



Top Health Plan Enrollment Increased by 5.6 Million

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Medical membership for the leading U.S. health insurance plans increased 4.3% from 130.1 million at the end of 2011 to 135.7 million at the end of 2012. Enrollment in administrative services only (ASO) funding arrangements and in fully-insured (Risk) business increased during the period. Commercial, Senior and Medicaid segments all had aggregated enrollment growth from 2011 to 2012. However, for every Commercial member gained, the top plans added nearly five in government-sponsored programs since December 2011. Profitability saw a slight downturn for the majority of leading health plans for 2012 when compared to 2011. Top health plan profitability was impacted by several factors from shifts to lower margin ASO and government-sponsored businesses, to increased administrative costs due to acquisitions, to implementation of health reform regulations.

This brief presents key findings from Mark Farrah Associates' (MFA's) review of enrollment and financial trends among seven top health insurers: Aetna, Cigna, Health Care Service Corporation (HCSC), Humana, Kaiser Permanente, UnitedHealth Group and WellPoint. It primarily looks at year-end results from 2011 to 2012. Financial and membership data and observations were gleaned from MFA's April 2013 Health Insurer Insights™ series. These seven organizations insure or administer coverage for approximately 52% of the population with health insurance in the United States and its territories.

Membership Gains

Year-over-year, total membership for the seven leading plans increased by more than 5.6 million, or 4.3%, from 130.1 million at the end of 2011 to 135.7 million at the end of 2012. Commercial, Senior and Medicaid segments all saw enrollment growth year-over-year. Commercial business increased by 0.9% from 2011 to 2012. Medicare and Medicaid enrollment increased 16.0% and 38.0% respectively during the same period. Four of the top companies cited enrollment gains across all three major business lines. All seven top plans saw gains in Medicare. Humana and Aetna were the only two leading plans to report declines in Medicaid business.

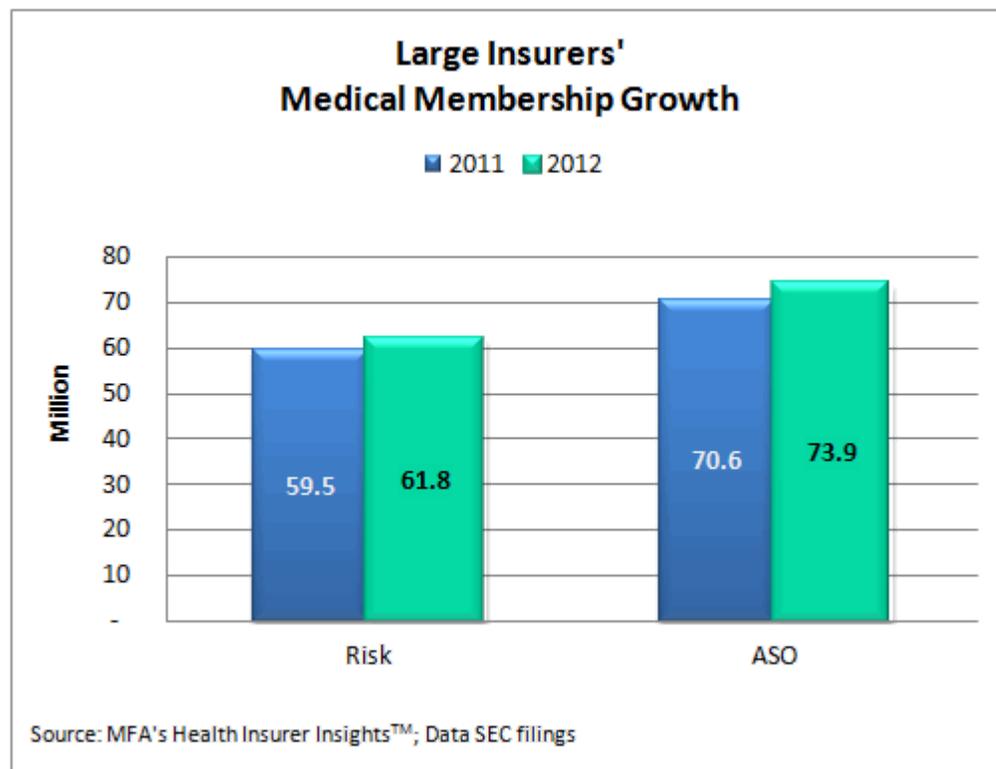
Large Insurers' Medical Membership Growth			
Segment	2011	2012	Change
Senior ¹	10,651,773	12,354,937	1,703,164
Medicaid ²	7,771,677	10,727,696	2,956,019
Commercial ³	111,644,232	112,611,541	967,309
Total	130,067,682	135,694,174	5,626,492
(1) May include both Med Supp and Medicare Advantage but not PDP (2) Includes ASO and Risk-based arrangements (3) Includes TRICARE and FEHBP enrollment, and ASO and Risk-based arrangement Source: MFA's Health Insurer Insights™; Data SEC filings			

