



Medicare Supplement Revival

6/10/2009

by Debra A. Donahue

Leading insurers, such as WellPoint, have indicated that Medicare Supplement (also referred to as Medigap or Med Supp) products will play a significant role in their strategy to attract more senior members during 2009. Designed to cover gaps in the traditional Medicare program, Medicare Supplement policies emerged in 1966 side-by-side with the introduction of Medicare. For years Congress has passed legislation that has been detrimental to this product line. Today, Medigap products compete against a host of managed Medicare options. However, with advantages of choice, simplicity, portability and years of experience, Med Supp plans continue to offer an alternative to managed Medicare. And, to the surprise of many, are growing once again.

Enrollment Gains

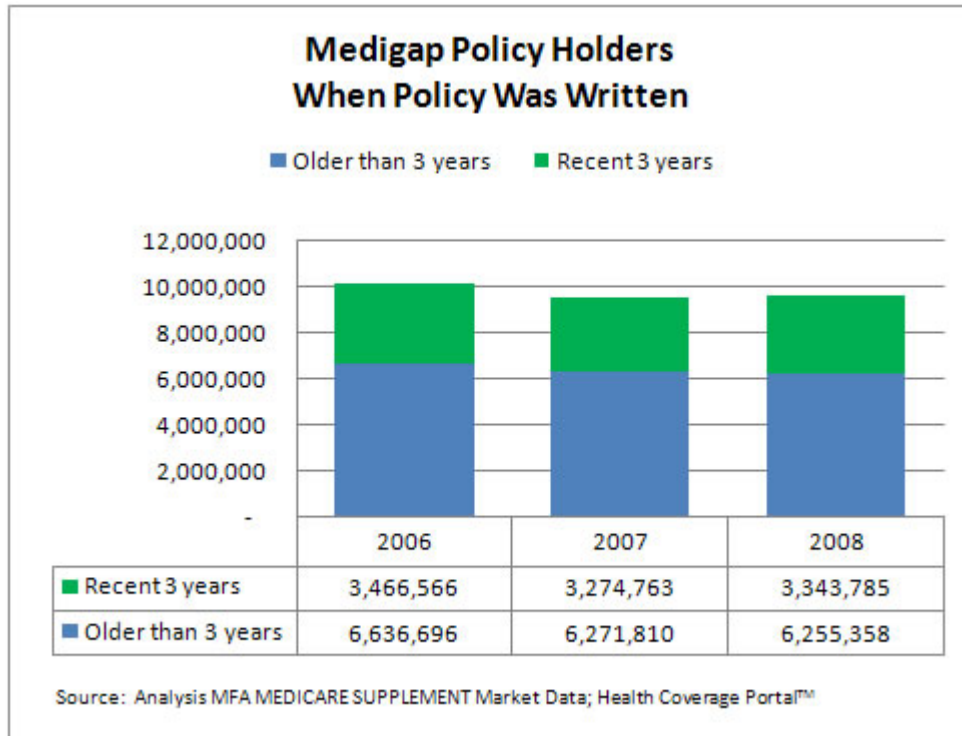
After several years of about 3% per annum membership declines (based on MFA research), Med Supp plans finally saw an increase for year-end 2008 of 0.6% total covered lives. As of December 31, 2008, 22% of all Medicare eligible beneficiaries, roughly 9.6 million individuals, were enrolled in a Medigap plan. Over 196 companies offered Medicare Supplement products, with eight companies insuring 59% of total covered lives. UnitedHealth Group, the largest company offering Med Supp plans, serves nearly 30% of the market.

Total Medicare Supplement Lives			
Covered Lives	2006	2007	2008
UNITEDHEALTH	2,711,288	2,751,856	2,836,024
WELLPOINT	738,368	696,899	787,508
MUTUAL of OMAHA	511,589	559,721	561,565
HCSC	474,709	478,892	478,623
CONSECO	396,753	367,474	350,986
HIGHMARK	308,080	239,382	234,860
BCBS of MI	215,009	209,450	207,111
WELLMARK	190,694	186,434	183,089
Top 8 Plans	5,546,490	5,490,108	5,639,766
Other Plans	4,556,772	4,056,465	3,959,377
Grand Total	10,103,262	9,546,573	9,599,143
Source: MFA's MEDICARE SUPPLEMENT Market Data; Health Coverage Portal™			

All three of the top Med Supp companies, UnitedHealth, WellPoint and Mutual of Omaha saw enrollment growth between 2007 and 2008. One caveat that should be noted here is that the California market is underrepresented in this analysis because managed care organizations in that state do not report plan membership to the National Association of Insurance Commissioners (NAIC), the underlying source of MFA MEDICARE SUPPLEMENT Market Data.

