



Blue Cross and Blue Shield Market Share Snapshot 2015

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by Mark Farrah Associates

For decades, Blue Cross and Blue Shield plans have been health insurance leaders and the Blues brand continues to generate broad-based market appeal to this day. Thirty six independent Blue Cross and Blue Shield companies currently operate across the 50 states, the District of Columbia and U.S. territories, providing health insurance coverage and related benefits for millions of Americans. As of September 2015, Blues plans and affiliates provided comprehensive medical coverage for 104.7 million members, representing 41% of the total health insurance market. This speaks to the influence Blue Cross and Blue Shield plans wield in the healthcare industry both politically and economically. According to the Blue Cross Blue Shield Association, Blues plans are accepted by more than 90% of doctors and specialists nationwide. Furthermore, these plans serve 85% of Fortune 100 companies and 76% of Fortune 500 companies.

In this analysis brief, Mark Farrah Associates (MFA) will look at the latest Blues plan market share and assess recent membership trends and overall growth among the 36 licensed Blue Cross and Blue Shield companies.

About Blue Cross Blue Shield Organizations

Blue Cross and Blue Shield organizations (BCBS or Blues) are the nation's oldest and largest family of health insurance companies. The Blues consortium first pioneered the concept of health insurance in the early 1900s and there is a wealth of information about the history and current state of Blue Cross and Blue Shield on the Association website (<http://www.bcbs.com/>). In the early formative years, health insurance was a completely innovative approach to address a dire need in the U.S. Blue Cross and Blue Shield began with the simple concept of pooling resources of a local community, the power of everyone's premiums together, so people could collectively afford to pay for health care.

Blues organizations historically operated as independent companies generally in single-state territories, but the business scenario has changed considerably in the last 20 – 30 years. Now many Blues companies have operations in more than one state and it is not uncommon for companies to offer both Blues branded and non-Blues products. Two large companies, Anthem (formerly WellPoint) and Health Care Service Corporation (HCSC), are known as key Blues consolidators in the industry. Anthem, the Blues leader with almost 31 million health members, currently has key operations in 14 states and is seeking regulatory approval to acquire Cigna, which will extend its footprint considerably. HCSC, a mutual insurance company owned by its policyholders, currently operates Blues plans in 5 core states (Illinois, Montana, New Mexico, Oklahoma and Texas). Several other Blue Cross Blue Shield companies offer health plans within a region of two or more states, such as Cambia, CareFirst, Highmark, Independence Blue Cross, Premera and Wellmark.

Many Blue Cross Blue Shield plans continue to operate in single-state territories and several of these plans have been focused on diversifying their business to remain competitive as the industry changes. As non-profits, single-state Blues plans generally find it more difficult to obtain capital funding needed for strategic initiatives to keep up with the publicly-traded leaders in the industry. Industry pressures may compel additional single-state Blues to consider merging with a larger Blues company to gain economies of scale. A recent transaction of this nature closed in mid-year 2015 when Blue Cross of Northeastern Pennsylvania opted to merge with Highmark. For the most part, Blues plans like other key competitors in the industry already have non-BCBS licensed subsidiaries or they themselves are affiliates of a much larger organization. As provider payment models are