Many of the leading plans' growth strategies call for pursuing more business in the Senior and Medicaid segments for 2012 and 2013. As more states convert previous fee-for-service Medicaid populations to managed care – programs such as the aged, blind and disabled (ABD) or seniors and persons with disabilities (SPD) – the potential size of this business has most of the leading plans competing state-by-state with Medicaid specialty insurers. Medicare Advantage and Medicare Supplement business lines are battlegrounds during the Medicare Annual Election Period (AEP), again due to the significant size of this market.

Mergers, acquisitions and/or expansion efforts are prevalent for all of the leading plans particularly to gain expertise and membership in government-sponsored businesses. Cigna, Humana and UnitedHealth completed acquisitions in the first half of 2012. UnitedHealth recently acquired two small plans in Florida and XL Health. WellPoint completed its acquisition of CareMore in 2011 and acquired Amerigroup, the largest publicly traded company focused exclusively on the health care needs of Medicaid recipients, in December 2012. WellPoint's 2012 results include Amerigroup. Aetna acquired Genworth Financial's Medicare Supplement business in 2011 and it acquired Coventry Health Care in May of 2013.

As growth in the Commercial segment staggers, with a poor prognosis for recovery in the near future, leading plans have turned to government-sponsored Medicare and Medicaid programs to bolster membership. Gains in government-sponsored business have out-paced gains in Commercial business. In fact, for every Commercial member gained, the top plans added nearly five people in government-sponsored programs since December 2011.

Five of the leading plans saw Commercial enrollment gains in 2012, which was encouraging. Furthermore, gains in both administrative services only (ASO) funding arrangements and in fully-insured (Risk) business were reported. Total ASO enrollment grew year-over-year by 3.3 million (4.7%) with membership increasing from 70.6 million in 2011 to 73.9 million as of 2012. Risk enrollment increased year-over-year by 2.3 million members from 59.5 million in 2011 to 61.8 million in 2012.



