



## Competition and Growth Potential in Health Insurance Markets

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by *LuAnne Farrah*

Health plans are making important decisions about investment in products and markets these days, charting a course to thrive as the health insurance industry transforms. They are keeping a close eye on state decisions about Exchanges and Medicaid expansions and applying demographics and competitive insights to define and support business strategy. According to a PriceWaterhouseCoopers report, of the 30 million Americans to be insured under the ACA, 32% will gain coverage from Medicaid, 45% from the individual exchanges, and 23% from employers. New Commercial markets and state Medicaid opportunities have definitely captured the industry's attention.

Coming up with a successful business strategy to attract a share of the 30 million new prospects is not an easy feat for health insurers. Demographics of insured and uninsured populations and competitor assessments to size up opportunity in local, target markets are key factors.

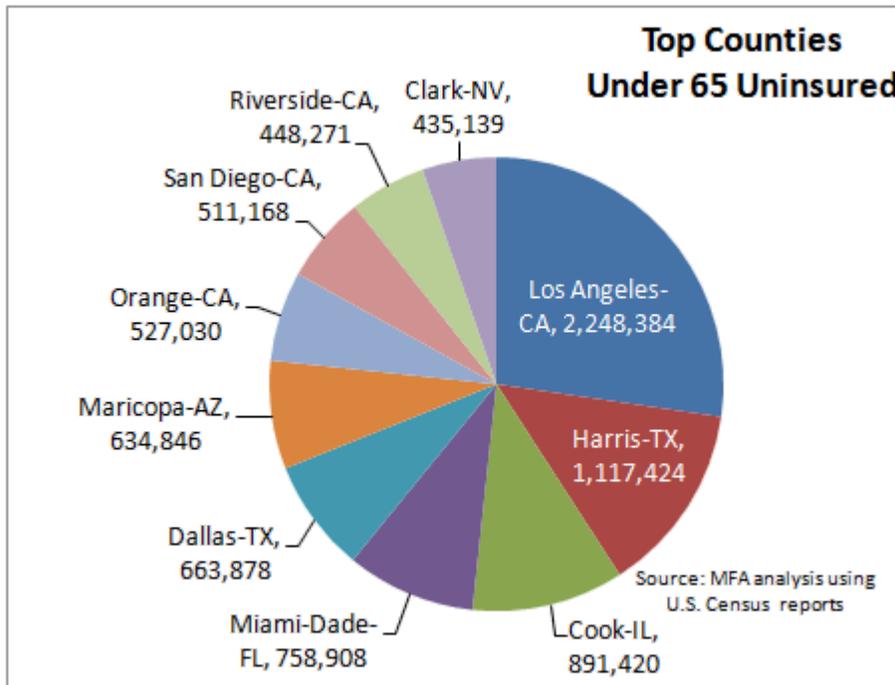
This brief presents insights about how insurers are using market demographics and market share data to target new coverage opportunities in Commercial and Medicaid markets.

### Market Demographics

The most useful demographics for analyzing health insurance markets are U.S. Census estimates of the insured and uninsured populations. The Annual Social and Economic Supplement (ASES) to the Current Population Survey (CPS) conducted by the Census Bureau for the Bureau of Labor Statistics includes health insurance questions to estimate how many Americans had health coverage and how many were uninsured in the previous year. Insured and uninsured figures released by Census each year are widely used throughout the healthcare industry to gauge state-by-state coverage.

The Census Bureau's Small Area Health Insurance Estimates (SAHIE) is another highly useful resource for estimating health coverage down to county levels. SAHIE focuses on measures of insured and uninsured populations for under 65 age cohorts and includes measures by age, sex, race and income levels. These Census estimates tend to lag behind by about two years but the data is insightful nonetheless.

Mark Farrah Associates applied both CPS and SAHIE Census insured statistics in the following assessment of the Top 10 Counties nationwide ranked by the highest number of uninsured people under the age of 65. Based on the sheer number of uninsured, these markets are attractive targets for health plans pursuing growth, particularly in the Commercial and Medicaid segments. Insurers are analyzing market demographics and considering other factors as well - - such as state Exchange & Medicaid expansion decisions, the current insured segment mix and key competitors doing business in targeted counties - - to make business decisions.



Market Demographics - Top 10 Counties - Under Age 65 Uninsured											
County Insured & Uninsured Estimates					Current Insured Segment Mix			State Reform Status			
County	Population	Under 65	Under 65 Insured	Under 65 Uninsured	Medicare	Commercial	Medicaid	State	Exchange Status	Medicaid Expansion	
Los Angeles	9,848,011	8,668,692	6,420,308	2,248,384	15%	61%	24%	California	State Exchange	Yes	
Harris	4,070,989	3,733,203	2,615,779	1,117,424	12%	69%	19%	Texas	Federal Exchange	No	
Cook	5,287,037	4,514,849	3,623,429	891,420	15%	64%	20%	Illinois	Partnership Exchange	Yes	
Miami-Dade	2,500,625	2,119,895	1,360,987	758,908	20%	62%	19%	Florida	Federal Exchange	No	
Dallas	2,451,730	2,139,366	1,475,489	663,878	14%	65%	21%	Texas	Federal Exchange	No	
Maricopa	4,023,132	3,311,446	2,676,600	634,846	14%	69%	17%	Arizona	Federal Exchange	Yes	
Orange	3,026,786	2,643,437	2,116,407	527,030	14%	70%	16%	California	State Exchange	Yes	
San Diego	3,053,793	2,670,619	2,159,451	511,168	15%	66%	19%	California	State Exchange	Yes	
Riverside	2,125,440	1,913,839	1,465,568	448,271	15%	62%	23%	California	State Exchange	Yes	
Clark	1,902,834	1,713,319	1,278,180	435,139	16%	72%	12%	Nevada	State Exchange	Yes	

