



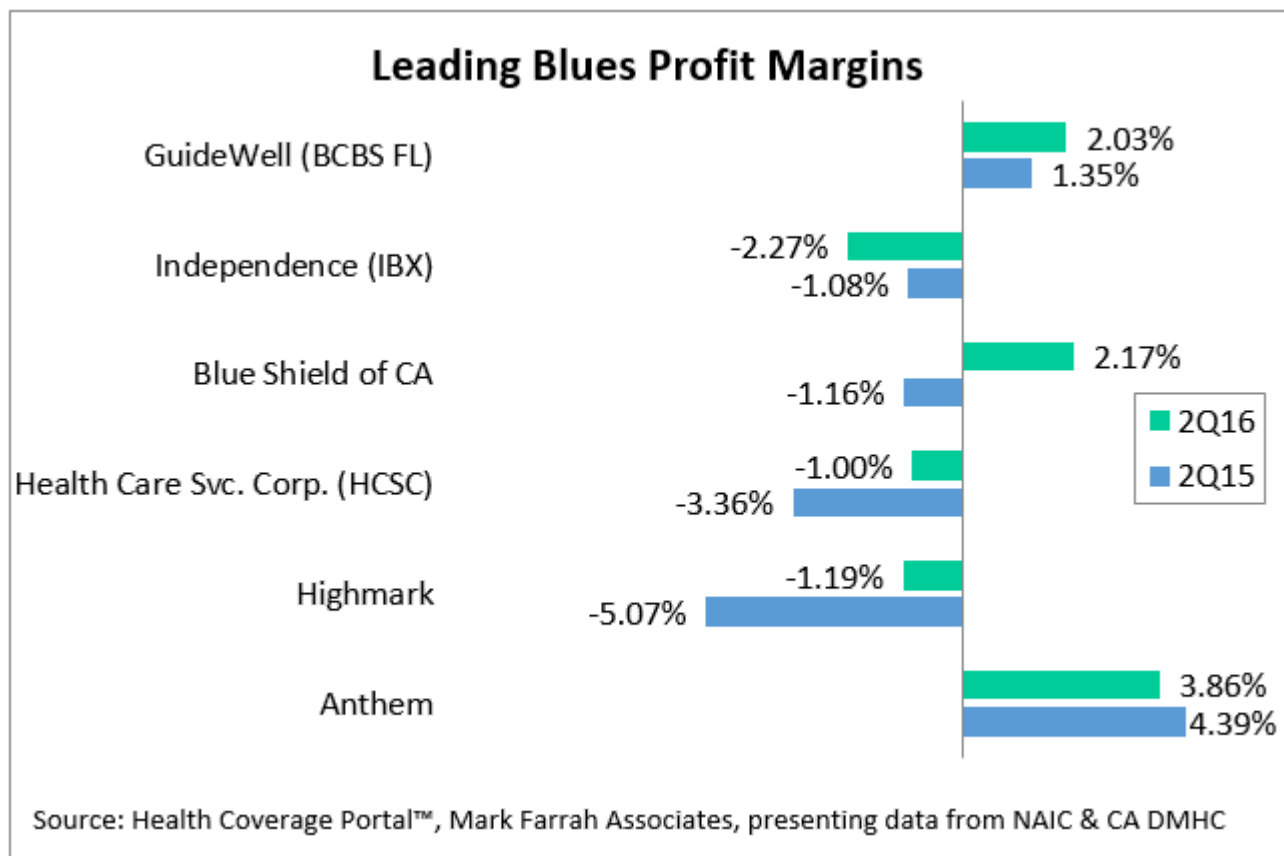
## Second Quarter 2016 Profit Margins for the Top Blue Cross and Blue Shield Plans

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by Mark Farrah Associates

Profitability for health insurers has been a hot topic as of late, especially within the ACA regulated Individual and Small Group segments. Many insurers have increased premiums and instituted programs aimed at controlling costs and improving profitability. In this edition of Healthcare Business Strategy, Mark Farrah Associates analyzes profit margins of the top Blue Cross and Blue Shield plans, comparing year over year performance as of June 2016 based on NAIC and CA Department of Managed Health Care statutory reporting.

For the top six BCBS affiliated insurers, only two companies, Anthem and Independence (IBX) reported declining profit margins over June 30, 2015. The overall profitability for the remaining industry leaders has improved based upon available statutory reporting as of June 30, 2016.



- **GuideWell's** (BCBS FL) profit margin grew to 2.03% from 1.35% in June of 2015 due in part to lower medical expenses as a percentage of revenue.
- **Independence** (IBX) as of June 30, 2016 reported a profit margin of -2.27%, down from a negative 1.08% due in part to increased medical costs as a percentage of revenue.
- **Blue Shield of CA** experienced the most statistically significant margin improvement, increasing to 2.17% from -1.16% due in large part to a 6.2% decrease in medical spending as a percentage of revenue.

- **Health Care Svc. Corp's** (HCSC) profit margin improved to -1.0% in 2Q16 from -3.36% in 2Q15 due in part to increasing medical costs.
- **Highmark's** 2Q16 profit margin of -1.19% improved year over year, up from a negative 5.07% in 2Q15 due in part to a decrease in medical and administrative expenses as a percentage of revenue.
- **Anthem's** leading profit margin of 3.86% as of 2Q16, dropped from 4.39% a year ago due in part to increased medical costs as a percentage of revenue.

Like these top Blues organizations, the health insurance industry at large will likely experience mixed bottom line results for the next few years, as carriers plod through ACA (Affordable Care Act) requirements and changes. MFA will continue to closely monitor health plan performance as insurers adapt to the changing healthcare landscape.

## About Mark Farrah Associates (MFA)

The data used in this analysis brief was obtained from Mark Farrah Associates' Health Coverage Portal™. MFA maintains detailed financial data as well as enrollment and market share for the health insurance industry in the subscription-based Health Coverage Portal™.

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