

A Brief Analysis of Health Insurance Competition and Commercial Market Share

June 22, 2017

Health plan market share is an important measure of competitive positioning for insurers. Health insurance carriers often assess the number of people enrolled in their health plans at the state level or at a more defined geographic area to determine their market position. Companies not only look at their own market position but also routinely analyze competitor membership to evaluate relative market share. In this brief, Mark Farrah Associates (MFA) presents an overview of market demographics and market share data, with a focus on health plan market position in three Metropolitan Statistical Areas in Pennsylvania.

Market Demographics

Health insurance competition can be assessed by using many performance variables with health plan enrollment and market share metrics being the most common. Enrollment can be divided into two core segments, commercial health insurance and government-sponsored programs. The largest segment within the commercial market is employer-based plans, also known as the group segment. The group segment includes fully-insured/risk-based policies or self-funded/ASO (administrative services only) arrangements with employers. Individual or non-group plans, including Marketplace products, are also part of the commercial segment. Government programs, Medicare and Medicaid, provide coverage for the elderly or people with disabilities and low income populations.

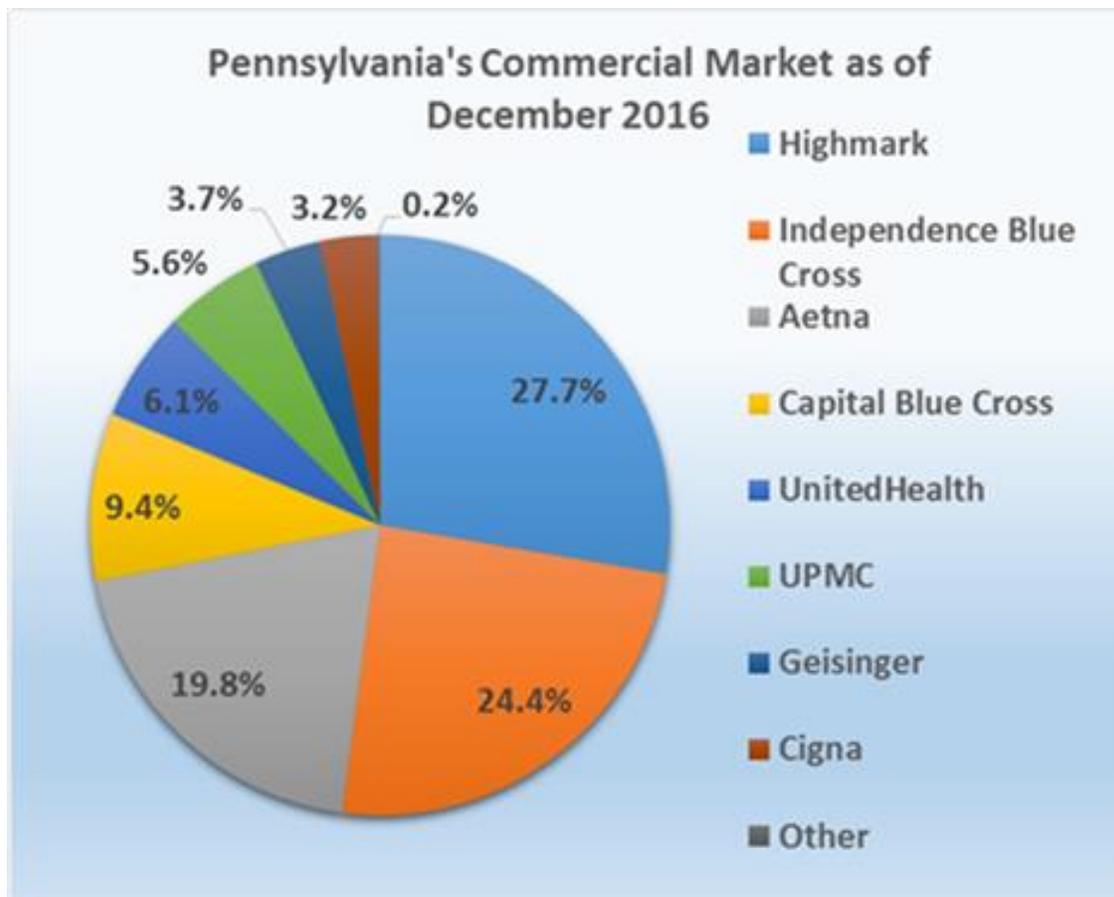
As of December 31, 2016, insurance companies provided medical coverage for approximately 264 million people, based on enrollment as reported in Mark Farrah Associates' Health Coverage Portal [™]. The employer-based ASO and risk-based segments remained the largest sources of coverage in the industry, collectively enrolling 196 million people in the commercial segment. Medicaid and SCHIP programs enrolled nearly 75 million people and within this segment, approximately

51 million are covered by managed care plans. Approximately 57 million seniors were enrolled in Medicare programs at year-end 2016. This included more than 38.7 million people with original Medicare and 18.7 million members enrolled in Medicare Advantage plans.

