

Health Insurance Enrollment Shifts and Market Segment Trends

July 5, 2017

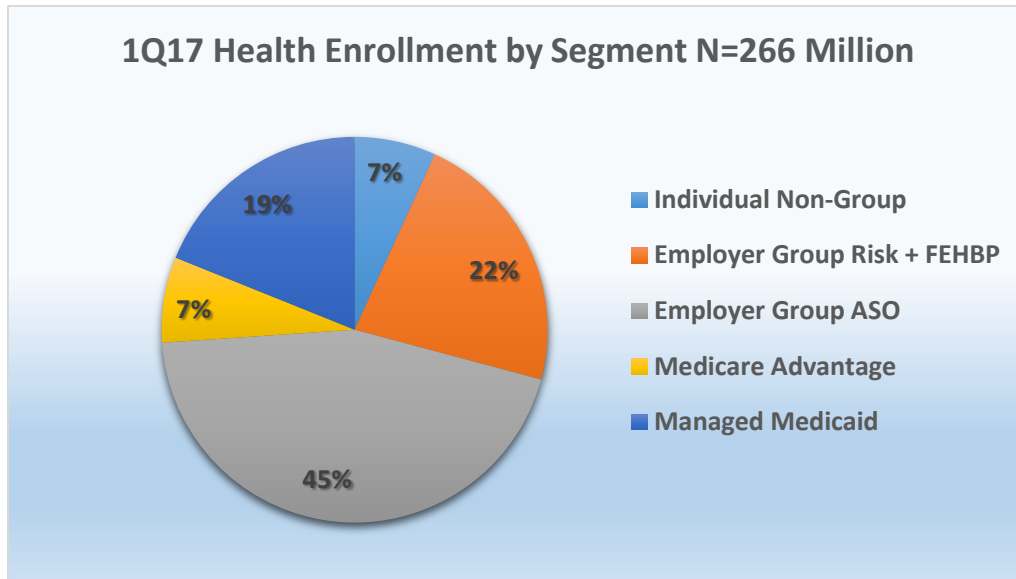
In an age when health care reform is at the forefront of U.S. political debates, increased efforts to improve health care delivery remain a primary goal of health insurers. Health plans continue to make important decisions about investments in products and markets in order to survive the constant influx of policy changes. Market analysts throughout the industry rely on enrollment data and segment performance metrics to gain better insights into health plan market share and competitive positioning. In this month's Healthcare Business Strategy report, Mark Farrah Associates (MFA) assessed the latest year-over-year segment membership trends, comparing 1st quarter 2016 with 1st quarter 2017, based on membership data filed in statutory financial reports.

As of March 31, 2017, over 265 million people received medical coverage from U.S. health insurers, slightly up from 264.5 million a year ago. Significant segment by segment shifts in health enrollment are in line with the unstable market. The latest trends indicate *membership gains* in Government programs, Medicare Advantage and Managed Medicaid, but year-over-year declines in the Individual/Non-Group, Employer Group Risk and Employer Group ASO (administrative services only) business segments.

Segment Performance

Based on data filed in statutory financial reports from the NAIC (National Association of Insurance Commissioners) and the CA DMHC (California Department

of Managed Health Care), The Employer Group ASO (administrative services only for self-funded plans) and Employer Group Risk segments are the largest source of coverage in the industry with over 118 million and 59 million people enrolled, respectively. However, both segments experienced membership losses between 1Q16 and 1Q17. Membership growth was most significant in Managed Medicaid as this segment gained approximately 2.8 million more members, year-over-year. In contrast, the Individual, Non-Group health insurance market continues to suffer losses as there were over 2.1 million fewer members in 1Q17, as compared to 1Q16.



Source: Health Coverage Portal™, Mark Farrah Associates

MFA's assessment of Individual, Non-Group medical plans, both "on" and "off" the exchange, found aggregate year-over-year enrollment experienced a substantial 11% decrease from 20.2 million in March of 2016 to 18.1 million in March of 2017. Proposed premium and rate increases, lower than expected enrollment, and lower

plan participation in the Affordable Care Act (ACA) exchanges continue to negatively impact the viability of the Individual market.

On June 21, 2017, health insurance companies submitted their initial proposals for 2018 plan offerings and intent to expand or retract their participation in the Marketplaces for next year. The Centers for Medicare & Medicaid Services (CMS) recently released a county-level map reporting projected issuer participation in the ACA exchanges. In the report, [County by County Analysis of Current Projected Insurer Participation in Health Insurance Exchanges](#), CMS indicated that 49 counties are expected to not have any health insurance offerings in the exchanges and over 40% of counties nationwide could have only one health insurer in 2018. CMS said that they anticipate these projections to fluctuate and the final deadline to file changes is August 16, 2017. Health insurers have until September 27, 2017, to sign their final Qualified Health Plan (QHP) agreements.

