



## 1Q10 Enrollment Gains for Leading Health Plans

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by Debra A. Donahue

Most of the nation's leading health plans saw enrollment gains in the first quarter of 2010, a significant improvement over 2009. Between December 2009 and March 2010 top plans saw an aggregate increase of over 687,000 members. While aggregated fully-insured business continued to experience losses, the administrative services only (ASO) segment gained over 1 million members during the primary 2010 open enrollment season. Administrative expense declines and lower medical cost trends have helped improve the financial condition of most plans as they enter the new decade.

This brief presents key findings from MFA's review of enrollment and financial trends among eight top health insurers: Aetna, CIGNA, Health Care Service Corporation (HCSC), Health Net, Humana, Kaiser Permanente, UnitedHealth Group and WellPoint. It looks at results from first quarter 2009 to first quarter 2010. Financial and membership data and observations were gleaned from the July 2010 Health Insurer Insights™ series. These eight health plans cover approximately 43% of the total population in the nation, down slightly from March 2009.

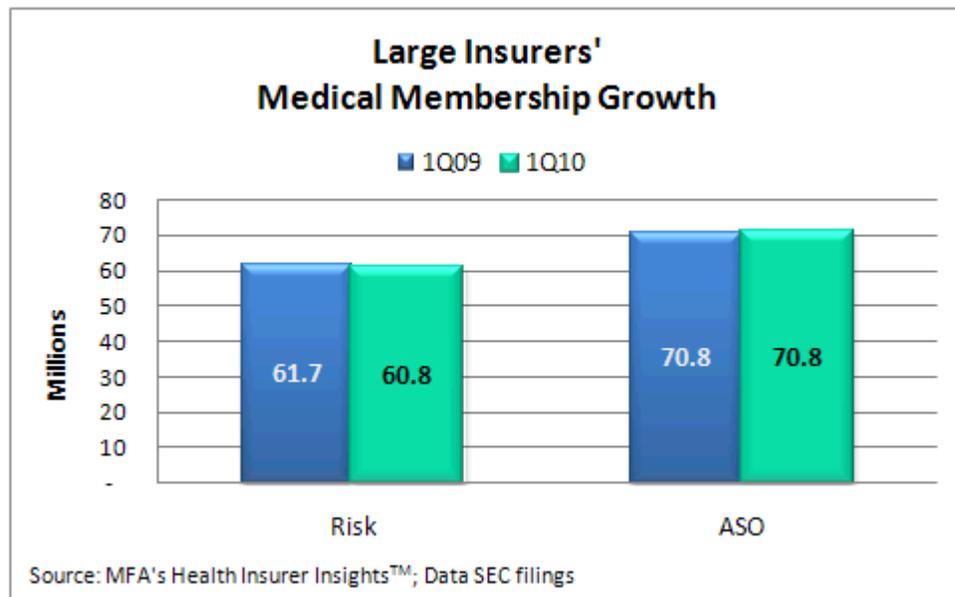
### Membership Changes

Most of the nation's leading health plans saw enrollment gains in the first quarter of 2010, a significant improvement over first quarter 2009. Between December 2009 and March 2010 top plans saw an aggregate increase of over 687,000 members. This compares to an aggregate decline of 78,000 members the leading plans experienced between December 31, 2008 and March 31, 2009.

Aggregated fully-insured business (risk enrollment) continued to experience losses, and declined -0.6% from December 2009 and March 2010. Between December 2008 and March 2009, risk enrollment declined by -0.2%.

However, the administrative services only (ASO) segment gained over 1 million members during the crucial 2010 open enrollment season, enough to offset all of the 2009 loss. The number of covered lives in ASO plans increased from 69.8 million at December 31, 2009 to 70.8 million as of March 31, 2010.

Year-over-year, total membership for the eight leading plans decreased by 890,111 or -0.7%, from 132.5 million in 1Q09 to 131.6 million for 1Q10, with the loss occurring in prior quarters.



