



Health Enrollment Trends and Market Outlook

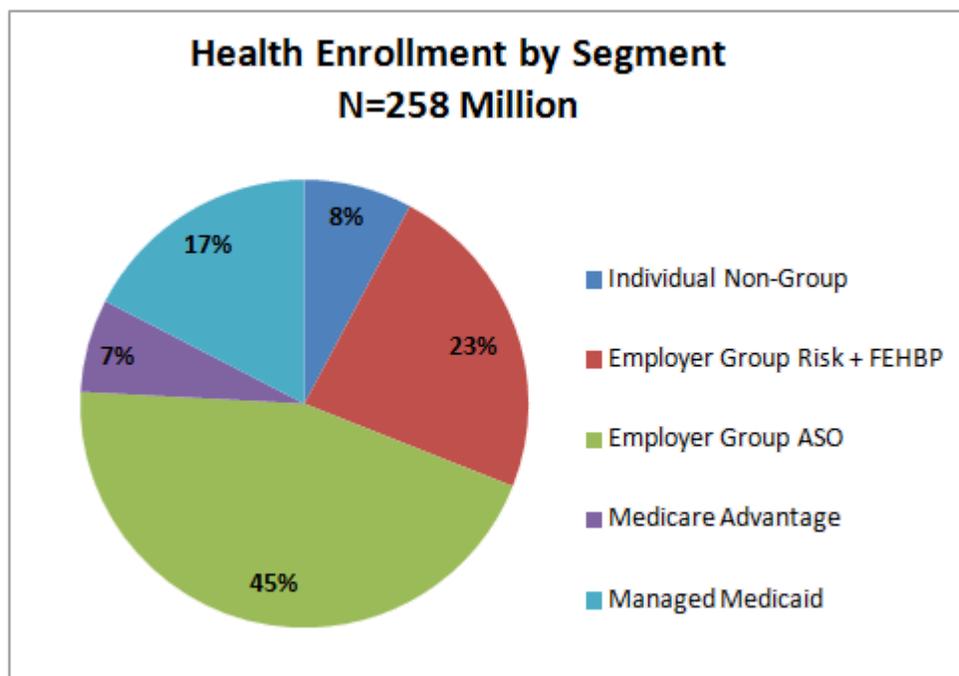
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by Mark Farrah Associates

Following the Supreme Court ruling to uphold the ACA's federal subsidies, the healthcare industry is now bracing for a potential surge in mergers and acquisitions (M&A). Yet, the beat goes on. Health insurers nationwide continue to invest in growth pursuits afforded by the Exchanges, Medicaid expansion and the aging of America. In order to provide insights about enrollment trends and opportunities, Mark Farrah Associates (MFA) compared segment enrollment totals from 1st quarter 2014 with 1st quarter 2015. These findings reflect segment enrollment reported by carriers for business in the U.S. and U.S. territories. Data sources include CMS (Centers for Medicare and Medicaid Services), NAIC (National Association of Insurance Commissioners) and CA DMHC (California Department of Managed Health Care).

With ACA implementation well into the second year, the segment by segment shifts in enrollment are generally in line with overall industry assumptions. The Individual and Medicaid segments are the biggest drivers of enrollment growth. Meanwhile, Employer Group Risk membership continues to decline.

Insurance companies provided medical coverage for approximately 258 million people, based on 1Q15 statutory financial reports. The Employer Group ASO (administrative services only for self-funded plans) and Employer Group Risk segments are by far the largest with respect to total membership. However, in recent years, health reform and demographics have been fueling growth in Medicaid, Medicare and the Individual, Non-Group segment.



Source: Health Coverage Portal™, Mark Farrah Associates

- According to the latest membership figures, more than 20.1 million people are currently enrolled in Individual, Non-Group medical plans. MFA's analysis found aggregate enrollment in the Individual

segment grew by almost 5.5 million members (37%) from 1st quarter 2014 to 1st quarter 2015.

Many health insurance companies are focused on Individual membership trends to gauge Marketplace | Exchange growth by competitor. Though Individual enrollment reports by carrier include both "on" and "off" Exchange members, this is the only means of assessing state-by-state competition in this segment. It is important to note that some health plans, per NAIC financial statement guidance, include CHIP (Children's Health Insurance Program) members in the Individual segment.