Competition and Market Share

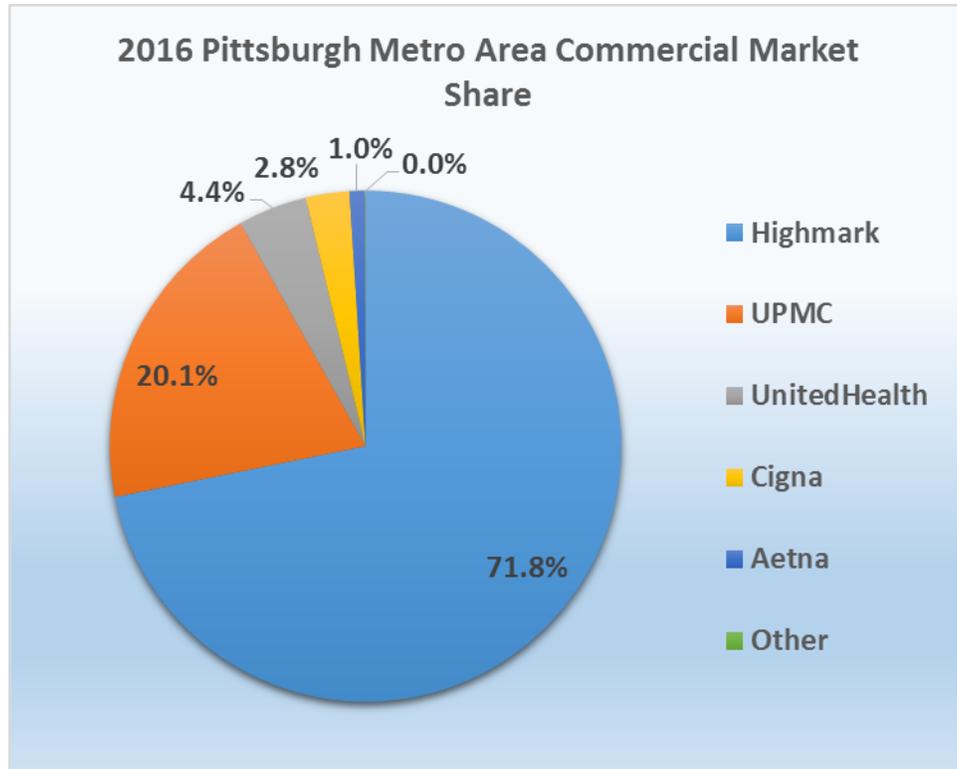
To analyze health insurance competition, analysts often start with state-by-state assessments of competitor enrollment and market share. Data from statutory filings can provide valuable insights about state health insurance competition. Based on data filed in statutory financial reports from the NAIC (National Association of Insurance Commissioners) and the CA DMHC (California Department of Managed Health Care), Mark Farrah Associates' Health Coverage Portal™ is a tool widely used by health plans for easy access to market share data and financial performance metrics.

For the purposes of this brief, MFA first looked at the competitive mix in Pennsylvania's commercial market by analyzing state enrollment figures from the Health Coverage Portal™. The chart below illustrates the leading companies in Pennsylvania's commercial health insurance market. Three Blue Cross Blue Shield affiliates and Aetna comprise the largest percentage of market share for the state.



