



First Quarter 2015 Enrollment Growth of 6.4 Million for Seven Health Insurance Leaders

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by Mark Farrah Associates

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 nearly 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.

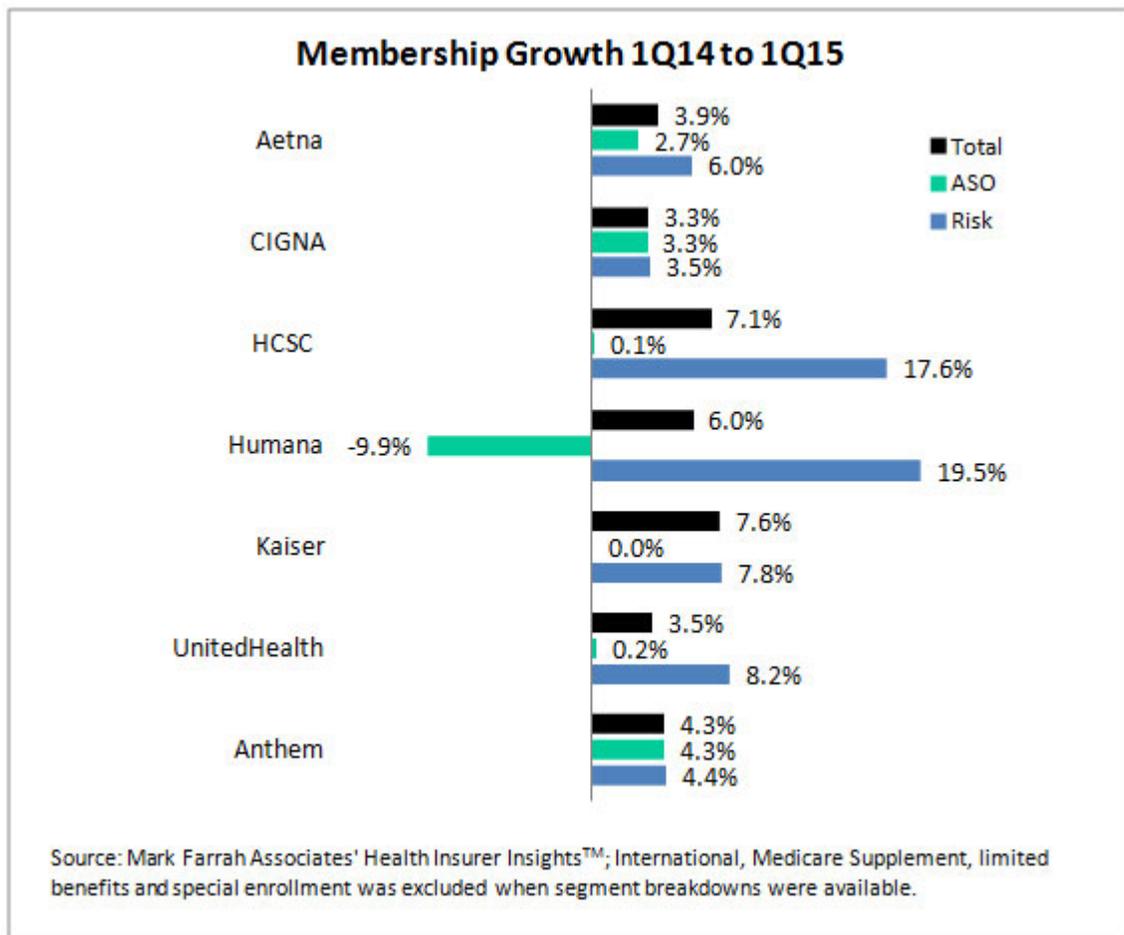
Health insurance business has undergone an unprecedented transformation and carriers are strategically planning to solidify their positions in the industry. The industry leaders continue to demonstrate strong enrollment performance in the midst of health care reform implementation. Year-over-year, the seven leaders realized net gains in the total number enrolled in Commercial, Medicare and Medicaid plans. Combined 1st quarter 2015 results for the seven leading U.S. health plans indicated enrollment growth of 6.4 million. Operating revenue for the group grew from \$100M in 1Q14 to \$111M in 1Q15. However, profitability was down slightly for most plans between 1Q14 and 1Q15.

