



## **Year-Over-Year Membership for Leading Health Insurers Increased by Nearly 3.4 Million**

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*by Mark Farrah Associates*

Amidst the changing health care industry, health plans are seeing increased pressure to redefine their approach in search of growth. Companies are responding to the evolving market and increasing their competitive advantage by capitalizing on new business opportunities. Investments in M&A's, expanding Medicaid programs, converting providers to value-based reimbursement contracts, and implementing innovative, consumer-centric products have proven to be common growth strategies for many leading health plans. While there are several obstacles to maneuver in the industry, especially surrounding the Affordable Care Act (ACA) and the marketplaces, many health insurance companies continue to thrive in this competitive market.

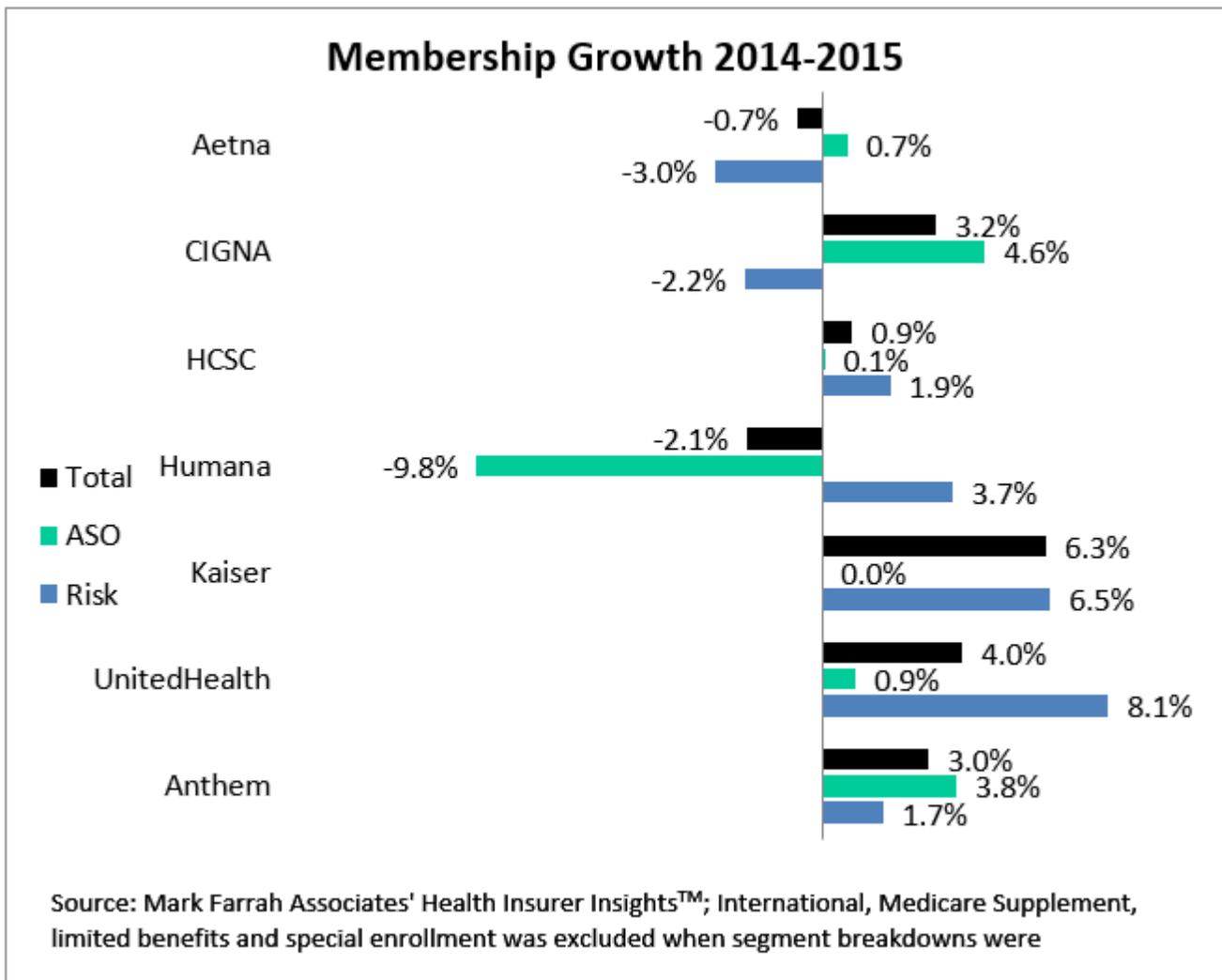
This brief presents key findings from Mark Farrah Associates' (MFAs) review of enrollment and financial trends among seven top health insurers: Aetna, Cigna, Health Care Service Corporation (HCSC), Humana, Kaiser Permanente, UnitedHealth Group and Anthem. Strategic insights, financial and membership data and observations between 2014 and 2015 were gleaned from MFA's April 2016 Health Insurer Insights™ series. These seven organizations insure or administer coverage for over 51% of the population with health insurance in the United States and its territories.