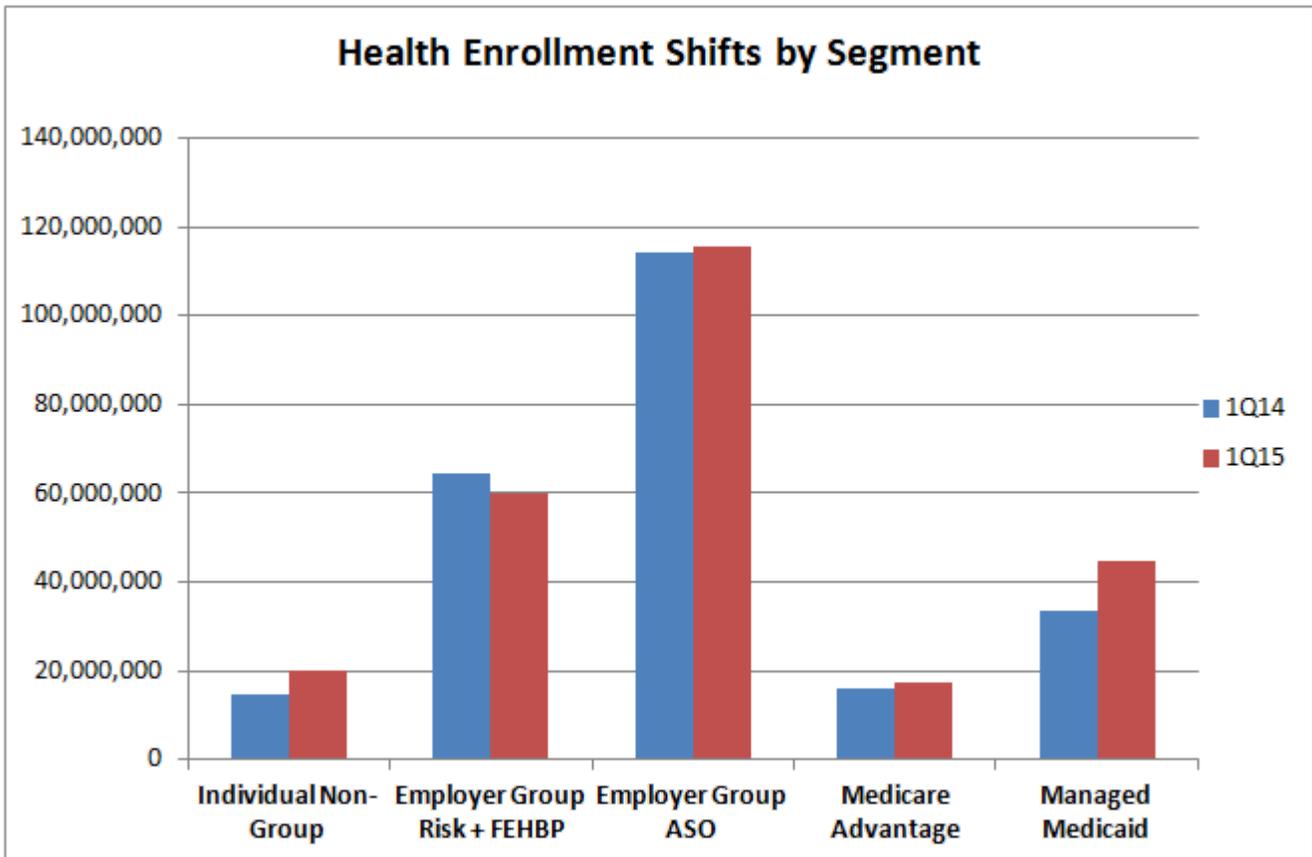
- Year over year, Managed Medicaid membership increased by 11.5 million. Managed Care Organizations (MCOs), the insurance carriers reporting Medicaid members, provide coverage for almost 45 million beneficiaries but it's important to note that other types of plans also compete in the Medicaid segment. For example, in New York, Prepaid Health Services Plans (PHSPs) cover the majority of Medicaid beneficiaries. These plans submit special performance reports to the state but are not required to file NAIC statutory financial statements. As of April 2015, more than 70.0 million people were enrolled in Medicaid or CHIP programs (according to CMS reports).

CMS recently released a new proposed rule governing Medicaid managed care, striving to resolve coverage and access problems. Health plans, state Medicaid officials, consumer groups and policy experts are reviewing the proposed changes including caps on insurer profits, more rigorous state oversight of provider networks, and quality rating systems. Public comments are due to CMS by July 27, 2015.

- Membership in Medicare Advantage (MA) plans increased from 16 million as of 1Q14 to 17.3 million as of 1Q15, according to CMS enrollment reports. MA plans now provide coverage for approximately 32% of all those eligible for Medicare benefits.