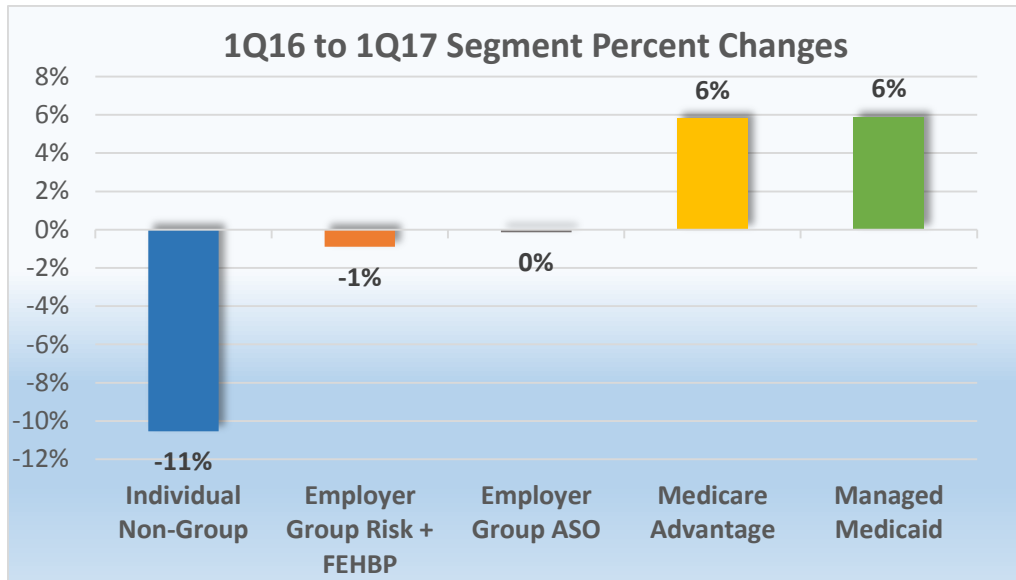
Year over year, Managed Medicaid membership increased by over 2.8 million, representing 6% growth. Approximately 50.2 million Medicaid beneficiaries receive healthcare through Managed Care Organizations (MCOs), but it's important to note that some plans submit special performance reports to the state and are not required to file NAIC statutory financial statements or the CA DMHC. According to the Centers for Medicare & Medicaid Services (CMS), over 74.5 million individuals were enrolled in Medicaid and the Children's Health Insurance Program (CHIP) as of April 2017.

On June 26, 2017, Senate Republicans unveiled a revised draft version of the House's American Health Care Act (AHCA) called the Better Care Reconciliation Act (BCRA) of 2017. The majority of the provisions outlined in the bill focus on Medicaid and tax credits. Proposed policy changes to Medicaid are lengthy; however, key provisions include cuts to Medicaid spending beginning in 2024, the reduction of federal payments for Medicaid expansion beginning in 2021, and an end to

expansion by 2023. While the Medicaid sector has experienced dramatic gains since the inception of the ACA, changes such as these to the existing law will most likely have a significant impact on growth in this segment. The vote on the Senate health care bill has been delayed until after the July 4th recess in order to give more time to negotiate changes.

Medicare Advantage (MA) increased enrollment by over a million members, or 6% growth, between March 31, 2016 and March 31, 2017. Nearly 34% of the 58.5 million people eligible for Medicare are enrolled in MA plans across the United States and U.S. territories. Membership in Medicare Advantage (MA) plans increased from 17.98 million as of March 31, 2016 to over 19 million as of March 31, 2017. Enrollment in Medicare Advantage is expected to continue to grow at a steady rate as more and more Americans of the Baby Boom generation are entering retirement.

On April 3, 2017, CMS issued final updates to the Medicare Advantage and Part D Prescription Drug programs for 2018 in its [Rate Announcement and Call Letter](#). On average, a 0.45% rate increase is expected for Medicare Advantage and Part D plans in 2018, which was a marginal increase from the .25% rate increase that was proposed in the February [Advanced Notice and Draft Call Letter](#). Plans can expect a total estimated change of 2.95% in revenue when accounting for the expected growth in coding trend. Also, CMS said it will continue to use the bid-to-benchmark ratios used for 2017 payment to calculate MA Employer Group Waiver Plans (EGWPs) payments for 2018.