For 2015, most of the seven leaders realized net gains in the total number enrolled in Commercial, Medicare and Medicaid plans. Combined 2015 results indicated enrollment growth of 3.4 million however plans reported less than favorable results for year-over-year profitability.

### **Enrollment Performance**

As of December 31, 2015, aggregate enrollment figures reflected varying degrees of both growth and decline in risk-based and self-funded medical membership year-over-year. Collectively, total membership for the top health plans increased 2.3%, from 144.2 million at year-end 2014 to 147.6 million in 2015. Note 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.

For year-end 2015, UnitedHealth maintained its leading position among the top plans with a reported 38.27 million members, a 1.46 million increase from 36.81 million in 2014. United's risk-based enrollment increased by 8.1%, with 16.8 million members, as compared to 15.56 million in 2014. The company primarily attributed its enrollment growth to increases in commercial risk-based membership, participation in individual public exchange products and favorable annual renewal activity as well as new business wins in the employer group segment. Though exchange participation contributed to membership growth for UnitedHealth in 2015, the company reported financial losses from exchange business and announced it has withdrawn from several state marketplaces for 2017.



Anthem posted the second largest gains in enrollment for 2015 with an increase of approximately 1.1 million medical members. As of December 31, 2015, Anthem reported over 37.7 million medical members, an increase of 3%, from 36.65 million in 2014. Anthem reports Medicare Supplement membership within its Medicare segment, combined with Medicare Advantage. For this assessment, MFA excluded an estimated 845,000 Medicare Supplement lives from Anthem's medical membership. Much of Anthem's membership growth was due to increases in its Medicaid, Blue Card and national accounts, however this was partially offset by a decrease of approximately 6.6% in its individual business. Anthem included approximately 5.4 million BlueCard members in enrollment reporting and due to the sharing of these national accounts across Blues plans, double counting may occur. Anthem remains optimistic that the proposed merger agreement with Cigna will close the second half of 2016.

As indicated in the chart above, HCSC experienced increases in both risk-based and ASO membership year-over-year. HCSC covered over 14.4 million people as of December 31, 2015 increasing its membership by 123,000 total medical members. As a result of its strong participation in Medicaid programs in Illinois, New Mexico and Texas, HCSC gained 208,500 new Medicaid enrollees in 2015 as the company continues to focus on expanding its government-funded business.

As of December 31, 2015, Humana and Aetna both saw membership declines year-over-year. Humana's overall medical membership decreased from 9.68 million members in 2014 to 9.47 million in 2015. MFA excluded approximately 158,000 Medicare Supplement lives from Humana's individual membership.

While the company experienced a 3.7% increase in total risk-based membership year-over-year, its ASO enrollment declined 9.8% due in part to the loss of a large group ASO account for Kentucky retired state employees. Aetna's year-end medical membership was 22.9 million as of December 31, 2015, reflecting a

decrease of 165,000 members from the prior year. The company attributed its membership losses to declines in its commercial insured products. Losses in commercial were partially offset by growth in its government businesses. Aetna continues to be diligent with the acquisition of Humana and has obtained 10 of 20 necessary state approvals for the transaction which is expected to close in the second half of 2016.

Cigna reported nearly 14.8 million medical members at year-end 2015, a 3.2% increase from 2014. Cigna attributed its enrollment increase to targeted market segments as well as to the acquisition of Qualcare Alliance Networks Inc. in February 2015. Kaiser experienced 6.3% enrollment growth from 9.3 million in 2014 to 9.9 million in 2015, reflecting increases in both risk-based and ASO membership. Kaiser continues to remain focused on acquisitions and key business investments to sustain customer retention and grow membership.