Risk enrollment declined -1.5% year-over-year and ASO enrollment remained flat.

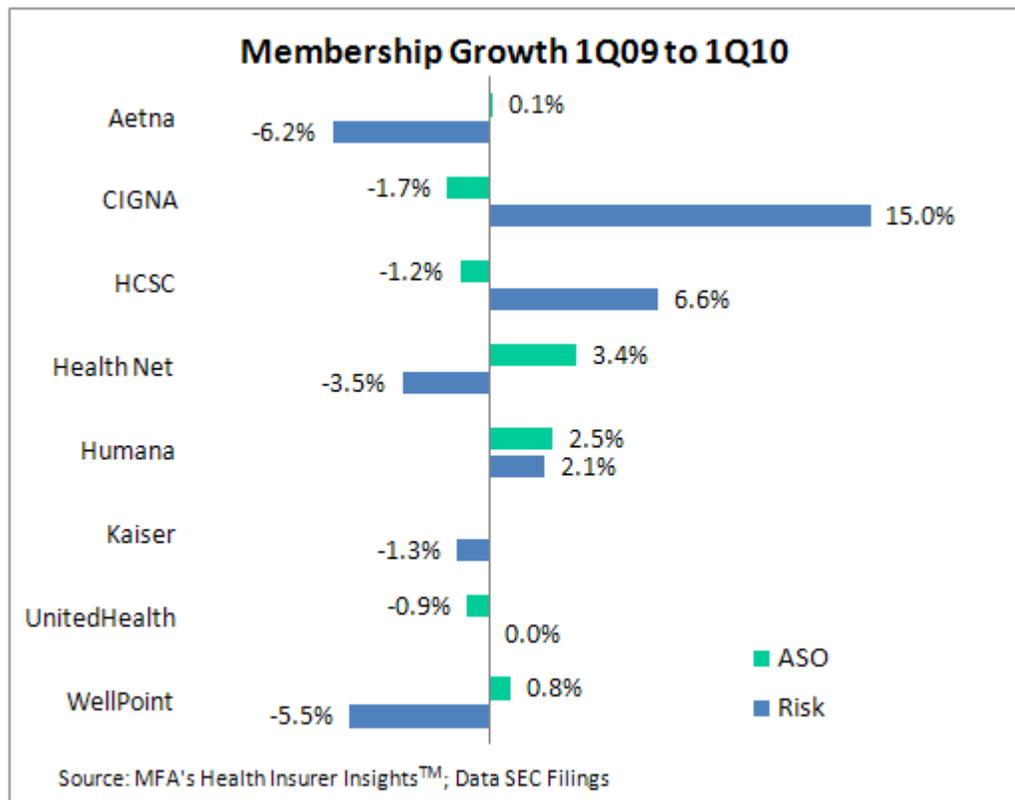
#### Health Plans' Mixed Results

WellPoint and UnitedHealth, the two largest plans in the United States, both saw total enrollment increases of 165,000 and 290,000 respectively, between 4Q09 and 1Q10. WellPoint added 565,000 new ASO members in 1Q10, but lost 400,000 fully insured members. UnitedHealth saw gains in both segments. Aetna, the third largest health insurance organization in the country, lost 226,000 total members during the same period.

CIGNA gained 160,000 risk-based members from 1Q09 to 1Q10, including approximately 98,000 Medicare Advantage private-fee-for-service members added in the first quarter 2010. CIGNA's total enrollment declined from 11.369 million in 1Q09 to 11.353 in 1Q10.

HCSC and Humana saw total enrollment gains year-over-year and from December 2009 to March 2010. Health Net also saw year-over-year gains but lost membership during 1Q10. Kaiser saw gains in 1Q10 but losses year-over-year.

