



Top Health Insurers Experienced Enrollment Gains of 4.3 Million Members for Second Quarter 2015

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by Mark Farrah Associates

Combined second quarter 2015 results for seven of the leading U.S. health plans indicated total medical enrollment growth of nearly 4.3 million and most plans realized year-over-year profit gains. This brief presents key findings from Mark Farrah Associates' (MFA's) review of second quarter 2015 enrollment and financial trends among seven top health insurers: Aetna, Cigna, Health Care Service Corporation (HCSC), Humana, Kaiser Permanente, UnitedHealth Group and Anthem. Financial and membership data observations were gleaned from MFA's October 2015 Health Insurer Insights™ series.

These seven organizations currently insure or administer coverage for approximately 53% of the estimated 256 million people with health insurance in the United States and its territories.

Industry leaders continue to demonstrate favorable enrollment performance in the midst of health care reform. As the Affordable Care Act (ACA) continues to make broad-based changes to the U.S. health care system and with the third open enrollment season under way as of November 1st, leading health plans are focused on accountable care arrangements, mergers and acquisitions, and building innovations and capabilities to sustain and grow business for the long term.

The seven leaders realized combined net gains in the total number enrolled in Commercial, Medicare and Medicaid plans. Second quarter 2015 results indicated a 3% enrollment growth from second quarter 2014, collectively adding nearly 4.3 million members from 142.3 million in 2Q14 to 146.6 million in 2Q15. Additionally, year-over year operating revenue and profitability increased for most plans.

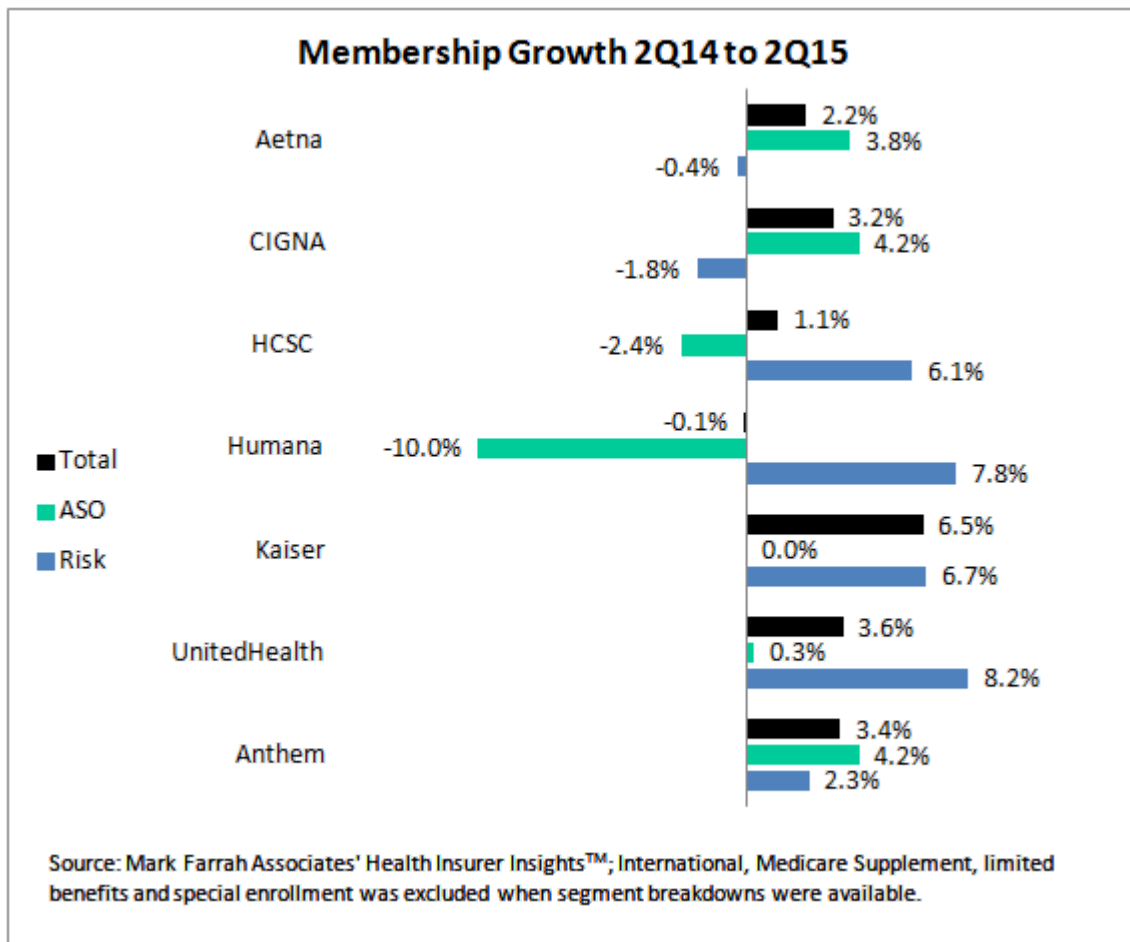
As of June 30, 2015, aggregate enrollment figures reflected growth in both risk-based and self-funded medical membership. However, some industry leaders saw a decrease in individual, non-group membership primarily reflecting the loss of members in plans that are not compliant with the Health Care Reform Law partially offset by an increase in membership in plans that are compliant with the Health Care Reform Law, both on-exchange and off-exchange.

