



Enrollment Gains and Favorable Profits for Health Insurance Leaders in 2014

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by Mark Farrah Associates

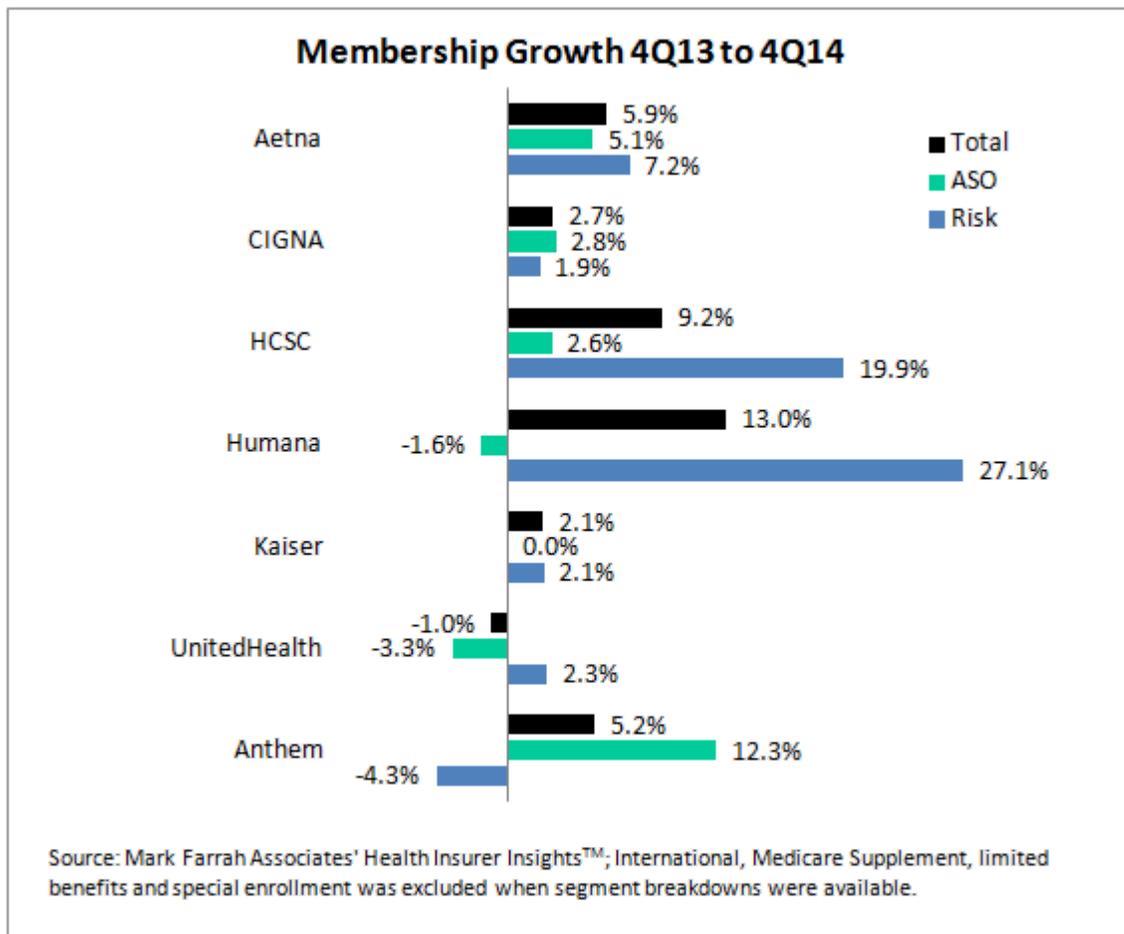
Between 2013 and 2014, health insurance business has undergone an unprecedented transformation and carriers are strategically planning to solidify their positions in the industry. Despite uncertainties about the future of health care reform, most of the top health plans are continuing to experience enrollment gains and maintain favorable profits year-over-year.

Mark Farrah Associates assessed enrollment changes and profitability for seven leaders in the health insurance industry: Aetna, Cigna, HCSC (Health Care Service Corporation), Humana, Kaiser Permanente, UnitedHealth and Anthem. These companies collectively insure or administer health coverage for over half of the insured population in the United States and its territories. The innovations and capabilities they are building to sustain and grow business for the long term provide important guidance for the industry overall.

