



Health Enrollment Shifts and Early 2014 Insights

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by Mark Farrah Associates

As provisions from the Affordable Care Act (ACA) cover more Americans, the result will be significant changes to how people are concentrated by coverage type within segments. Many people are expected to switch from employment-based coverage to off-exchange individual plans while others will qualify and enroll in public exchanges. Uninsured and underinsured people being targeted for expanded Medicaid programs will add to a surge in Medicaid enrollment which has already begun. Government projections are periodically updated to forecast the effects of the ACA from both a cost and coverage perspective and the Congressional Budget Office (CBO) released updated estimates in April 2014. This brief summarizes CBO's latest projections about changes in insurance coverage. It also provides insights about changes in health plan enrollment by segment in the last year.

Tracking enrollment shifts by coverage type is critically important to the long-term sustainability and growth of health plans as well as healthcare stakeholders. Mark Farrah Associates analyzed membership data from 2013 to 2014 using 1st quarter data to pinpoint indications of enrollment shifts.

Projected Changes in Health Insurance Coverage

The [April 2014 CBO baseline projections report](http://www.cbo.gov/sites/default/files/cbofiles/attachments/45231-ACA_Estimates.pdf) (http://www.cbo.gov/sites/default/files/cbofiles/attachments/45231-ACA_Estimates.pdf) includes the latest projections of how health insurance coverage will change due to effects of the ACA through the year 2024. For the purposes of evaluating the short-term outlook, the following table summarizes projections from 2014 through 2018.

Effects of the Affordable Care Act on Health Insurance Coverage					
Change in Insurance Coverage under the ACA					
(Nonelderly – Younger than 65)					
	2014	2015	2016	2017	2018
Public exchanges	6 M	13 M	24 M	25 M	25 M
Medicaid and CHIP	7 M	11 M	12 M	12 M	13 M
Employment-based coverage	–up to 500 K	–2 M	–7 M	–7 M	–8 M
Nongroup and other coverage	–1 M	–3 M	–4 M	–4 M	–4 M
Uninsured	–12 M	–19 M	–25 M	–26 M	–26 M
Source: Insurance Coverage Provisions of the Affordable Care Act, April 2014 Baseline, Congressional Budget Office (CBO)					

CBO's short-term projections suggest the industry will experience substantial shifts in how people are concentrated by health insurance type over the next five years. The following points highlight the key coverage shifts anticipated for the nonelderly population.

Six million people are projected to have coverage through the public exchanges in 2014. By 2018, twenty five million people will have exchange coverage. CBO stated that their estimate of 6 million people receiving exchange coverage cannot be compared directly with the number of people who have enrolled through the exchanges as of any given date. The number of people who will have coverage through the exchanges in 2014 will not be known precisely until after the year has ended.

In 2014, an estimated 7 million will obtain Medicaid and CHIP coverage above and beyond those who would have had Medicaid coverage in the absence of the ACA. By 2018, an additional 13 million on the average will obtain coverage through Medicaid and CHIP. Some of these additional enrollees will be people who become eligible for Medicaid because of the ACA's coverage expansion; others will be people who would have been eligible in the absence of the ACA but would not have enrolled.

By 2015, the net impact of ACA changes is expected to result in the reduction of employment-based coverage by 2 million. This reduction is expected to increase to 8 million by the year 2018.

The number enrolled in nongroup (off exchange individual plans) and other coverage outside the exchanges is projected to decline by 3 million in 2015. Starting in 2014, companies that sell nongroup plans, whether through the exchanges or not, in most cases must follow certain rules specified in the ACA. For example, all new plans are now required to cover a set of essential health benefits (EHBs) and premiums may not vary among enrollees on the basis of health. Note "other" in this case includes Medicare; the changes under the ACA are almost entirely for nongroup coverage.

CBO projects that 12 million more nonelderly people will have health insurance in 2014 than would have had it in the absence of the ACA, thus reducing the number of uninsured by 12 million in 2014.

Though this analysis does not include details of the CBO's projections of ACA coverage costs, in summary, the agency now projects the net cost for 2014 will be \$36 billion. Another interesting observation from the report - despite the substantial projected increases in insurance coverage under the ACA, the CBO estimates that 31 million nonelderly U.S. residents will still be without health insurance in the year 2024. For more report details, use this URL to access CBO's [Updated Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act, April 2014](http://www.cbo.gov/sites/default/files/cbofiles/attachments/45231-ACA_Estimates.pdf). http://www.cbo.gov/sites/default/files/cbofiles/attachments/45231-ACA_Estimates.pdf (http://www.cbo.gov/sites/default/files/cbofiles/attachments/45231-ACA_Estimates.pdf).

