



## Medicare Advantage Tops 17 Million Members

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by Mark Farrah Associates

More than 17.3 million people were enrolled in Medicare Advantage plans as of March 2015. Year over year, total Medicare Advantage enrollment increased by more than 1.3 million as managed Medicare continues to be an attractive growth market for health insurance companies. The latest CMS (Centers for Medicare and Medicaid Services) reports indicate 54.3 million are eligible for Medicare in the United States and U.S. territories. Medicare Advantage (MA), with an unpenetrated market of 37 million and growing, is big business for many health plans. UnitedHealth and Humana lead the segment and each leader enrolls more than 3 million MA members. Kaiser Permanente and Aetna also command significant market share with more than 1.2 million MA enrolled.

This brief provides insights about competitive positioning in the Medicare Advantage market. We also assess market share for individually purchased versus employer-sponsored benefits and look at changes in Medicare Advantage plan type preferences.

### Competitive Dynamics

Medicare Advantage (MA) enrollment stands at 17.3 million, which represents an 8% increase year-over-year. Ten companies, each with more than 250,000 members, have a sizeable stake in this segment and collectively they provide coverage for 67% of the market. Per the reference table below, all leading MA companies realized growth from March 2014 to March 2015 except for Anthem and Highmark. The aggregate net gain for the leading companies, year-over-year, was 8.2% and segment growth for all other MA companies was on par.

UnitedHealth retains its position as the top Medicare Advantage organization in the country; with 3.4 million enrolled, UnitedHealth owns 20% of the market. Humana ranks a strong second with 18% share and 3.1 million lives. Kaiser Permanente is positioned as third on the leader board, enrolling 7.5% of the total market or 1.3 million. Aetna trails closely behind Kaiser Permanente owning 7.2% of the market and more than 1.2 million lives.

| <b>March 2015 Top MA Organizations<br/>with Greater than 250,00 Members</b> |                       |                       |                           |                                    |
|---|-----------------------|-----------------------|---------------------------|------------------------------------|
| <b>Parent</b>   | <b>March<br/>2014</b> | <b>March<br/>2015</b> | <b>Percent<br/>Growth</b> | <b>March 2015<br/>Market Share</b> |
| UnitedHealth  | 3,177,554             | 3,448,799             | 8.5%                      | 19.9%                              |
| Humana  | 2,881,286             | 3,181,033             | 13.2%                     | 18.4%                              |
| Kaiser Permanente   | 1,212,133             | 1,295,498             | 6.9%                      | 7.5%                               |
| Aetna   | 1,098,584             | 1,251,364             | 13.9%                     | 7.2%                               |
| Anthem  | 665,075               | 581,934               | -12.5%                    | 3.4%                               |
| Cigna   | 454,924               | 495,991               | 9.0%                      | 2.9%                               |
| BCBS of Michigan  | 358,743               | 394,160               | 9.9%                      | 2.3%                               |

|  |                   |                   |             |              |
|--|-------------------|-------------------|-------------|--------------|
| Highmark   | 384,282           | 353,673           | -8.0%       | 2.0%         |
| WellCare   | 302,694           | 302,614           | 0.0%        | 1.7%         |
| Health Net   | 253,625           | 294,824           | 16.2%       | 1.7%         |
| <b>Subtotal &gt;250,000</b>  | <b>10,718,900</b> | <b>11,599,890</b> | <b>8.2%</b> | <b>67.0%</b> |
| All Others   | 5,255,719         | 5,706,873         | 8.6%        | 33.0%        |
| <b>Total</b>   | <b>15,974,619</b> | <b>17,306,763</b> | <b>8.3%</b> | <b>100%</b>  |
| Source: Medicare Business Online™, Mark Farrah Associates, presenting data from CMS enrollment reports |                   |                   |             |              |

Each year, Medicare Advantage plans rely on February and March enrollment reports to not only evaluate their standing but also assess which competitors gained and lost members during the last AEP (Annual Election Period). The AEP occurs between October 15 and December 7 each year and is also referred to as the Open Enrollment Period for Medicare Advantage and prescription drug plans.