This brief presents key findings from an analysis of year-end 2014 performance of top health plans as gleaned from the April 2015 Health Insurer Insights™, a Mark Farrah Associates' report series.

2013 to 2014 Top Health Plan Enrollment Changes

Six of the seven leading health insurers in the nation realized net membership gains from year-end 2013 to year-end 2014. As of December 31, 2014, these companies collectively covered 144.7 million members in Commercial, Medicare and Medicaid plans, up from an aggregate of 139.1 million in December 2013. These industry leaders collectively enroll about 54% of all total covered lives in the U.S. health insurance market. Anthem reported the most substantial gains year-over-year while UnitedHealth lost membership.



Membership changes resulted primarily from mergers and acquisitions but top plans also reported organic growth in select segments. Humana saw the biggest increase in risk-based enrollment with a 27.1% increase but experienced a loss in ASO enrollment. Humana's growth was primarily due to its Individual commercial medical membership which increased by 548,000 members, or 91.3%, from December 31, 2013 to December 31, 2014 primarily reflecting new sales, both on and off the exchange. UnitedHealth also lost ASO members but slightly increased risk enrollment by 2.3% in 2014.

Anthem continued to surpass UnitedHealth as the leading health plan based on total membership. As of December 31, 2014, Anthem enrolled 37.5 million medical members, an increase of nearly 1.9% year-over-year. The company attributes much of its 2014 growth to the integration of Amerigroup Medicaid business which added approximately 815,000 new Medicaid members.

As of December 2014, UnitedHealth was the only top health plan to lose membership with 36.8 million medical members as compared to 37.2 million in 2013, a decrease of 0.4% year-over-year. The company reported that the decrease in number of people served under commercial fee-based arrangements was primarily attributed to the loss of a large state employer account.

Aetna, the third largest health plan in the nation, reported total membership of 23.1 million at year-end 2014, a 1.3% increase since year-end 2013. The company indicated the increase was primarily due to growing its Commercial ASC membership by over 700,000 members and its Medicare Advantage membership grew by almost 18%.

HCSC saw only a slight increase of 1.2% in total medical membership from year-end 2013 to year-end 2014. The company covered over 14.5 million people as of December 2014. The majority of HCSC's business is commercial including a significant book of ASO business.

Cigna reported 13.7 million medical members for 2014 and Kaiser's enrollment growth was less than 1%. Humana experienced an increase of just over 1% in total membership year-over-year.