This brief presents key findings from an analysis of first quarter 2015 performance of top health plans as gleaned from the July 2015 Health Insurer Insights™, a Mark Farrah Associates' report series.

1Q14 to 1Q15 Top Health Plan Enrollment Performance

The Affordable Care Act (ACA) continues to make broad-based changes to the U.S health care system and the need for industry leaders to remain highly competitive through M&A's has transformed the healthcare industry over the past couple years. Enrollment statistics for the seven leading companies continues to reflect these changes. Total membership for these top health plans increased by 6.4 million, or 4.6%, from 141.1 million in 1Q14 to 147.5 million in 1Q15.

Anthem reported the most substantial gains year-over-year with an increase of 1.6 million medical members. As of March 31, 2015, Anthem enrolled nearly 38.5 million medical members, an increase of 4.3% from 36.9 million during the same time period in 2014. The company attributes much of its first quarter growth to increases in its Medicaid, Blue Card and national accounts membership. Note that Anthem includes approximately 5.4 million BlueCard members in enrollment reporting and due to the sharing of these national accounts across Blues plans, double counting can occur. They also include Medicare Supplement lives in their individual segment reporting.



For first quarter 2015, UnitedHealth reported 37.7 million members, a 1.3 million increase from 36.4 million in first quarter 2014. United's risk-based enrollment increased by 8.2%, with nearly 16.4 million members, as compared to 15.1 million during the first quarter of 2014. The company attributed the increase to strong participation in UnitedHealthcare's individual public exchange products and favorable annual renewal activity as well as new business wins in the employer group segment. Considering this assessment excludes UnitedHealth's Medicare Supplement lives, UnitedHealth appears to be running neck and neck with Anthem for the industry lead.

Humana saw the largest increase in risk-based enrollment with a 19.5% increase year-over-year but experienced a loss in ASO enrollment primarily due to a loss of certain large group ASO accounts. The company reported substantial organic growth especially with its Medicare Advantage, Stand-alone PDP, and HumanaOne™ product offerings. Humana's first quarter 2015 Individual Medicare Advantage membership increased by 15.2 percent from first quarter 2014 due to net membership additions associated with its HMO offerings.

HCSC also experienced a substantial increase in risk-based enrollment of 17.6% from 1Q14 to 1Q15. The company covered over 14.7 million people as of March 31, 2015. Individual membership increased in all core markets during the first quarter of 2015 as the company gained more than 300,000 new enrollees.

Aetna, the third largest health plan in the nation, reported total membership of 23.2 million as of March 31, 2015, a 4% increase since first quarter 2014, reflecting growth in its Commercial, Medicare and Medicaid products. Cigna reported 13.9 million medical members, a 3% increase for first quarter 2015 and Kaiser's enrollment growth was 7.6% from 9.1 million in 1Q14 to almost 9.8 million in 1Q15.