Current Period Gains

Medicare Supplement covered lives are reported in two groups: those policies that were written in the most recent three years and those written prior to that time. At year-end 2006, 34.3% of in-force policies were written in the preceding three years. By year-end 2008 that number had jumped to 34.8%, indicating that new policies are still being written after the advent of Medicare Advantage.



The increase in new policies written occurred even though 40% of the 196 plans did not write any policies in the last three years. Most new growth is happening in the top plans who also offer the alternative managed Medicare options.

Source of Enrollment

Almost 80% of Medicare Supplement insurance is purchased by individuals. This should not come as a surprise given employer cut backs on retiree benefits over the last ten years. Over 110 companies currently compete in the individual Medicare Supplement market, with the leader, UnitedHealth, capturing 17% market share. The individual segment is much more competitive than the employer group sector.

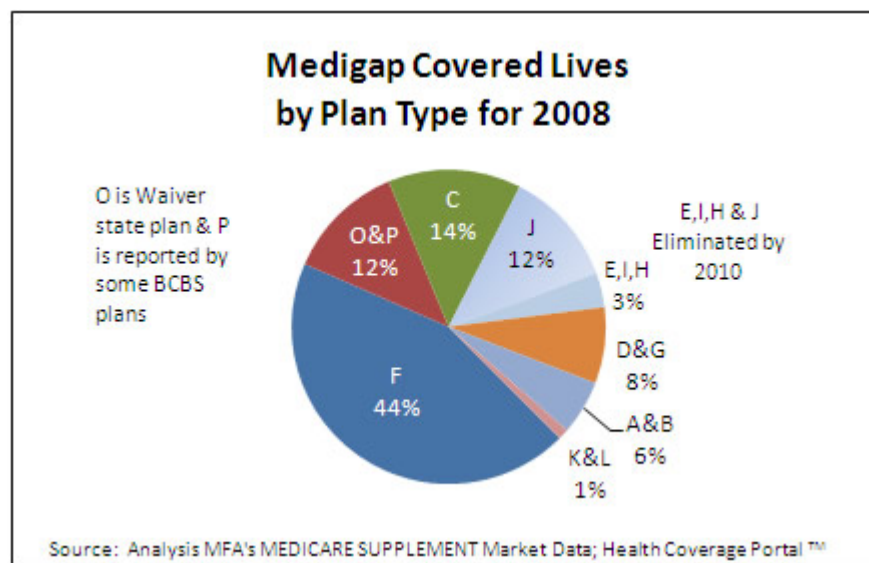
2008 Med Supp Lives by Policy Source			
Group		Individual	
UNITEDHEALTH	1,563,703	UNITEDHEALTH	1,272,321
WELLPOINT	58,120	WELLPOINT	729,388
HIGHMARK	52,211	MUTUAL of OMAHA	519,160

AMERICAN REPUBLIC MUT	52,091	HCSC	464,229
AEGON US HOLDING	50,764	CONSECO	323,299
MUTUAL of OMAHA	42,405	BCBS of MI	207,111
CONSECO	27,687	WELLMARK	183,089
PRINCIPAL FIN	23,639	HIGHMARK	182,649
Top 8 Plans	1,870,620	Top 8 Plans	3,881,246
Other Plans	171,554	Other Plans	3,675,723
Total Group	2,042,174	Total Individual	7,556,969
21% Total Med Supp Lives		79% Total Med Supp Lives	
Source: MFA's MEDICARE SUPPLEMENT Market Data; Health Coverage Portal™			

Eight companies insure 92% of the Medicare Supplement plans sponsored by employers. In fact, UnitedHealth alone captures 77% of the employer group segment. Furthermore, over half of UnitedHealth's Med Supp enrollment comes from employer group contracts. WellPoint, on the other hand, derives 93% of its Med Supp enrollment from individual policyholders.

