

A Brief Look at the Turbulent Individual Health Insurance Market

July 19, 2017

The Centers for Medicare & Medicaid Services (CMS) reported in their March 2017 [Open Enrollment Report](#) that 12.2 million consumers had enrolled in Marketplace plans following the 2017 open enrollment period. This includes more than 9.2 million consumers in the 39 states using the HealthCare.gov platform and 3.0 million consumers enrolled in State Based Marketplaces. Thereupon, in March, health insurers reported providing individual, non-group coverage for approximately 17.6 million people. These updates indicate that 69.5% of individual medical members were enrolled through the Marketplace. About 30.5% of this segment represents covered lives enrolled in off-exchange plans; currently an estimated 5.36 million.

The individual market poses greater risks for insurance carriers than other health care segments. The sustainability of this challenging health care sector is dependent on balanced risk pools, insurer competition, quality care at affordable costs, and regulatory stability. After three full years of the Affordable Care Act (ACA), health plans have attributed unsustainability to high medical claims, adverse selection, 3Rs program challenges, immature risk pools, and under-enrollment of healthier individuals. As a result, many insurance carriers have pulled out of Obamacare resulting in less competition and fewer choices for consumers. In this brief, Mark Farrah Associates provides a timely look at recent individual health insurance market developments with state-by-state membership comparisons and competitor insights.

Insurer Exchange Participation

Now that the individual market under the ACA is well into the fourth year of operation, growing concerns about sustainability continue to motivate leading insurers to retreat from the exchanges. UnitedHealth was one of the first to announce plans to downsize exchange participation. The company reported more than \$1 billion in losses for its ACA individual plans in 2015 and 2016 and withdrew nearly all of its exchange business for 2017. Although United served approximately

800,000 fewer people during the first quarter of 2017, the company reported it had increased total revenue year-over-year.

Humana followed suit by significantly reducing its individual footprint both on and off the exchanges in 2017 and announced it will exit all of its remaining 11 states for 2018. After losing nearly \$700 million between 2014 and 2016, Aetna reported it will completely exit its participation in the public marketplaces next year but in July, announced it may begin to sell plans in parts of Nevada. Anthem also recently reported it will pull out of the exchanges in Indiana, Ohio and Wisconsin for 2018. In addition, after citing financial losses for its ACA exchange business, Cigna said it will not be returning to the individual Marketplace in Maryland. Several Blue Cross Blue Shield plans and regional competitors have also either scaled back or exited the markets for next year.