For the purpose of this analysis, Mark Farrah Associates assessed total comprehensive medical membership. Therefore, Medicare Supplement enrollment was excluded when MFA found it was integrated with other medical membership figures.

Leading Health Plan Enrollment Performance

UnitedHealth reported the most substantial gains year-over-year with an increase of over 1.3 million medical members. As of June 30, 2015, UnitedHealth enrolled 37.8 million medical members, an increase of 3.6%, from 36.5 million during the same period in 2014. Note that UnitedHealth reports Medicare Supplement membership of approximately 4 million lives as a separate, specialty line and this enrollment is not included as medical membership in this assessment. The company attributes much of its second quarter growth to strong participation in individual public exchange products, favorable annual renewal activity, growth in the employer group segment and ACA Medicaid expansion.

Anthem experienced the second most gains for 2Q15 with an increase of approximately 1.25 million medical members. As of June 30, 2015, Anthem reported over 37.6 million medical members which included 5.4 million BlueCard members, an increase of 3.4% from 36.4 million during 2Q14. Anthem reports Medicare Supplement membership within the Medicare segment, combined with Medicare Advantage. For this assessment, MFA subtracted an estimated 852,000 Medicare Supplement lives from Anthem's medical membership. The company attributed much of its second quarter growth to increases in its Medicaid, Blue Card and national accounts membership, partially offset by decreases in its individual business due to lapses in non-ACA-compliant business offerings. Anthem includes BlueCard members in enrollment reporting and due to the sharing of these national accounts across Blues plans, double counting may occur. Anthem projects to see an increase of 750,000 to 950,000 additional members by year-end 2016 due to the definitive agreement to acquire Cigna, which is expected to close in the second half of 2016.



Aetna maintains its standing as the third largest U.S. health insurer. The company reported total medical membership of over 23 million as of June 30, 2015, a 2% increase since second quarter 2014, reflecting growth in its Commercial ASC, Medicare and Medicaid products, partially offset by a slight decline in Commercial risk-based membership. Aetna projects its Medicare Advantage enrollment will significantly increase to approximately 4.4 million MA members due to the acquisition of Humana which is expected to close in the second half of 2016.

As of June 30, 2015, Humana's total medical membership was 9.6 million. The company saw an increase in risk-based enrollment of 7.8% year-over-year but experienced a substantial loss in ASO enrollment of 10%, primarily due to a loss of certain large group ASO accounts. Humana also reports Medicare Supplement membership within its Individual segment and MFA subtracted an estimated 153,000 Medicare Supplement lives from the company's total 2Q15 medical membership. Humana's second quarter 2015 Individual Medicare Advantage membership increased by 14.8 percent from second quarter 2014 due to net membership additions associated with its 2015 HMO offerings.