Standardized Plan Types

Medicare Supplement plan benefit designs are standardized by the federal government with a few exceptions. Massachusetts, Minnesota and Wisconsin are considered waiver states, with slightly different plan offerings, and several Blues plans report a Plan type of P. Several types of standardized Medigap plans are available, from basic options such as Plans A & B that cover coinsurance and copayments for Medicare Parts A & B, to more comprehensive products such as Plans F & J. Plan F, the most popular design, covers Medicare deductibles as well as coinsurance and copayment costs and is purchased by 44% of people with Medigap coverage.



One of the constant challenges in the Medicare Supplement market is keeping up with public policy changes. New standardized Plans K and L were added when the Medicare Prescription Drug Improvement and Modernization Act of 2003 went into effect and the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) calls for the addition of two new Plans M & N and the elimination of Plans E, I, H and J by mid-2010. Over one million people will be impacted in 2010 when the four plans are eliminated.

Enrollment in MIPPA Impacted Plans		
Parent	2008	%
UNITEDHEALTH	208,216	19%
BANKERS LIFE & CAS	87,566	8%
HIGHMARK	34,707	3%
BCBS of MI	33,683	3%
HORIZON HEALTHCARE SERVICES	23,265	2%
PROVIDENT AMER LIFE & HLTH	22,890	2%
ARKANSAS BCBS	21,347	2%
AMERICAN REPUBLIC MUT	18,,707	2%
AMERICAN CONTINENTAL	17,706	2%
CONTINENTAL GENERAL	10,979	1%
Leading Companies	479,066	43%
Other Companies	637,812	57%
Total	1,116,878	100%
Medicare Improvements for Patients and Providers Act of 2008 (MIPPA)		
Source: Analysis MFA's MEDICARE SUPPLEMENT Market Data; Health Coverage Portal™		

More than 65% of all seniors were enrolled in either Medicare Supplement or Medicare Advantage products as of December 2008. As an alternative product to managed Medicare or Medicare Advantage, Medicare Supplement products are holding their own.

Burgeoning opportunities for Medicare Supplement products include the legislated decline of Medicare Advantage Private Fee for Service options, the aging baby boomers — and the use of "Age In" marketing strategies, pre-Medicare retirees, seniors losing employer-sponsored benefits, disabled Medicare beneficiaries and international health coverage options. Medicare Supplement insurers, as experts in serving the individual and gap coverage markets, may also find opportunity in the development of similar products for the growing high deductible health insurance and limited benefit options being offered by employers.

About MEDICARE SUPPLEMENT Market Data

Medicare Supplement Market Data are comprehensive data files that include state-by-state membership, premiums, claims and loss ratios for Medicare Supplement plans nationwide. Complete with interactive tables for analyzing competitors & state markets and comparing business for group versus individual policies. Medicare Supplement data is included as a sub-series in Health Coverage Portal™. Data filed with the National Association of Insurance Commissioners is aggregated and analyzed exclusively by Mark Farrah Associates. To purchase this data, please contact MFA at 207-985-8484.

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. We are a licensed redistributor of NAIC data. MFA's Health Coverage Portal™ includes both risk-based and administrative services only membership and financial data by plan,

parent, state, region and nationally. Committed to simplifying analysis of health insurance business, our products include Medicare Business Online™, the Health Coverage Portal™, Health Insurer Insights™, and Health Plans USA™.

Healthcare BS is a FREE monthly brief that presents analysis of important issues and developments affecting healthcare business today. If you aren't on our email distribution list, [click here \(/email-options/subscribe-to-healthcare-business-strategy.aspx\)](/email-options/subscribe-to-healthcare-business-strategy.aspx) to subscribe now.

Debra A. Donahue is Vice President of Market Analytics and Online Products with Mark Farrah Associates.



Mark Farrah Associates
Phone: 724.338.4100
Web: www.markfarrah.com

© Copyright 1997-2018. All rights reserved. Unauthorized use is prohibited. Healthcare Business Strategy™ is the product of Mark Farrah Associates. No part of this product may be reproduced, in any form or by any means, including posting in its entirety in blogs or other media applications, without permission in writing from Mark Farrah Associates - (724) 338-4100.