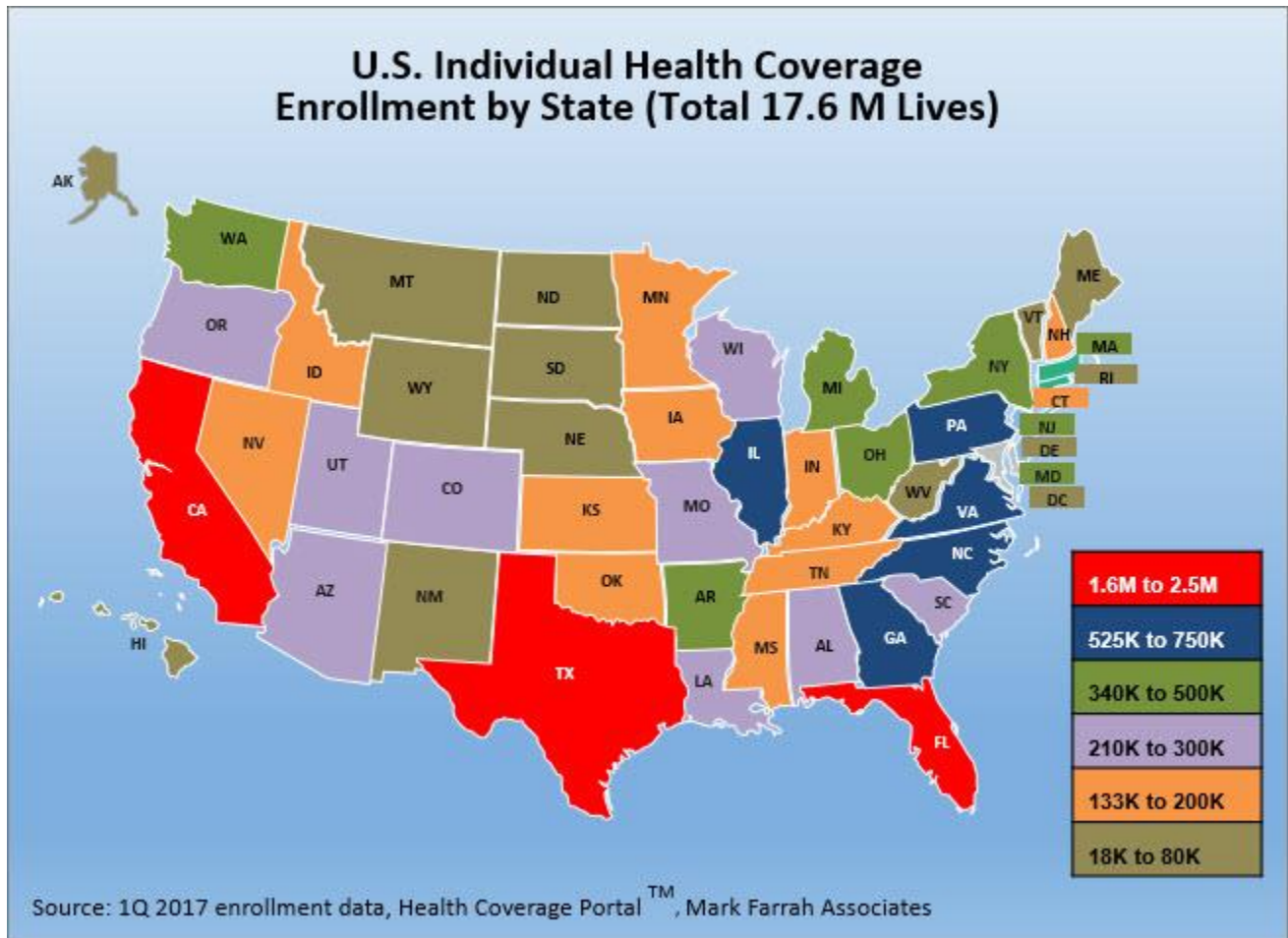
In contrast, despite the volatility of individual marketplaces, several health insurers are sticking with the ACA exchanges and some are even extending their coverage. Centene, for example, will offer on-exchange plans in Kansas, Missouri and Nevada in 2018, and will expand its exchange participation in Florida, Georgia, Indiana, Ohio, Texas and the state of Washington. Molina Healthcare also intends to remain in the nine state exchanges where it operates. Additionally, Oscar Health, the New York health insurance start-up, has indicated that it will continue to sell plans in New York and will extend its presence in New Jersey, Ohio, California and Tennessee for 2018.

Furthermore, The Centers for Medicare & Medicaid Services recently released an update to its [2018 Health Insurance Exchanges Issuer County Map](#). CMS indicated that 40 counties are expected to not have any health insurance exchange offerings and over 40% of counties nationwide could have only one health insurer in 2018. CMS projects 2.4 million Americans will have just one plan option and at least 27,660 people currently enrolled on the exchanges live in the counties projected to have no coverage in 2018.

Enrollment: Individual Market

Enrollment in individual, non-group medical plans, both on and off the exchange, totaled 17.6 million as of March 2017, according to financial statements filed by insurers and estimates by Mark Farrah Associates. Although reports from CMS's Open Enrollment Period (OEP) public use files indicate 3.82 million new members enrolled in 2017 across all Marketplace platforms, total year-over-year individual market enrollment declined by about 12%. Total individual market enrollment, based on carrier reports, was 20.2 million a year ago in March 2016. The map below

indicates that the highest individual membership undoubtedly resides in the largest states, demographically.



It is important to note that Mark Farrah Associates (MFA) applied enrollment figures for select carriers not required to report health enrollment on a quarterly basis and made other adjustments based on market analysis. Furthermore, individual enrollment may include Medicaid programs, such as CHIP, as some states include subsidized lines in the individual segment. These factors may have resulted in moderate understatement or overstatement of enrollment.

The following table presents state-by-state breakdowns of the total individual market, separating on-exchange and off-exchange membership. For this assessment, MFA applied the assumption that the difference between total individual enrollment reported by carrier and on-exchange, Marketplace enrollment reported in CMS’s Open Enrollment Period (OEP) public use files is reasonably

representative of off-exchange membership. This analysis did not include state-by-state research to provide local market insights about exchange positioning nor did the analysts investigate off-exchange plan options. Nonetheless, the state breakdowns provide an interesting framework for understanding the greater market opportunity.