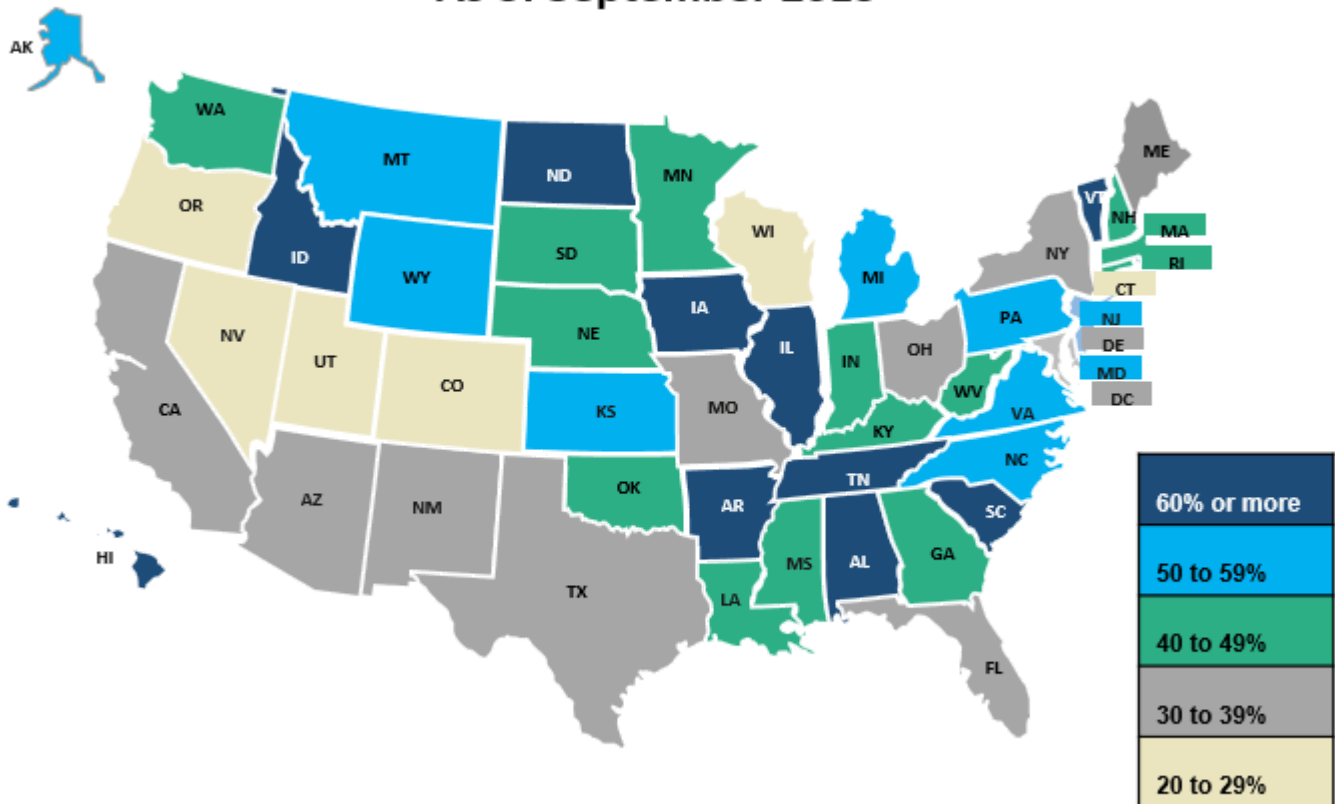
changing in line with the emergence of ACOs (Accountable Care Organizations) and other payer-provider initiatives, Blues companies, like the rest of the industry, are creating innovative joint ventures with health systems.

Blue Cross Blue Shield Market Share

By virtue of market share and strongholds in local communities, the Blues brand gives plans a significant competitive advantage. Blue Cross and Blue Shield companies continue to have a significant presence in every state and U.S. territory. Blues plans typically have diversified product portfolios with commercial, Medicare and Medicaid business along with specialty benefits, e.g. dental, Medicare Supplement. Many have retained sizeable health benefit accounts with local municipalities as well as state and local governments.

An assessment of comprehensive medical membership by state, as of September 2015, reveals that Blue Cross and Blue Shield companies and affiliates command more than 60% of the health insurance market share in 10 states, up from 9 states at the same point in 2014. This is based on an assessment of combined Blues membership (both branded and non-branded plans) compared with aggregate membership counts of non-Blues business by state. The comprehensive medical membership figures used for this assessment included Individual, Group Risk, Group ASO, FEHBP (Federal Employees Health Benefits Program), Medicare Advantage and Managed Medicaid segments. Note this includes membership for the Triple S Salud plan in Puerto Rico and given that 3Q15 enrollment was unavailable, 2Q15 figures were used.