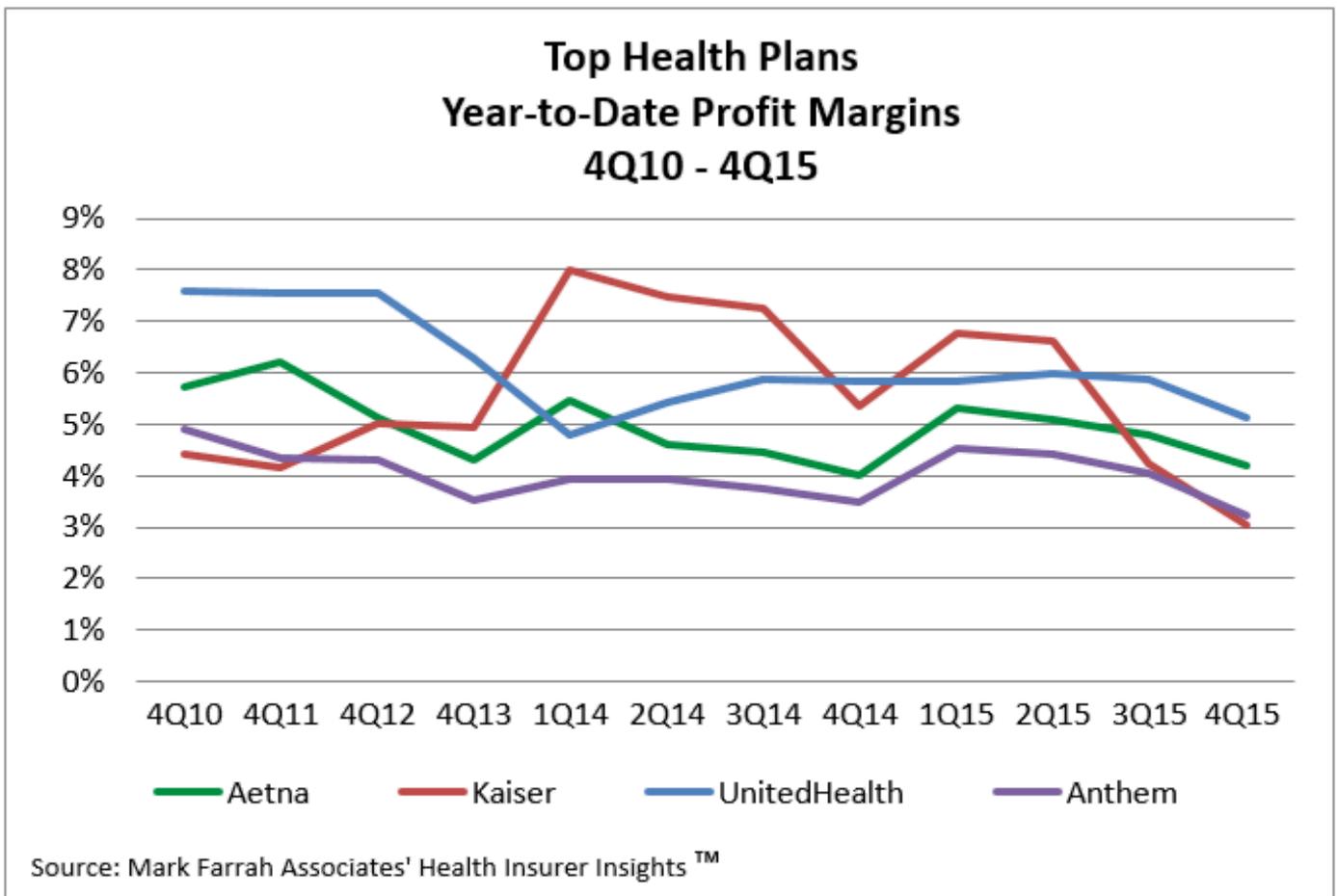
### **Profit Declines for Top Health Plans for Year-end 2015**

For the purpose of this brief, MFA assessed segment reported revenue and net income for the calculation of profit margins for four of the seven health plans; Aetna, Kaiser, UnitedHealth and Anthem. As indicated in the chart below, all but one of these companies saw declines in profits for the fiscal year ended December 31, 2015.

For 2015, Aetna was the only company out of the four mentioned above that experienced an increase in profit margins. Aetna reported net income of \$2.4 billion on revenues of \$57.6 billion with a profit margin of 4.2%, up from 4.0% the prior year. The company attributed this to increased underwriting margins and higher fees and other revenue in its Health Care segment. Kaiser Permanente reported a net income of \$1.9 billion on revenues of \$61 billion in 2015 with an operating margin of 3.06%, as compared to 5.34% in 2014, partly due to volatility in financial markets and investment losses.

UnitedHealth earned 6.75 billion on total revenues of \$131.3 billion for 2015. The company's profit margin declined from 5.84% in 2014 to 5.14% in 2015. Reasons for the decline included imposed ACA fees, Medicare Advantage funding reductions and increased spending on specialty medications.

Anthem reported net income of nearly \$2.6 billion on total revenues of \$79 billion for 2015, a 3.2% profit margin, slightly down from 3.5% a year ago. The company cited this decrease was partially attributed to higher than expected medical costs in Individual business and membership declines in fully-insured Local Group and Individual business.



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

## Public Exchange Participation Update

Industry leaders continue to take a cautious approach to public exchange participation as the exchanges are still a relatively new market structure. While many of the top health insurance companies have experienced reasonable enrollment growth in ACA compliant plans, it continues to be uncertain how this market will evolve and several companies have expressed concerns for future participation based on reported financial losses during the first two full years of the program. Insurers will continue to closely evaluate enrollment mix and premium levels over the coming year to further determine the sustainability of their exchange business. The following recaps leading health insurer participation in the Marketplace.

Year-end 2015 Public Exchange Membership	
Aetna	Enrolled 750,000 exchange members. (Bloomberg)
Cigna	Enrolled 204,000 individual market members both on and off the exchange. Cigna exited the Florida public exchange market for 2016. (SEC 10-K/Modern Health Care)
HCSC	Participated in 5 exchanges in its 5 core state markets. HCSC exited the New Mexico exchange market for 2016.
Humana	Enrolled 757,900 members both on and off the exchange. (Modern HealthCare)
Kaiser	Enrolled approximately 650,000 Marketplace members in nine exchanges. (Modern HealthCare)

UnitedHealth	Enrolled approximately 500,000 federal exchange members. United will participate in a substantially smaller number of individual public exchanges in 2017. (SEC's/Modern Health Care)
Anthem	Enrolled nearly 800,000 members in plans through the exchanges. (Reuters)
Source: Mark Farrah Associates' Health Insurer Insights™	

## 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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