



Blue Cross and Blue Shield Still Leads in Many Markets

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by Mark Farrah Associates

Thirty seven 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. The Blue Cross Blue Shield Association (BCBS or the Association), the national federation that owns and manages Blues trademarks and licenses, advocates for Blue Cross and Blue Shield interests politically and is a strong voice in health policy forums. Blue Cross and Blue Shield plans are the leaders in many U.S. markets and the Blues brand is a powerful force in the health insurance industry. Currently, Blues plans and affiliates provide comprehensive medical coverage for about 104 million members, or 44% of the total insured market. According to the Association, more than 96% of hospitals and 92% of professional providers contract with Blue Cross and Blue Shield companies nationwide.

In this analysis brief, Mark Farrah Associates (MFA) will look at Blues plan market share and assess recent membership trends and overall growth among the 37 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's an informative overview of their history - - [Health Insurance From Invention to Innovation: A History of the Blue Cross and Blue Shield Companies \(http://www.bcbs.com/blog/health-insurance.html#.VMEAlMJ0yHs\)](http://www.bcbs.com/blog/health-insurance.html#.VMEAlMJ0yHs) - - on the BCBS blog site. 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 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 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. Through the years, WellPoint, a publicly traded company, expanded the Anthem brand to 14 states (California, Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri, Nevada, New Hampshire, New York, Ohio, Virginia and Wisconsin). 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, Premera and Wellmark.

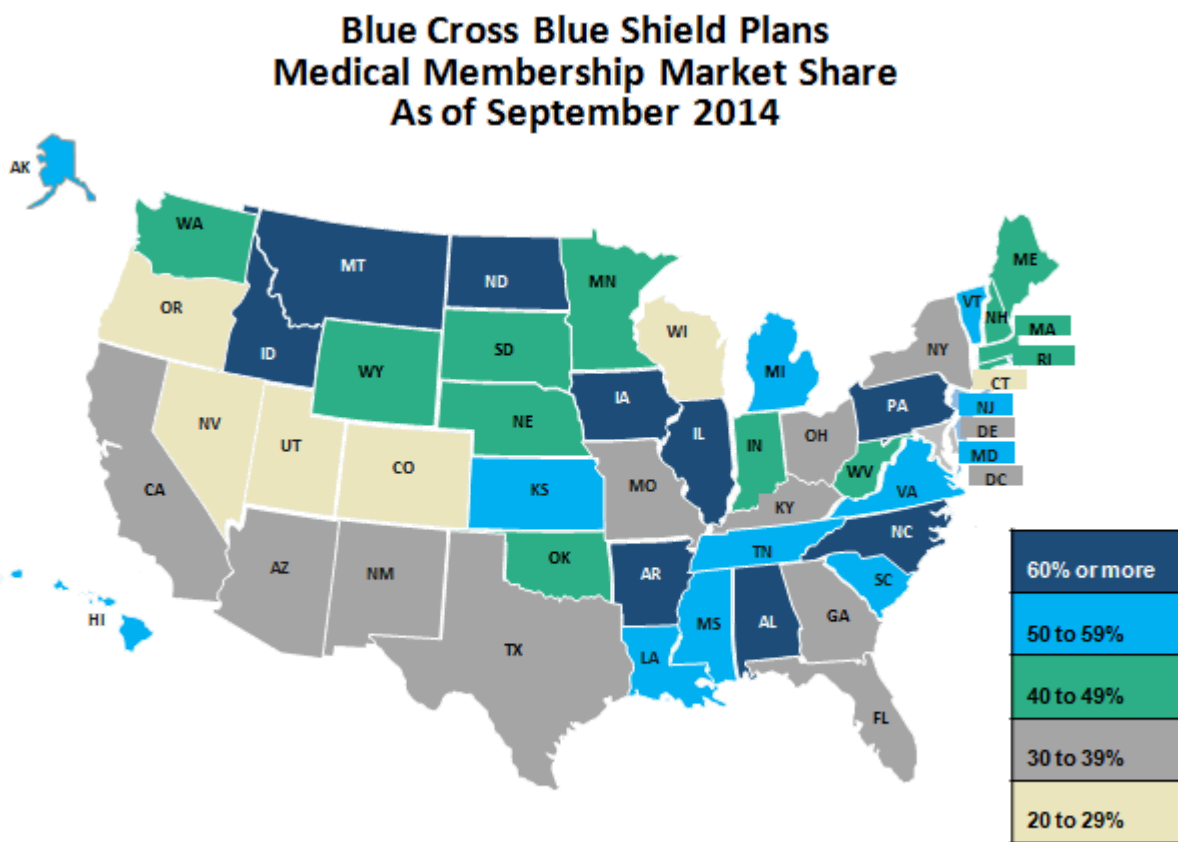
Many Blue Cross Blue Shield plans continue to operate in single-state territories and these plans have been restructuring their businesses to remain competitive as the industry changes. As non-profits, single-state Blues generally find it more difficult to obtain capital funding needed for strategic initiatives to keep up with the publicly-traded leaders in the industry. Industry pressures may compel some of the remaining single-state Blues to consider merging with another Blues company to gain economies of scale. Yet, many single-state Blues are aspiring to stay the course and they are implementing creative business strategies to remain competitive. 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. Some are creating broader alliances and joint ventures with other Blues plans or health organizations to extend their market reach. Others are setting up holding companies that afford greater access to capital and fewer constraints around technology and product development investments.