Blue Cross Blue Shield Plans Medical Membership Market Share As of September 2015



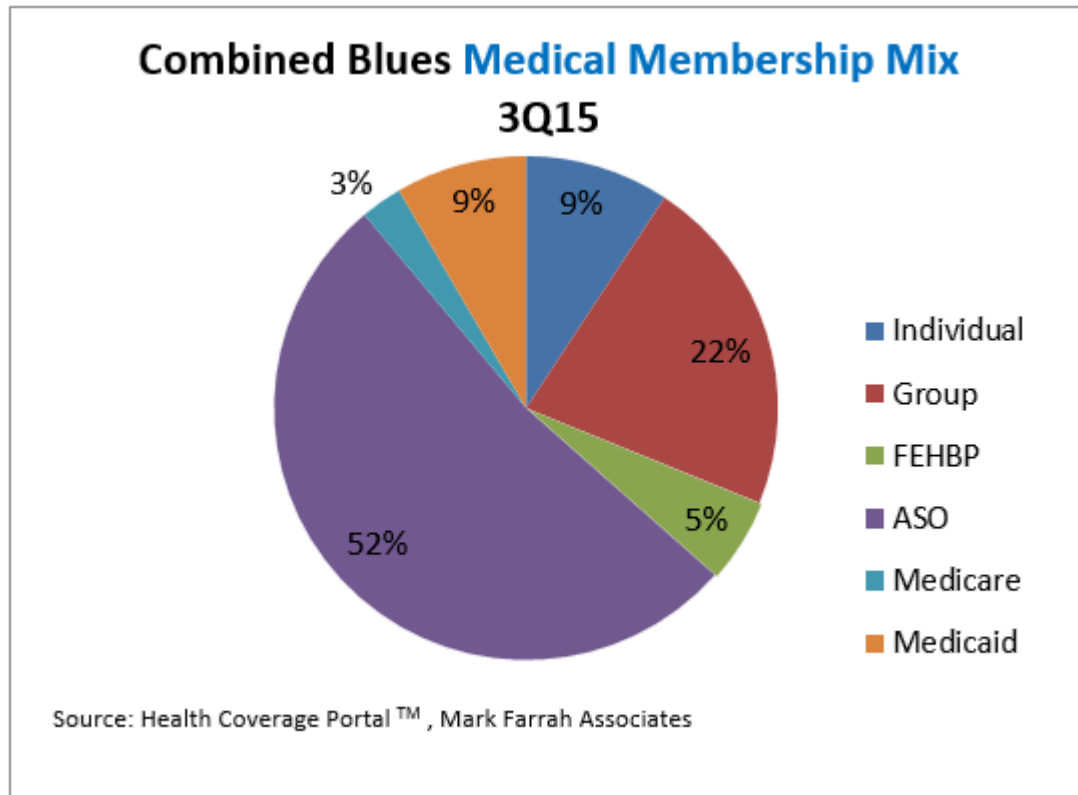
Source: Comprehensive medical membership data, Health Coverage Portal™, Mark Farrah Associates

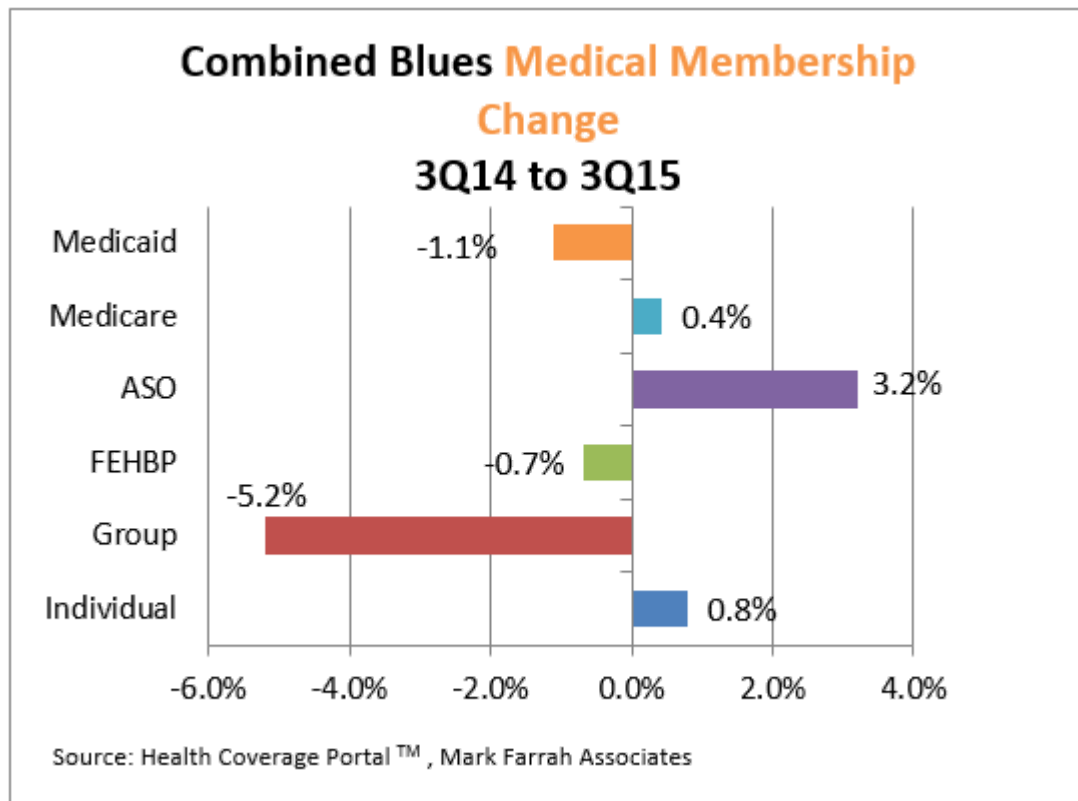
In 10 states, Blues companies have collectively retained a 50 to 59% share of the market and Blues market share ranged from 40 to 49% in another 14 states. For 17 states plus the District of Columbia, Blue Cross and Blue Shield business represents local market shares ranging from 20% to 39%. On occasion, the dominant presence of