Early 2014 Enrollment Indications

Mark Farrah Associates (MFA) compared segment enrollment totals from 1st quarter 2013 with 1st quarter 2014 figures to provide insights about how enrollment is shifting by coverage type. Though implementation of the ACA is in a relatively early stage, signs of enrollment shifts have been emerging in recent years and this year over year comparison is telling.

MFA's analysis found aggregate enrollment in the individual, major medical segment grew by more than 2 million members from 1st quarter 2013 to 1st quarter 2014. WellPoint currently leads the individual segment, enrolling more than 2 million members across more than 30 health plans nationwide.

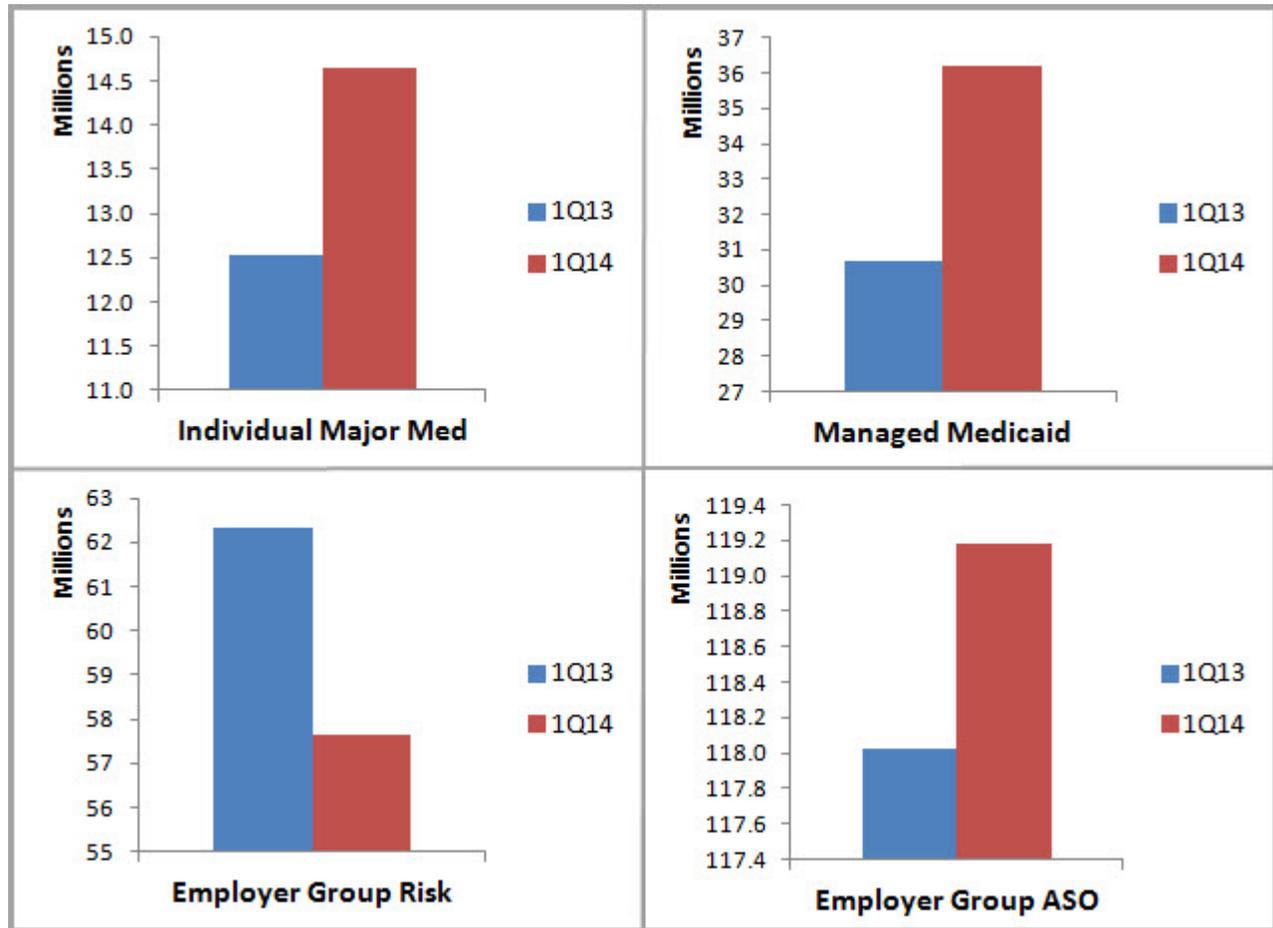
Year over year, managed Medicaid membership had increased by about 5.5 million. WellPoint also leads in this segment with 17 plans reporting an aggregate of 3.6 million Medicaid enrollees as of 1st quarter 2014.

