.

About Mark Farrah Associates (MFA)

Mark Farrah Associates (MFA) is a leading provider of health plan market data and analysis tools for the healthcare industry. If your company relies on accurate assessments of health plan market share to support business planning, we encourage you to [contact us](#) to learn more about our products. Our portfolio includes Health Coverage Portal™, County Health Coverage™, Medicare Business Online™, Medicare Benefits Analyzer™ and Health Plans USA™ - www.markfarrah.com.

Healthcare Business Strategy is a free monthly brief that presents analysis of important issues and developments affecting healthcare business today. If you would like to be added to our email distribution list, please submit your email to the "*Subscribe to MFA Briefs*" section in the grey area at the bottom of the page.