Blues plans in state markets has been challenged by an industry stakeholder as being anticompetitive or monopoly-like. This review did not entail in-depth analysis to measure levels of competition. Yet, health insurance choices in the vast majority of states include plans offered by Blues, national carriers, and regional, non-Blues plans which suggests competition is reasonably healthy in most markets.

Blues Membership Observations

As of September 2015, Blues plans and affiliates provided insurance or administered benefits for 104.7 million people through major medical plans, reflecting a 0.4% membership increase year-over-year. Approximately half of the Blues aggregate membership is through self-funded or administrative services only (ASO) arrangements. Twenty-two percent of Blues membership is Group (risk-based), nine percent of total membership is Individual and 8% is Medicaid. FEHBP comprises 5% of the aggregate Blues book and the balance of 3% is Medicare Advantage enrollment.





Unlike the growth experienced due to the surge of ACA marketplace related medical membership in 2014, from 3Q14 to 3Q15, Blues organizations as an aggregate saw an overall 0.4% increase in total medical membership. As in 2014, The Blues realized moderate gains in ASO business while the Group (risk-based) segment experienced a 5.2% decline. The decline in Group membership along with an increase in ASO is in line with industry trends. The Individual, Medicare and Medicaid segments all experienced strong growth in 2014. For 2015, it appears the Blues have essentially maintained the influx of 2014 membership.

A quick look at the Blues with respect to industry leaders, Anthem and HCSC are heads above other Blues organizations with respect to membership enrolling 30.8 million and 14.6 million, respectfully equating to 43% of total Blues membership. Anthem drove all of the growth in the Blues segment through the third quarter in 2015 with a 4.1% increase in health enrollment as compared to a decline of 1.1% for the rest of the Blues as a whole. If the Anthem – Cigna merger is approved, Anthem stands to gain 13.4 million medical lives which will significantly strengthen their industry position and by default boost Blues market share. HCSC experienced a more modest .5% increase in membership since 3Q14. Of the 36 Blues Plans, twenty two experienced growth through 2015 3Q, adding approximately 2.20 million members. Another 14 plans saw decreases totaling approximately 1.8 million members.

Looking Forward

As the effects of healthcare reform continue to unfold, Blue Cross and Blue Shield companies will remain a strong and impactful voice at policy tables. With more than 80 years of experience, Blues plans will continue to lead as innovators, visionaries and major contributors working to transform the healthcare industry.

About Mark Farrah Associates (MFA)

Mark Farrah Associates (MFA) is a leading provider of health plan market data and analysis tools for the healthcare industry. If your company relies on accurate assessments of health plan market share to support business planning, we encourage you to [contact us \(/Contact-Us.aspx\)](#) to learn more about our products. Our products include statutory financial statement content made available through our licensed distributor agreement with the NAIC (National Association of Insurance Commissioners) and other credible measures of enrollment,

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