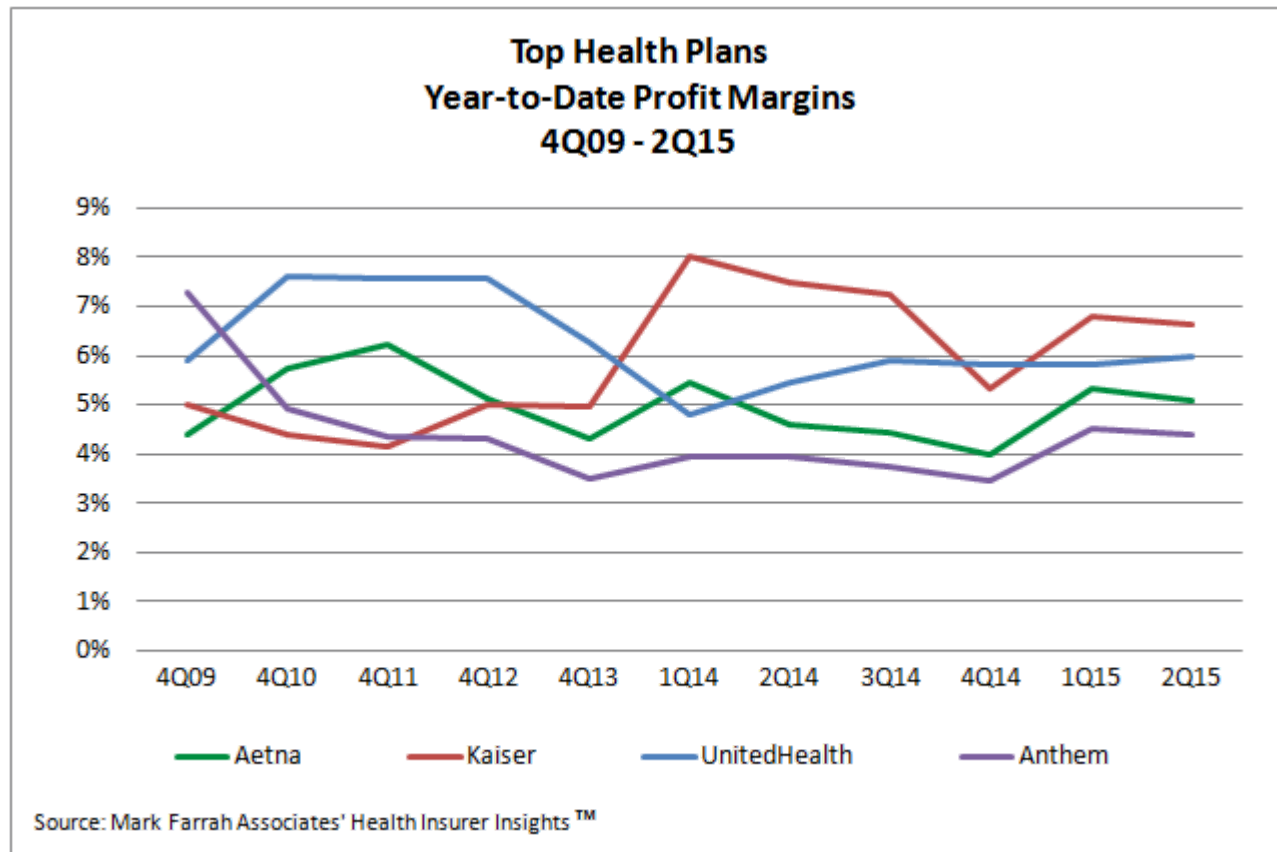
HCSC covered 14.7 million people as of June 30, 2015. The company experienced an increase in risk-based enrollment of 6.1% from 2Q14 to 2Q15 however saw a 2.4% decline in its ASO business. Cigna reported 13.8 million medical members for 2Q15, a 3.2% increase year-over-year. MFA adjusted Cigna's medical membership by excluding approximately 140,000 Medicare Supplement lives. Kaiser's enrollment increased by 600,000 members from 9.2 million in 2Q14 to 9.8 million in 2Q15.

Leading Health Plan Profitability Results for Second Quarter 2015

The majority of the seven health plans saw profit gains for second quarter 2015, when compared to second quarter 2014. For the purpose of this brief, MFA assessed profitability for four of the seven health plans; Aetna, Kaiser, UnitedHealth and Anthem. As indicated in the chart below, three of these companies experienced gains for the six months ended June 30, 2015.

Aetna generated over \$28.9 billion in revenue and reported a net income of nearly \$1.5 billion through the six months ended June 30, 2015. Aetna's profit margin was 5.1%, an increase of 11% from 4.6% in second quarter 2014. Although Kaiser Permanente's second quarter 2015 profit margin was 6.6%, down from 7.5% in second quarter 2014, they continue to outperform the other top plans in terms of profit margin.

UnitedHealthcare earned nearly \$4 billion on revenues of \$65.7 billion. The company's operating margin was 6% from 5.44% year-over-year. The increase was due to strong growth across all of UnitedHealthcare's businesses. Anthem reported net income of over \$1.7 billion on total revenues of \$39 billion for 2Q15, a 4.4% profit margin, up from 3.9% in 2Q14. The increase was primarily attributed to higher operating revenues in the company's Government Business segment.



**Profit margins were calculated as net income divided by total revenues.*

The Affordable Care Act is at the forefront of a changing healthcare landscape and has significantly impacted health plan enrollment and financial performance industry wide over the past couple of years. This highly competitive industry is consolidating. With health reform and demographics fueling growth in government-funded programs and the Individual, Non-group segment, along with the influx of M&A's, it is especially

important to stay current on the latest business strategies. As the industry evolves, Mark Farrah Associates will continue to monitor and report on health plan performance and competitive shifts across all segments of the industry.

Health Insurer Insights™

The data used in this analysis brief was obtained from Mark Farrah Associates' Health Insurer Insights™ report series and Health Coverage Portal™ database. Each quarter, MFA profiles the latest strategies and market positions for 10 of the top health insurers in the industry using GAAP and statutory financial performance metrics. MFA maintains financial data as well as enrollment and market share for the health insurance industry in the subscription-based Health Coverage Portal™.

For more information about these products, refer to the product videos and brochures available in the products section of our [website \(/products/Default.aspx\)](/products/Default.aspx) or call 724-338-4100.

About Mark Farrah Associates (MFA)

Mark Farrah Associates (MFA) is a leading aggregator of health plan market data and provides analysis tools for the healthcare industry. Our products include Med Supp Market Data™, Medicare Business Online™, Medicare Benefits Analyzer™, Health Coverage Portal™, County Health Coverage™, Health Insurer Insights™, and Health Plans USA™.

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