Enrollment in group risk plans offered by employers dropped 4.6 million from March 2013 to March 2014. The group risk segment has been on the decline in recent years but nonetheless still covers more than 57 million people. UnitedHealth Group plans lead this industry segment covering more than 7 million group risk members.

According to MFA's recent estimates, employer group ASO (administrative services only for self-funded business) membership grew by more than 1 million members in the last year. There has been an uptick in self-funded groups and membership in recent years due in part to employer exemptions from many of the ACA's

benefit mandates and requirements. Currently, an estimated 119 million people are covered by employer group ASO plans. UnitedHealth Group administers benefits for more ASO plan members industry-wide than any other company - approximately 18 million.

Health Plan Enrollment Shifts by Segment 1Q13 to 1Q14



Source: Health Coverage Portal™, Mark Farrah Associates

Important data notes concerning this analysis: Enrollment figures for Life, Accident and Health plans as reported by segment as of year-end 2013 were used as 1Q14 estimates; managed Medicaid enrollment is "as reported" by insurance company and does not include non-insurer and other Medicaid medical membership; employer group ASO figures are estimated by Mark Farrah Associates using credible company and industry resources.

Other Industry Reports

Reports prepared by the Assistant Secretary for Planning and Evaluation (ASPE, Department of Health and Human Services) provide a key resource for tracking overall exchange growth. ASPE has released six insightful analysis briefs to date ([Health Insurance Marketplace: Summary Enrollment Report](http://aspe.hhs.gov/health/reports/2012/ACA-Research/index.cfm) (<http://aspe.hhs.gov/health/reports/2012/ACA-Research/index.cfm>)), presenting updates of national and state-level enrollment for the Health Insurance Marketplace. According to the latest brief, more than 8 million people had selected a Marketplace plan through March 31st, 2014.

The government has not yet made available standardized reports that present exchange (marketplace) enrollment by health plan though this level of insight is in high demand. Marketplace enrollment and market share data is needed to foster a healthy, competitive environment as the industry transitions. For now, the industry is relying on intermittent state exchange releases and company updates to augment ASPE enrollment reports. Following the 2014 open enrollment period, some state exchanges released reports or press that included health plan-specific enrollment. The Kaiser Family Foundation (KFF) used this data to prepare an informative overview in March 2014, [Sizing Up Exchange Market Competition](http://kff.org/health-reform/issue-brief/sizing-up-) (<http://kff.org/health-reform/issue-brief/sizing-up->

exchange-market-competition/). KFF subsequently produced a preliminary analysis of 1st quarter 2014 enrollment and found the number of people with individual coverage at the end of March 2014 was about 29 percent higher than at the end of December 2013 (Individual Market Enrollment Ticks Up in Early 2014 (<http://kff.org/health-reform/issue-brief/individual-market-enrollment-ticks-up-in-early-2014/>)).

In Conclusion

It is apparent that health plan enrollment reports, particularly for the individual segment, are lagging behind government reports of early 2014 public exchange results. This is not surprising in light of initial industry hiccups and new procedures for enrolling members in the public exchange. Furthermore, it is evident that interpretation, implementation and refinement of the Affordable Care Act will continue to unfold. America's Health Insurance Plans (AHIP) just released recommendations calling for the creation of a new option for catastrophic, or "bare-bones," health plans. Under AHIP's proposal, the Affordable Care Act would allow consumers to purchase a health plan with an actuarial value slightly lower than the current lowest "bronze" tier of coverage. The policies would comply with other rules under ObamaCare, such as the minimum benefit standards and the requirement for free preventive care, but would likely be cheaper than the exchanges' current options.

As industry transformation continues, Mark Farrah Associates will be monitoring enrollment changes to identify substantive changes in coverage and membership trends.

About Mark Farrah Associates (MFA)

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