Most Health Plans See Enrollment Gains

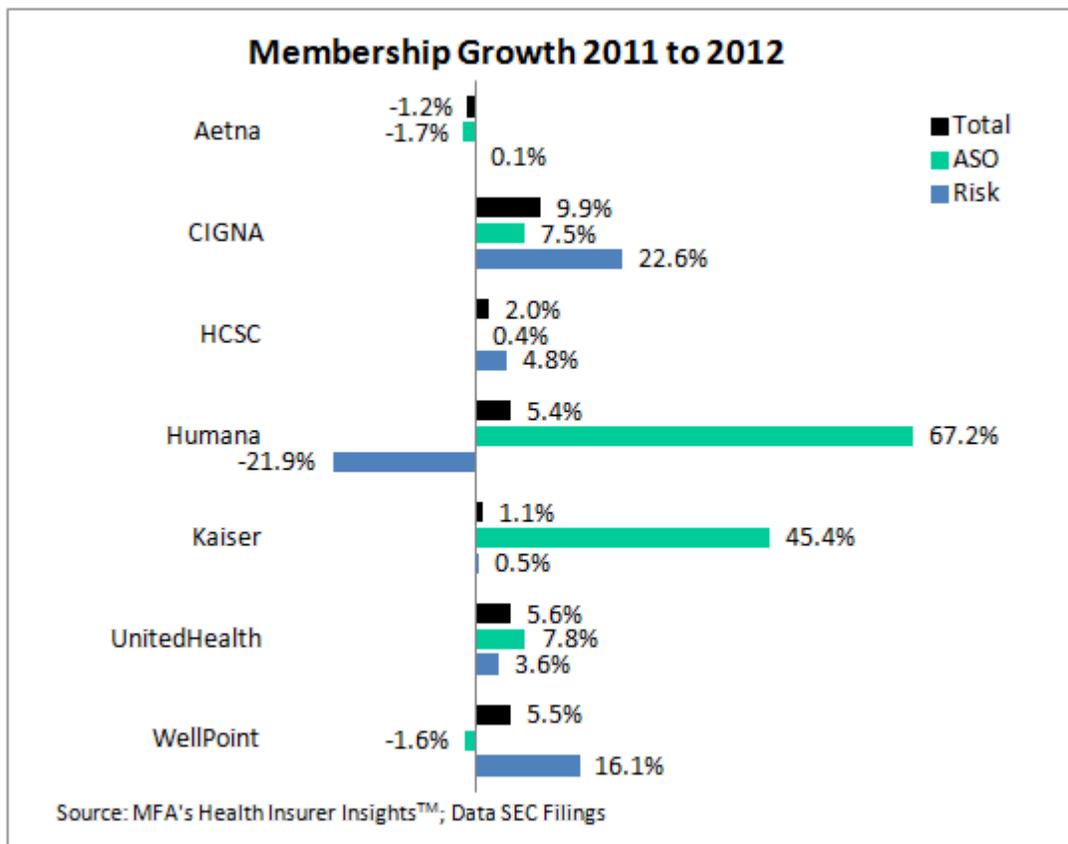
UnitedHealth, the largest plan based on membership in the United States, reported total enrollment gains year-over-year of 1.93 million new enrollees. UnitedHealth, with growth in Commercial, Medicare and Medicaid, reported 36.50 million medical enrollees for 2012 in its 10K filing with the Securities Exchange Commission

(SEC).

WellPoint, UnitedHealth's nearest rival, reported an enrollment gain of 1.88 million. The company reported total medical enrollment of 36.13 million, including Amerigroup, for year-end 2012 and 34.25 million for 2011 in its 2012 10K filed with the SEC. WellPoint's 2011 results did not include the acquisition of Amerigroup Inc., which was completed on December 24, 2012.

Aetna, which ranks a distant third in terms of medical enrollment behind UnitedHealth and WellPoint, experienced declines across the Commercial and Medicaid segments year-over-year. It did pick up 125,000 Medicare members from 2011 to 2012, however. Aetna experienced a total membership decline of -1.2% from 2011 to 2012 and was the only leading plan to report an overall decline in medical enrollment during the period.

Cigna, HCSC and Kaiser saw increases in both Risk and ASO business between 2011 and 2012. In April 2012, Humana began delivering a new TRICARE South Region ASO contract resulting in a significant shift of members from Risk to ASO. Humana also completed the acquisitions of MD Care in January 2012 and Arcadian Management Services in April 2012, offsetting some of its decline in Risk enrollment.