Sources: Mark Farrah Associates' analysis using U.S. Census reports; State Health Facts, Kaiser Family Foundation

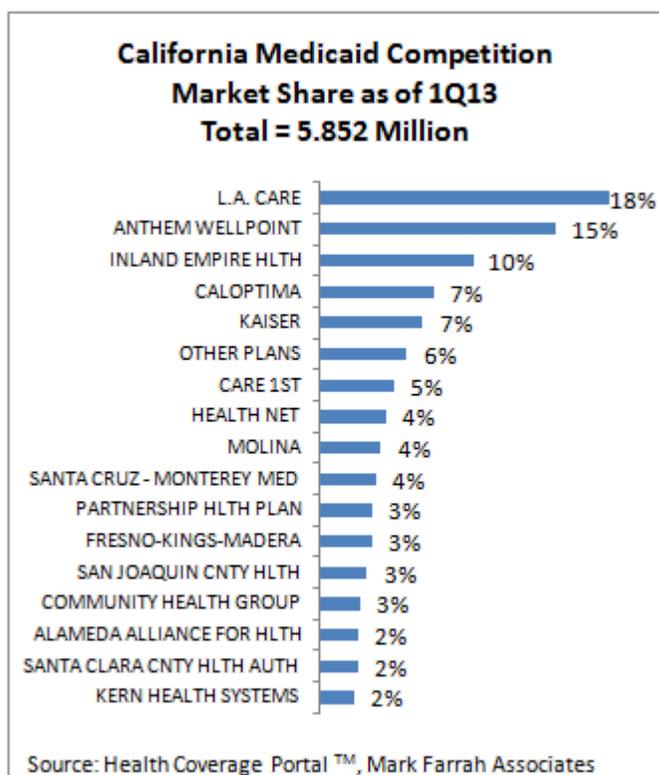
This basic example pinpoints Los Angeles County, California as the market with the highest number of uninsured people under 65, more than 2.2 million. In the Top 10 lineup, this county also has the highest concentration of Medicaid insured (24%) as a percent of the total insured across Medicare, Commercial and Medicaid segments. In fact, the Los Angeles County Health Authority administers one of the largest county Medicaid program in the country. Considering California's plan to expand Medicaid along with these indicators, the Los Angeles market is positioned for growth in both the Medicaid and Commercial health segments.

Clark County, Nevada ranks number 10 for number of uninsured residents but, among the Top 10, has the highest concentration of Commercial insured (72%) as a percent of all insured by segment. This large, metropolitan area is home to Las Vegas and more than 435,139 uninsured people under the age of 65. With the new Silver State Exchange preparing for open enrollment in October, Clark County is an attractive target for Commercial segment growth.

These examples are intended to emphasize the importance of market demographics with respect to business planning as health plans and industry stakeholders pursue growth in light of health reforms. However, successful business planning requires far more research, such as in-depth competitive assessments, to thoroughly assess prospective target markets.

## Competition and Market Share

To analyze health insurance competition, analysts typically start with state-by-state assessments of competitor enrollment and market share. Statutory financial statements and other insurance regulatory reports are primary sources for this data. Health reform brought about increased regulatory scrutiny, requiring insurers to report greater levels of enrollment detail and financial performance by segment. Online databases such as Mark Farrah Associates' [Health Coverage Portal™](#) ([/products/health-coverage-portal.aspx](#)) are widely used for easy access to market share and financials. Data from statutory filings provide valuable insights about competition in each state.



For example, it's easy to see the competitive mix of Medicaid plans in California by analyzing state enrollment figures. The California Medicaid program includes participation of industry leaders, regional health plans and local health authorities. In this case, county –level enrollment estimates are relatively easy to surmise considering the dominance of local health authorities in select counties.

In general, drilling down to county market share is a far more challenging endeavor for health plan analysts. Commercial market share assessments are particularly difficult yet this information is essential to health plans, pharmaceutical companies and other healthcare vendors. Companies need this level of detail for sales and marketing strategy. Health plans are not required to report enrollment and market share by county for their complete book of business. Though some states require insurers to submit supplemental enrollment reports, county enrollment is generally filed for only HMO plans.

In response to this void, Mark Farrah Associates introduced [County Health Coverage™](#) ([/products/county-health-coverage.aspx](#)). This database provides health plan market share estimates using state-reported enrollment figures as a framework. Observations from state insurance regulators, provider network data, health plan service areas and Medicare market penetration contribute to overall accuracy.

Mark Farrah Associates is encouraging health plans to be more transparent and work with us to refine county market share assessments. The health insurance industry needs reliable county market share and penetration data to decide where to successfully and efficiently compete. Sound decisions about new products and market expansions will drive healthy competition and ultimately benefit everyone. To learn more about this initiative, contact Mark Farrah Associates at 207.985.8484.

## About County Health Coverage

County Health Coverage™ provides reliable estimates of health insurance market share at the county level. MFA integrates information from highly relevant sources including state insurance regulators, provider network data, health plan service areas and Medicare market penetration data. Product Features include Company market share by County, Company and State; Private Risk, Private ASO, Managed Medicaid, Medicare Advantage, and

PDP segments; Product type breakdowns for HMO, PPO, POS and Indemnity Insured population demographics and Medicare eligible by county; Web interface with easy-to-use dropdown filters and download to Excel. To learn more see [County Health Coverage™ \(/products/county-health-coverage.aspx\)](/products/county-health-coverage.aspx).

## About Mark Farrah Associates (MFA)

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