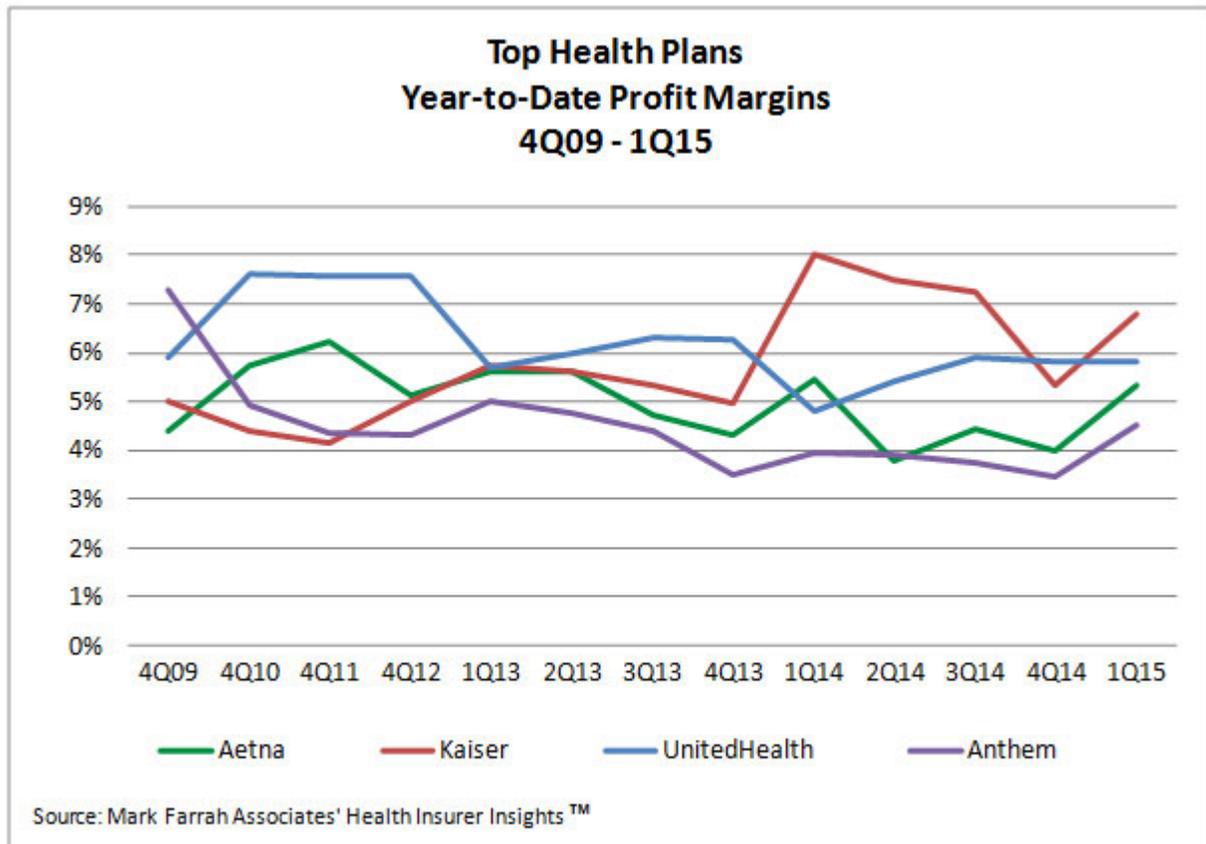
First Quarter 2015 Profitability Results

The majority of the seven health plans saw slight downturns in year-over-year profitability for first quarter 2015, when compared to first quarter 2014. Many health insurers have attributed the reduction in operating earnings to ACA Fees.

A closer look at four of the top seven plans per the chart below shows that Aetna generated over \$14 billion in revenue and reported a net income of \$766.5 million through the three months ended March 31, 2015. Aetna's profit margin was 5.33%, a slight decline of .12% from 5.45% in first quarter 2014. Though Kaiser Permanente's first quarter 2015 profit margin was 6.5%, down from 8% as of first quarter 2014, they outperformed the other top plans.

UnitedHealthcare earned nearly \$1.9 billion on revenues of \$32.6 billion. The company's profit margin increased 5.8% from 4.8% year-over-year. The increase was due to a combination of strong growth across the business along with improved medical cost management and increased productivity.

Anthem reported net income of over \$865 million on total revenues of \$19 billion for 1Q15, a 4.5% profit margin, up from 3.9% in 1Q14. The increase was primarily attributed to higher operating revenues in the company's Government Business segment and lower benefit costs in its Commercial and Specialty Business segments.



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

Public Exchange Participation

Health plans now fully recognize the Exchange as an opportunity to grow enrollment by attracting new members through the Federal and state Marketplaces. Based on company accounts, Humana, Aetna, United and Anthem reported strong Marketplace standings for the 2015 Open Enrollment period. 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	Aetna reported 950,000 public exchange members for first quarter 2015. **Business Insurance (April 28, 2015)
Cigna	For 2015, Cigna offered individual coverage on eight public health insurance exchanges: Arizona, Colorado, Florida, Georgia, Maryland, Missouri, Tennessee and Texas. **10-Q SEC
HCSC	HCSC participates in all rating areas in all five states that it does business. Currently, HCSC offers Medicaid in only IL, TX, and NM.
Humana	As of March 31, 2015, Humana's individual commercial medical membership in plans compliant with the health care reform law both on and off the exchange was 944,100 members. **10-Q SEC
Kaiser	Participating in exchanges everywhere it does business and had over 300,000 exchange customers in CO and CA in 2014.
UnitedHealth	As of first quarter 2015, UnitedHealth reported 570,000 public exchange members. **Market Realist (April 17, 2015)
Anthem	As of first quarter 2015, Anthem reported 898,000 Marketplace members. **Anthem's 1Q15 Earnings Call
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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