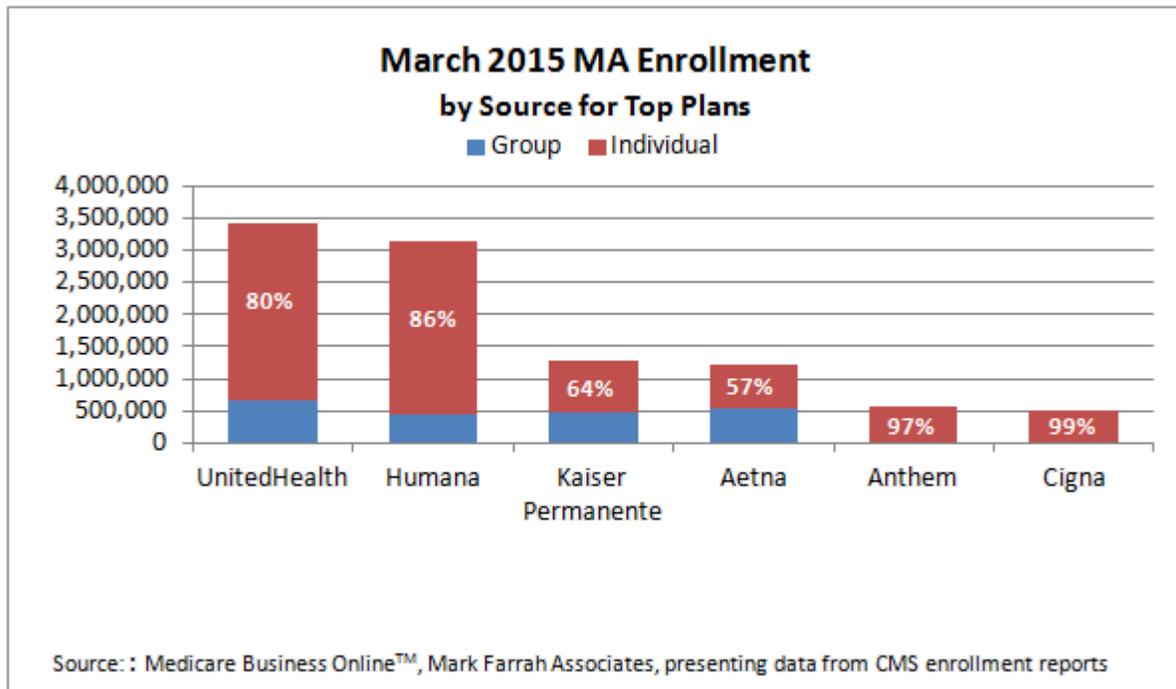
This year, Humana experienced the largest gain in terms of membership, adding 369,747 members for a net gain of 13.2%. UnitedHealth's MA enrollment grew by 271,245 for a net gain of 8.5%. Aetna saw a net gain of 13.9%, adding 152,780 members to its MA book in the last year. Per the reference table below, membership gains were fairly substantial for other growth leaders in this segment, ranging from 83,365 for Kaiser Permanente to 32,729 for Blue Cross Blue Shield of Minnesota.

| <b>MA Organizations with the Largest Gains<br/>from March 2014 to March 2015</b>                       |                       |                       |                             |                           |
|--|-----------------------|-----------------------|-----------------------------|---------------------------|
| <b>Parent</b>  | <b>March<br/>2014</b> | <b>March<br/>2015</b> | <b>Growth<br/>2014-2015</b> | <b>Percent<br/>Change</b> |
| Humana   | 2,811,286             | 3,181,033             | 369,747                     | 13.2%                     |
| UnitedHealth   | 3,177,554             | 3,448,799             | 271,245                     | 8.5%                      |
| Aetna  | 1,098,584             | 1,251,364             | 152,780                     | 13.9%                     |
| Kaiser Permanente  | 1,212,133             | 1,295,498             | 83,365                      | 6.9%                      |
| HCSC   | 14,220                | 74,162                | 59,942                      | 421.5%                    |
| Health Net   | 253,625               | 294,824               | 41,199                      | 16.2%                     |
| Cigna  | 454,924               | 495,991               | 41,067                      | 9.0%                      |
| Molina   | 40,869                | 79,382                | 38,513                      | 94.2%                     |
| BCBS of Michigan   | 358,743               | 394,160               | 35,417                      | 9.9%                      |
| BCBS of Minnesota  | 136,241               | 168,970               | 32,729                      | 24.0%                     |
| <b>Total</b>   | <b>9,558,179</b>      | <b>10,684,183</b>     | <b>1,126,004</b>            | <b>11.8%</b>              |
| Source: Medicare Business Online™, Mark Farrah Associates, presenting data from CMS enrollment reports |                       |                       |                             |                           |

## Individual versus Group Enrollment

The majority of people with Medicare Advantage purchased a plan directly from the company and this is referred to as individual or direct purchase enrollment. As of March 2015, about 82% (approximately 14 million) of MA membership was individual. This speaks to why plans invest considerable time to devise market and selling strategies in preparation for the AEP every year.

Only 18% of total MA membership (slightly more than 3 million) originated through an employer group health plan or retirement health benefit. Nonetheless, group membership grew by 6% year-over-year primarily driven by UnitedHealth plan gains. Some companies strategically target group MA business because employers are interested in the cost savings MA plans can offer. Note that 57% of Aetna's MA membership is through group plans. Though many employers are shifting away from providing retirement benefits, larger volumes of people retiring may continue to sustain group Medicare Advantage opportunities over the next few years.