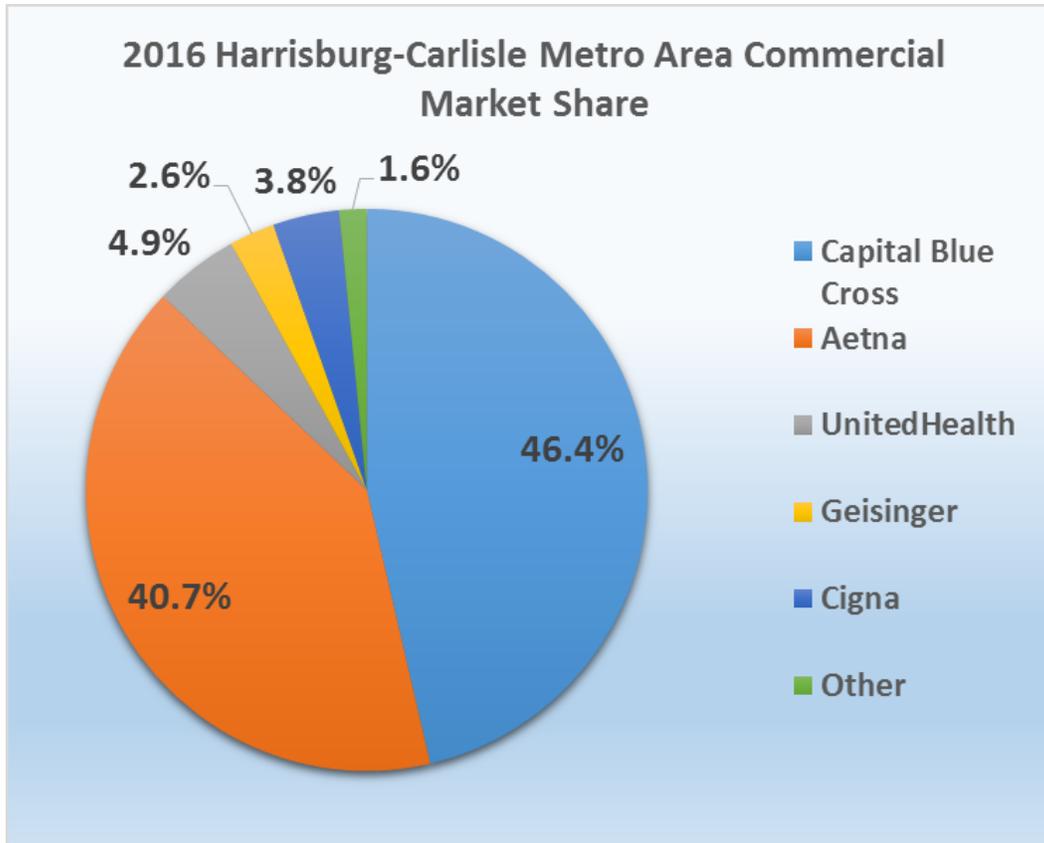
Source: Health Coverage Portal™, Mark Farrah Associates, including ASO estimates and NAIC data

While state level market share is an important metric, industry analysts often need to assess market share at the county or Metropolitan Statistical Area (MSA) level in order to gain a more complete competitive picture of the market. However, drilling down to county market share can be challenging for analysts because county level enrollment is not generally reported in statutory filings. State-wide commercial market share percentages often do not accurately represent the true distribution of plan activity across a state. For this reason, further analysis at the county or MSA level is often necessary for a more thorough representation of the market share in any given state. Mark Farrah Associates' County Health Coverage™ is a tool used to assess reliable estimates of health insurance enrollment and market share at the county and Metropolitan Statistical Area level.