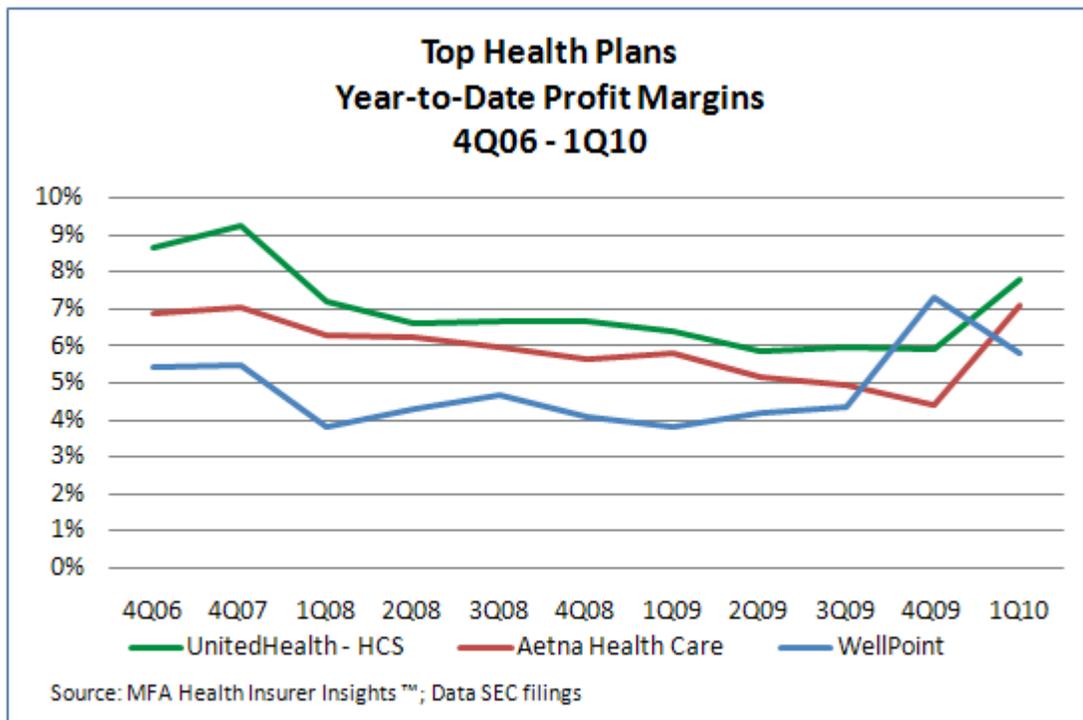
Combined the eight leading companies reported a loss of 890,111 members, between 1Q09 and 1Q10. Aggregated ASO enrollment grew 0.0% and risk enrollment declined -1.5%, year-to-date for these organizations.



### Profitability Improvements

Half of the top health plans saw improved profitability year-over-year between 1Q09 and 1Q10. Aetna, HCSC, Kaiser and UnitedHealth saw improvement both year-over-year and from 4Q09 to 1Q10. Humana and WellPoint saw mixed results and CIGNA and Health Net experienced declines both year-over-year and between year-end 2009 and first quarter 2010.

The top three companies displayed mixed results for the quarter. UnitedHealth Group's Health Care Service (HCS) business unit reported a 7.8% profit margin\* for the quarter ended March 31, 2010 compared to the 6.4% UnitedHealth reported for 1Q09. Aetna's Health Care sector's margin\* of 7.1% through March 31, 2010 was also up compared to the 5.8% margin reported for 1Q09. WellPoint's profit margin grew from 3.8% in 1Q09 to 5.8% in 1Q10, but fell from 7.3% in 4Q09. WellPoint's year-end 2009 profit margin benefited from one-time gains including the sale of its pharmacy benefit management business.



\* Profit margin is net income (loss) divided by total revenues.

First quarter 2010 financial performance improvements and enrollment gains have many of the leading health plans off to a good start in 2010. Though the industry is still figuring out "next steps," healthcare reform legislation is behind us. The financial crisis appears to have abated and the Centers for Disease Control and Prevention downgraded the threat of a flu pandemic. Perhaps health plans will now be able to get back to the business of administering the healthcare needs of their members.

#### Health Insurer Insights™

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