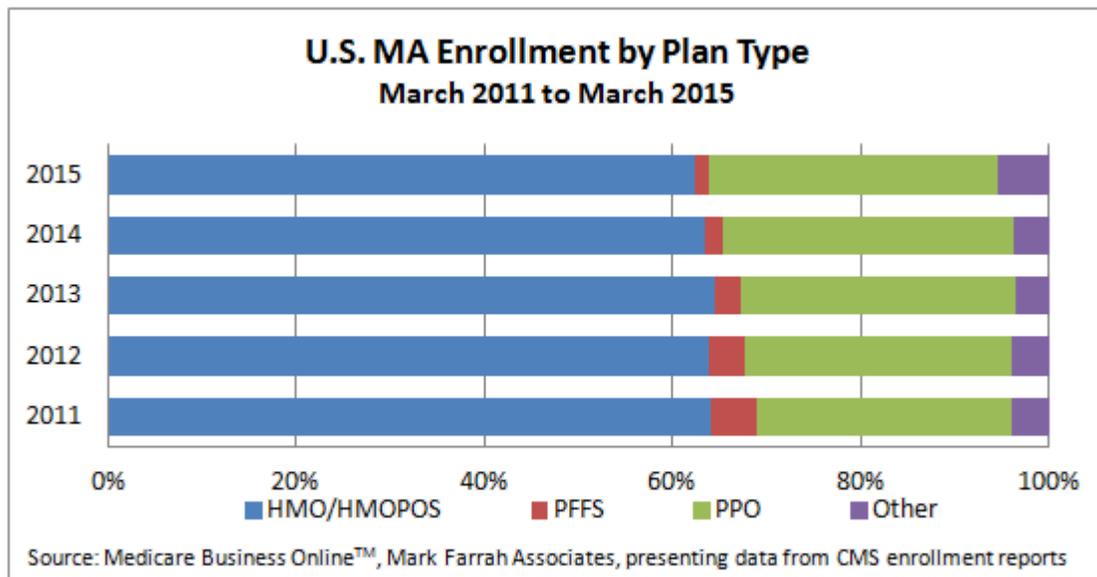


It is important to note that individual and group enrollment counts are slightly lower than total segment enrollment due to different reporting requirements.

### HMO's Remain Dominant Plan Type

HMO plans, including those with point-of-service options, have been the predominant type of coverage in the Medicare Advantage segment for several years. As of March 2015, about 62% of all members were enrolled in an HMO plan. PPOs, including local and regional plans, covered 31% of MA enrollees. HMOs and PPOs have remained consistent with approximately the same membership share in recent years.

The most interesting change in the last year with respect to plan type was a significant increase in enrollment classified as Medicare-Medicaid HMO enrollment. Last year, these plans enrolled more than 300,000, up from only 9,000 in 2014. Note in the chart below that Medicare-Medicaid HMOs are included in the "Other" plan type category along with PACE, MSAs and 1876 Cost plans. Growth in Medicare-Medicaid plans is an outcome of CMS and state Medicaid agencies building new programs to cover the dual eligible population. Dual eligible beneficiaries, people that qualify for Medicare and Medicaid, are among the poorest and sickest beneficiaries and consequently account for higher health care costs. Various health plan designs, in addition to SNPs (Special Needs Plans) have emerged in recent years to address the needs of this high cost population. Molina is a noteworthy player in this niche as well as several California-focused companies such as Health Net and Inland Empire Health.



Medicare Advantage plans are closely evaluating 2015 results as they are preparing 2016 product proposals and bids for submission to CMS. Analyzing enrollment and market share is the first step in understanding the competitive landscape. Scrutinizing benefit designs and costs is a more involved process that plans undertake to identify operational strengths and weaknesses. In the highly competitive Medicare market, market analysis is critical with respect to retaining members and identifying new business opportunities.

### About Mark Farrah Associates (MFA)

Mark Farrah Associates (MFA) is a leading data aggregator and publisher providing health plan market data and analysis tools for the healthcare industry. MFA's Medicare Business Online™ (MBO) product simplifies the tracking of monthly Medicare Advantage and PDP enrollment by competitor. The Medicare Benefits Analyzer™ presents benefit copay comparisons across hundreds of benefit attributes by plan as reported in the Plan Finder on Medicare.gov. Med Supp Market Data™ offers enrollment and financial insights for companies interested in Medicare Supplement business. Our product portfolio also includes Health Coverage Portal™ (with Supplemental Health Care Exhibit data), County Health Coverage™, Health Insurer Insights™, and Health Plans USA™.

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Mark Farrah Associates  
Phone: 724.338.4100  
Web: [www.markfarrah.com](http://www.markfarrah.com)

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