Blue Cross Blue Shield Market Share

By virtue of market share and strongholds in local communities, the Blues brand gives these plans a significant competitive advantage. Blue Cross and Blue Shield companies today cover one-in-three Americans and the brand has a presence in every state and U.S. territory. Blues plans typically have diversified product portfolios with commercial, Medicare and Medicaid business and many have retained sizeable accounts to provide health benefits for state and local governments.

An assessment of comprehensive medical membership by state, as of September 2014, reveals that Blue Cross and Blue Shield companies and affiliates command more than 60% of the health insurance market share in 9 states. 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.

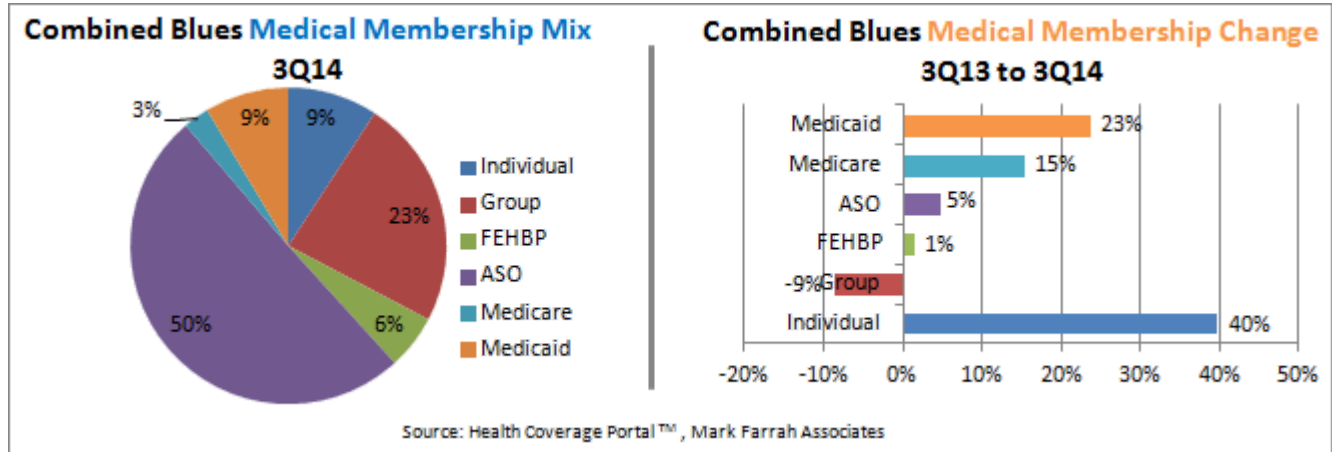


Source: Comprehensive medical membership data, Health Coverage Portal™, Mark Farrah Associates

In 12 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 12 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 2014, Blues plans and affiliates provided insurance or administered benefits for 104 million people through major medical plans, an overall 5% increase year-over-year. Approximately half of the Blues aggregate membership is through self-funded or administrative services only (ASO) arrangements. Twenty-three percent of Blues membership is Group (risk-based), nine percent of total membership is Individual and nine percent is Medicaid. FEHBP comprises 6% of the aggregate Blues book and the balance of 3% is Medicare Advantage enrollment.



From 3Q13 to 3Q14, Blues organizations as an aggregate saw an overall 5% increase in total medical membership, as surges in the Individual, Medicaid and Medicare segments drove overall growth. Blues organizations nationwide are participating in the Marketplace exchanges and this was likely the key source of growth in Individual and Medicaid markets. The Blues realized moderate gains in ASO and FEHBP business while the Group (risk-based) segment experienced a 9% decline. These observations are generally in line with overall membership trends for the industry.

In addition to comprehensive medical plans, most Blue Cross Blue Shield companies offer a wide array of supplemental and specialty products such as dental, vision, Medicare Part D, Medicare Supplement and limited and short-term benefit plans. These offerings round out Blues' product portfolios and add to the bottom line.

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 25.5 million and 14.5 million, respectfully). Both of these large organizations realized significant growth in the last year, adding in the range of a million members each. It is also significant to note, in addition to Anthem and HCSC, another twenty Blue Cross and Blue Shield companies provide medical coverage for more than a million people.

Looking Forward

Undoubtedly, the magnitude and influence the Blues consortium has over the entire U.S. healthcare system is highly significant. As healthcare reform marches on, Blue Cross and Blue Shield companies will provide a critical voice at the table. With more than 80 years of experience, Blues plans will continue to be among the 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,

market share and financial performance. Visit our website at [www.markfarrah.com \(/default.aspx/\)](http://www.markfarrah.com(/default.aspx/)) to learn more about the Health Coverage Portal™, County Health Coverage™, Health Insurer Insights™, Medicare Business Online™, Medicare Benefits Analyzer™, and Health Plans USA™.

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