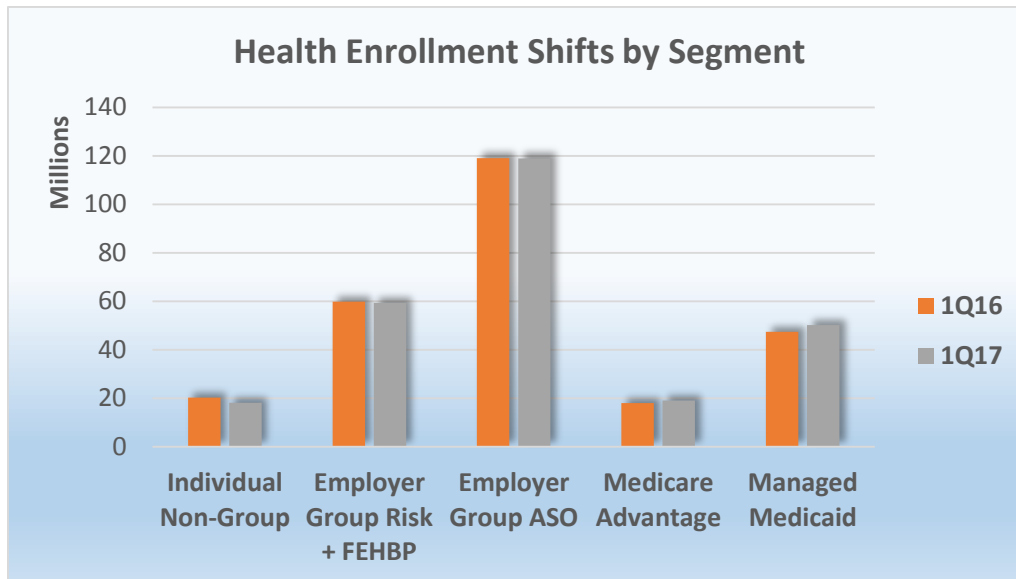


Source: Health Coverage Portal™, Mark Farrah Associates

Employer Group Risk business maintains a relatively strong sector of the health insurance market with almost 60 million members served in the first quarter of 2017. Year-over-year membership for this segment decreased by 540,000 members as group risk business continues to suffer declines, especially in the small group market. One reason for this decrease is that ACA imposed mandates and regulations have driven many small businesses to a self-insured model in the past few years. If the Senate passes the Better Care Reconciliation Act, taxes and penalties on employers that were enforced by the ACA, including the employer mandate and the Cadillac tax, will be repealed or delayed. Employers will continue to keep an eye on policy changes to the law and start to prepare for what's next.

Employer group self-funded contracts have been gaining popularity amongst employers as they can be more cost effective than risk-based plans. According to MFA's recent estimates, Employer Group ASO (administrative services only for self-funded business) membership was approximately 118.8 million, encompassing 45% of total health enrollment by segment for 1Q17. ASO enrollment, including the

Federal Employees Health Benefit Plans (FEHBP), decreased by nearly 158,000 members from March of 2016 to March of 2017. Self-insured plans continue to be a viable option for businesses.



Source: Health Coverage Portal™, Mark Farrah Associates

It is important to note that MFA estimated first quarter 2017 enrollment for a small number of health plans that are required to report quarterly enrollment but hadn't yet filed. Employer group ASO figures may be estimated by Mark Farrah Associates using credible company and industry resources. Individual, Non-Group membership reported by some carriers may include CHIP (Children's Health Insurance Program). These adjustments may have resulted in moderate understatement or overstatement of enrollment changes by segment. Findings reflect enrollment reported by carriers with business in the U.S. and U.S. territories. Data sources include NAIC (National Association of Insurance Commissioners) and the CA DMHC (California Department of Managed Health Care).

The U.S. health care debate continues to resonate with unpredictability. Health insurers are keeping a keen eye on the market as the industry lacks certainty about

the future of the ACA and related new policies from legislation. Mark Farrah Associates will continue to monitor enrollment changes and competitive shifts across all healthcare segments.

Health Coverage Portal™

The data used in this analysis brief was obtained from Mark Farrah Associates' Health Coverage Portal™ database. MFA maintains financial data as well as enrollment and market share for the health insurance industry in the subscription-based Health Coverage Portal™.

For more information about these products, refer to the product videos and brochures available in the products section of our [website](#) (bad - link to products) or call 724-338-4100.

About Mark Farrah Associates (MFA)

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