2013 to 2014 Profit Summary for Top Health Plans

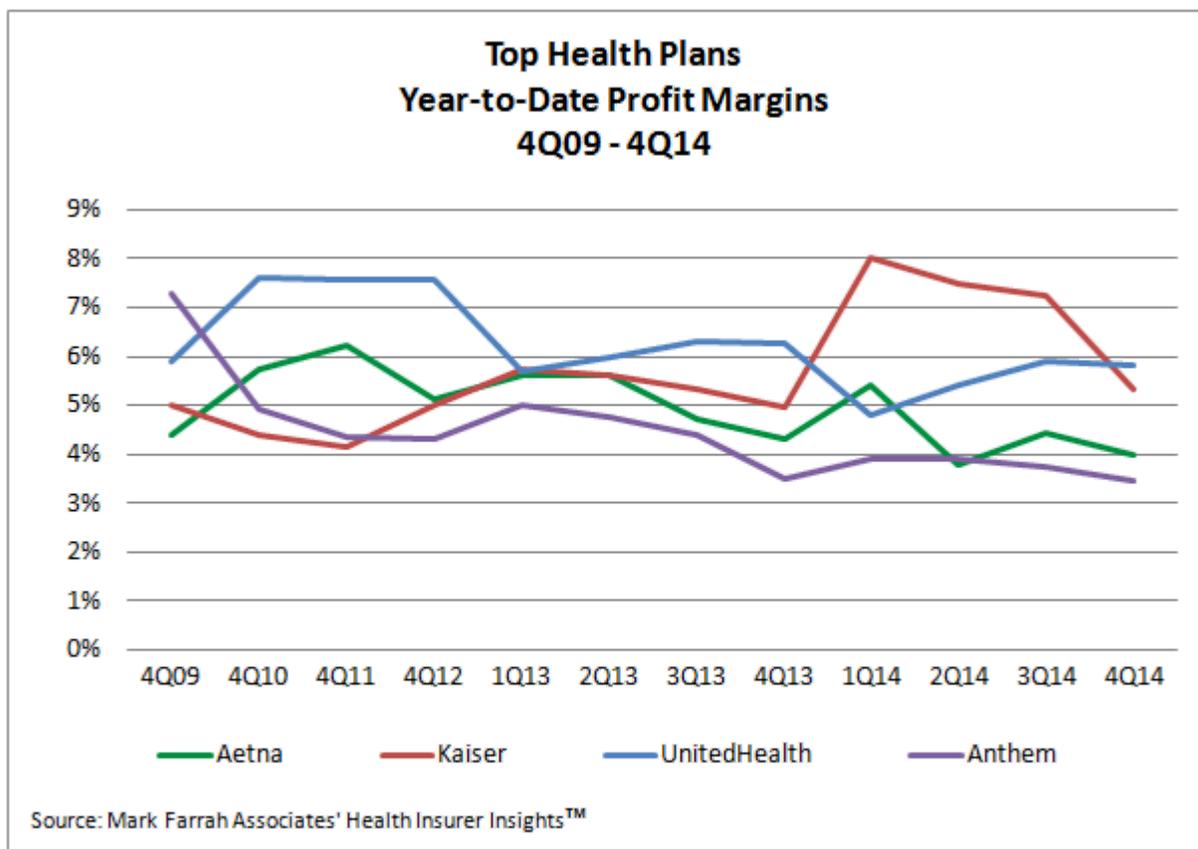
Health insurers continue to strive for cost containment while investing in reform-driven expansion initiatives, technology and partnerships to sustain and grow business for the long term. Profit margins for the leading companies were generally favorable for year-to-date 2014 performance.

For 2014, Aetna reported net income of nearly \$2.2 billion on revenues of \$55.1 billion with a profit margin of 4.0%, down from 4.3% the prior year.

Kaiser Permanente reported a net income of \$3.1 billion on revenues of \$57.6 billion for 2014, compared to a net income of \$2.7 billion on revenues of \$54.2 billion in 2013.

UnitedHealth reported a net income of nearly \$7 billion on total revenues of \$119.8 billion for 2014. The company's profit margin declined from 6.3% in 2013 to 5.8% in 2014. UnitedHealth, like many health insurers, attributed the reduction in operating earnings to ACA Fees, Medicare Advantage funding reductions, increased spending on specialty medications to treat hepatitis C and reduced levels of favorable medical cost reserve development.

Anthem reported net income of over \$2.5 billion on total revenues of \$73.8 billion for 2014, a 3.5% profit margin which was on par with 2013.



*Profit margins were calculated as net income divided by total revenues.

Public Exchange Participation

The industry leaders largely recognize the Marketplace as a long term opportunity they must consider for future business planning. Based on company accounts, HCSC, Humana, Aetna and Anthem reported strong Marketplace standings in 2014. The following recaps participation in the Marketplace – Public Exchange, based on available reporting, for the 7 top health plans.

Participation in the Marketplace – Public Exchange	
Aetna	Reported approximately 560,000 Marketplace members as of December 31, 2014
Cigna	Reported approximately 150,000 Marketplace members as of December 31, 2014
HCSC	Reported about 550,000 Texans enrolled in BCBS of Texas Marketplace plans and 200,000 people through the Illinois exchange in 2014
Humana	Reported approximately 300,000 Marketplace members as of December 31, 2014
Kaiser	Participating in exchanges everywhere it does business and has over 300,000 exchange customers in CO and CA in 2014
UnitedHealth	Reported approximately 10,000 enrolled in Exchanges during 2014
Anthem	Reported approximately 707,000 Marketplace members as of December 31, 2014
Source: Mark Farrah Associates' Health Insurer Insights™	

Health Insurer Insights™

The data used in this analysis brief was obtained from Mark Farrah Associates' Health Insurer Insights™ report series and Health Coverage Portal™ database. Each quarter, MFA profiles the latest strategies and market positions for 10 of the top health insurers in the industry using GAAP and statutory financial performance metrics. MFA maintains financial data as well as enrollment and market share for the health insurance industry in the subscription-based Health Coverage Portal™.

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