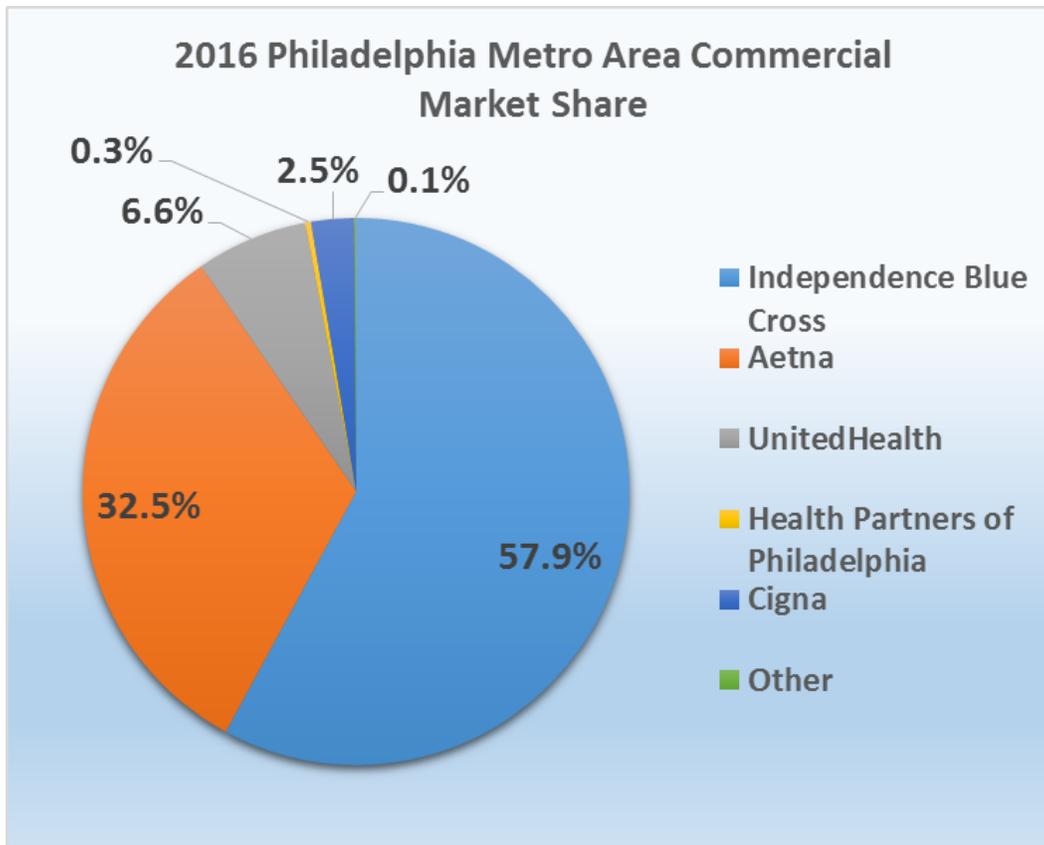
Source: County Health Coverage™, Mark Farrah Associates

- The top three MSAs in Pennsylvania are Philadelphia, Pittsburgh, and Harrisburg/Carlisle. Working west to east, the Pittsburgh metropolitan region, with a population of nearly 2.4 million people is the second largest MSA in the state. Based on MFA's county estimates, the above chart provides an illustration of market share for the Greater Pittsburgh region. Highmark and UPMC command 71.8% and 20.1% of the market with only a small percentage left to be shared by a handful of national plans.



Source: County Health Coverage™, Mark Farrah Associates

- In the middle of the state, the Harrisburg-Carlisle metropolitan area with a population of nearly 561 thousand people is the third largest MSA in the state. Based on MFA's county estimates, the region is dominated by Capital Blue Cross with 46.4% of the market and Aetna with 40.7 percent.



Source: County Health Coverage™, Mark Farrah Associates

- The largest MSA, which is in the eastern part of the state, is the Philadelphia metropolitan area, with a population of nearly 4.1 million people. Based on MFA’s county estimates, the above chart shows that Independence Blue Cross and Aetna are the commercial market leaders for the Philadelphia MSA region.

Commercial market share assessment at the county level can be particularly difficult because insurance companies, with the exception of some HMO plans, are generally not required to report local market membership except when mandated by state or federal regulation. The Pennsylvania MSA market data, as illustrated in this brief, demonstrates the importance of analyzing county and Metropolitan Statistical Area market share for business planning and marketing strategy. The source used for this analysis of commercial market share in Pennsylvania was MFA’s County Health Coverage™ product. It is important to note that in some cases, estimates were based on enrollment reported by employer contract situs rather than state of member residence.

About County Health Coverage™

County Health Coverage™ provides reliable estimates of health insurance enrollment and market share at the state, county and Metropolitan Statistical Area level. Product features include company market share by county, company and state for the Private Risk, Private ASO, Managed Medicaid, Medicare Advantage, and PDP segments. Breakdowns by product type (HMO, PPO, etc.) are also presented as well as population demographics and interactive, visual mapping tools. To learn more visit the product page - [County Health Coverage™](#).

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](#) to learn more about our products. Our portfolio includes Health Coverage Portal™, County Health Coverage™, Medicare Business Online™, Medicare Benefits Analyzer™ and Health Plans USA™ - www.markfarrah.com.

Healthcare Business Strategy is a free monthly brief that presents analysis of important issues and developments affecting healthcare business today. If you would like to be added to our email distribution list, please submit your email to the "*Subscribe to MFA Briefs*" section in the grey area at the bottom of the page.