Individual Health Enrollment On and Off Exchange			
State	March 2017 Total Individual Enrolled	2017 On-Exchange Enrolled	Estimated Off-Exchange Enrolled
AK	18,226	19,145	N/A
AL	232,250	178,414	53,836
AR	465,963	70,404	395,559
AZ	265,593	196,291	69,302
CA	2,496,371	1,556,676	939,695
CO	295,919	161,568	134,351
CT	161,799	111,542	50,257
DC	29,741	21,248	8,493
DE	22,708	27,584	N/A
FL	2,119,732	1,760,025	359,707
GA	739,683	493,880	245,803
HI	44,935	18,938	25,997
IA	133,978	51,573	82,405
ID	134,476	100,082	34,394
IL	540,979	356,403	184,576
IN	187,084	174,611	12,473
KS	200,540	98,780	101,760
KY	164,443	81,155	83,288
LA	219,642	143,577	76,065
MA	374,076	266,664	107,412
MD	344,933	157,832	187,101
ME	78,152	79,407	N/A
MI	453,695	321,451	132,244
MN	187,380	109,974	77,406
MO	287,014	244,382	42,632
MS	158,930	88,483	70,447

MT	76,181	52,473	23,708
NC	690,439	549,158	141,281
ND	57,337	21,982	35,355
NE	72,627	84,371	N/A
NH	136,903	53,024	83,879
NJ	394,961	295,067	99,894
NM	69,168	54,653	14,515
NV	144,938	89,061	55,877
NY	390,072	242,880	147,192
OH	367,322	238,843	128,479
OK	155,659	146,286	9,373
OR	213,795	155,430	58,365
PA	700,365	426,059	274,306
RI	44,057	29,456	14,601
SC	273,312	230,211	43,101
SD	65,134	29,622	35,512
TN	195,909	234,125	N/A
TX	1,616,070	1,227,290	388,780
UT	268,002	197,187	70,815
VA	529,512	410,726	118,786
VT	33,674	30,682	2,992
WA	362,305	225,594	136,711
WI	285,799	242,863	42,936
WV	39,433	34,045	5,388
WY	36,238	24,826	11,412
	17,577,454	12,216,003	5,361,451
<i>Source: Health Coverage Portal™, Mark Farrah Associates, presenting data from NAIC, CA DMHC, and CMS</i>			

In terms of competition, Anthem, Centene, Kaiser, Guidewell Mutual Holding Group (the parent company of Blue Cross Blue Shield affiliates operating in Florida), Health Care Service Corporation (HCSC), and Molina Healthcare lead the industry in this segment, each reporting more than a million individual medical covered lives as of 1st quarter 2017.

Financial Performance: Individual Market

As of year-end 2016, most insurers continued to experience financial losses in the individual market as indicated by underwriting gain/loss figures from statutory

financial statements. Insurers collectively lost almost \$4.7 billion in the segment last year. On an aggregate basis, individual business summed to a net underwriting loss in 46 states plus the District of Columbia. The state of Texas generated the largest total deficit, with plans reporting a combined net loss of \$654 million. Florida, Alaska, Indiana and Rhode Island were the only states reporting underwriting gains in 2016. Bear in mind, these performance indicators include business generated both on and off exchange.

Out of 179 companies with individual business that filed the 2016 Supplemental Health Care Exhibit (SHCE), seventy percent, or 126 companies, reported aggregate net losses in the individual, non-group segment. HCSC, Humana, Aetna, Kaiser and Centene reported the largest aggregate losses last year. A total of 51 companies reported modest aggregate gains in the segment. Guidewell was the most profitable company in the individual market, reporting an aggregate net gain of \$296 million for 2016.

It is important to keep in mind the underwriting gain/loss figures reported in the SHCE are preliminary and reported prior to HHS assessment of the 3Rs and ACA adjustments.

Conclusion

The unpredictability of the Individual market is undoubtedly causing concerns for many insurers. Several issuers have reported unsustainable public exchange business and have withdrawn from the market, while others are working to firm up rates for 2018 individual plans and gear up for open enrollment beginning November 1, 2017. As of July 10, 2017, CMS reported 141 qualified health plans (QHPs) filed initial applications to offer coverage for 2018, compared to 227 last year, a 38% decline. Health companies that initially submitted plans and proposed rates for 2018 have until September 27th to decide if they will follow through or opt out of the Marketplace completely.

On April 13, 2017, in an effort to stabilize the individual market, CMS issued the [Final Market Stabilization Rule](#) for the 2018 plan year. According to CMS, the rule finalizes changes to improve the risk pool, lower premiums and increase choices for consumers. Additionally, the new rule will shorten the 2018 open enrollment period from three months to 45 days with the intent to reduce opportunities for adverse selection.

The future landscape of the individual insurance market remains uncertain. For now, the ACA will carry on and the Republican attempt to repeal and replace the law will continue to be a wait and see proposition. As the health care saga

continues to unfold, Mark Farrah Associates will monitor and report on this ever evolving 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](#) 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.

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