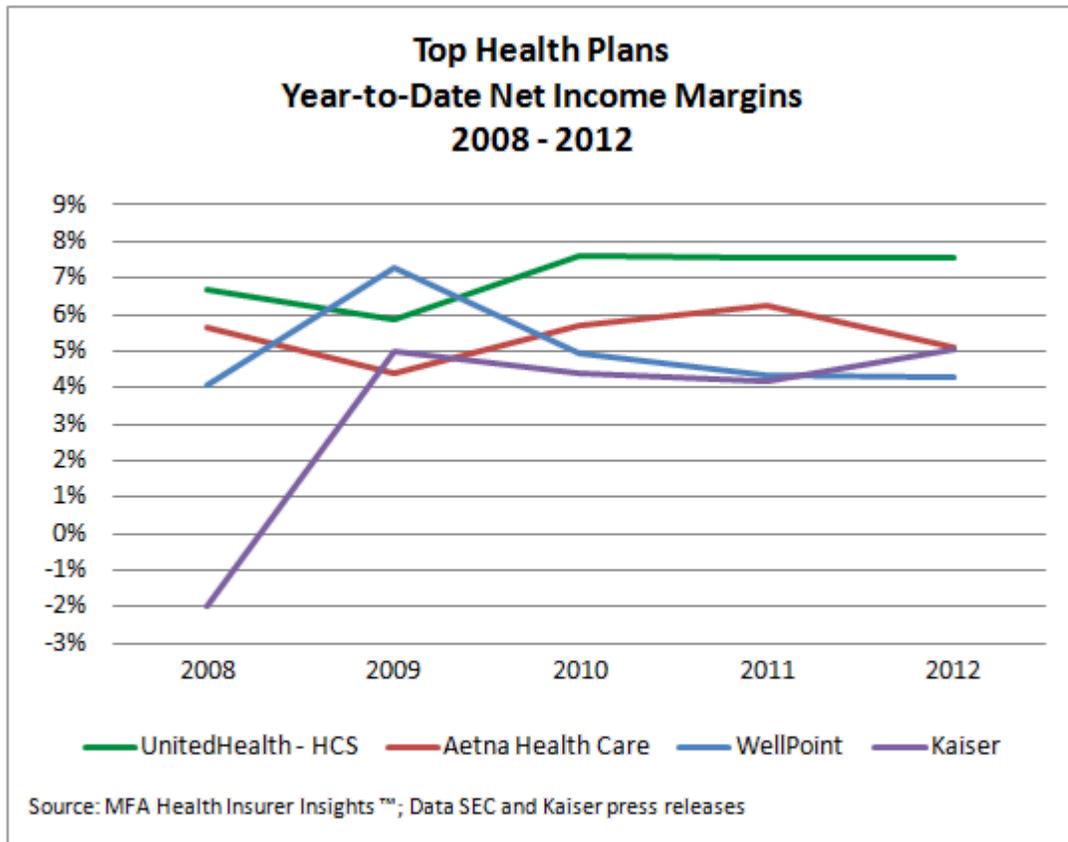


Profitability Impacted by Enrollment Shifts and Acquisitions

The majority of leading health plans saw a slight downturn in year-over-year profitability for the year ended December 31, 2012, primarily due to decreases in commercial enrollment and increases in Medicare and Medicaid medical loss ratios (segment premiums divided by segment medical expenses) and acquisition costs. Implementation of health reform regulations was also cited as a reason for declining profits by some plans.

Kaiser was the only top plan to report improvement in profitability year-over-year. Kaiser Foundation Hospitals, Kaiser Foundation Health Plan, Inc., and respective subsidiaries (Kaiser) combined reported net income of approximately \$2.6 billion on revenues of \$50.6 billion, yielding a net income margin* of 5.0% for 2012. This was up from a net income margin of 4.2%, for 2011.

UnitedHealth Group's UnitedHealthcare (UnitedHealth - HCS) business unit reported a 7.6% earnings from operations margin for 2012, the same percentage as it did in 2011. UnitedHealthcare's margin has remained the same for the last three years.



* *Net Income (profit) margin is net income (loss) divided by total revenues.*

The top plans mentioned in this report insure or administer coverage for approximately 52% of the estimated 260.2 million people with health insurance in the United States and its territories. This dynamic, highly competitive industry is consolidating and shifting. Several of the leading plans are adding international business to their portfolios and UnitedHealth will add TRICARE enrollment to its business mix in 2013. While the majority of enrollment is currently under ASO arrangements, this is changing as more of the leading plans explore opportunities in the Medicaid, Medicare and non-group markets. With 48.6 million uninsured people waiting for the creation of the health insurance exchanges, most of the top plans have indicated they will take a wait and see attitude toward this new segment in 2014. What these decisions mean for top plans in terms of profitability and market share influence on the health care industry remains uncertain. As the health insurance industry changes, staying current on the latest business strategies and financial health of the competition is critically important. Mark Farrah Associates' many products can help simplify your analysis of health insurance business.

Health Insurer Insights™

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