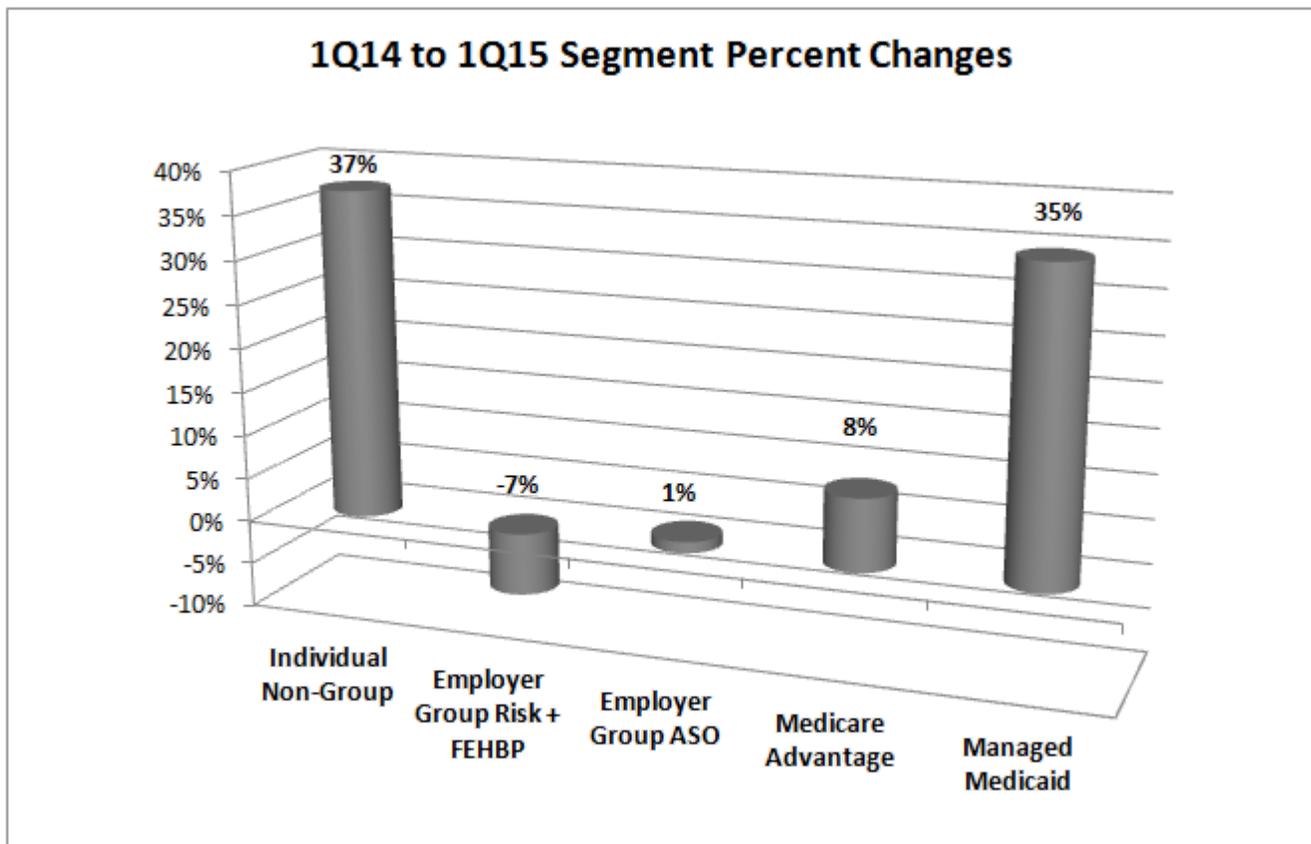
In April 2015, the government announced payments to insurers operating Medicare Advantage plans will increase by 1.25% in 2016. The increase comes after many years of cuts to Medicare Advantage payments and is expected to further accelerate growth of Medicare Advantage business next year.

- The latest figures indicate ongoing erosion of the Employer Group Risk segment. From 1Q14 to 1Q15, membership decreased from 64.3 million to 59.8 million. There are several factors likely contributing to this trend, such as the aging population and higher rates of public health insurance eligibility resulting from the ACA.
- According to MFA's recent estimates, employer group ASO (administrative services only for self-funded business) membership grew by approximately 1.4 million members in the last year. MFA identified more than 115.6 million ASO covered lives by company. This supports accounts of growth in self-funded groups in recent years due in part to employer exemptions from many of the ACA's benefit mandates and requirements.
- It is important to note that MFA applied year-end 2014 enrollment figures for carriers that are not required to report health enrollment on a quarterly basis. This may have resulted in moderate understatement or overstatement of enrollment changes by segment.



Source: Health Coverage Portal™, Mark Farrah Associates

Important data notes concerning this analysis: Enrollment figures for Life, Accident and Health plans as reported by segment as of year-end 2014 were used as 1Q15 estimates; managed Medicaid enrollment is "as reported" by insurance company and does not include non-insurer and other Medicaid medical membership; employer group ASO figures may be estimated by Mark Farrah Associates using credible company and industry resources; Individual Non-Group by NAIC definition may include CHIP (Children's Health Insurance Program) enrollment.



Source: Health Coverage Portal™, Mark Farrah Associates

Looking Forward

Changes abound in the dynamic health insurance industry. Five of the largest health insurers are in negotiations for potential M&A deals. How will the pending mergers and acquisitions fall out and how will any deals impact markets and competition? This remains to be seen.

Anthem - - Cigna?

Aetna - - Humana?

UnitedHealth - - Aetna?

For further speculation, the outcome of the 2016 presidential election could also set the tone for change. Repeal of the ACA is unlikely, though Republicans, in particular, would like to see significant revisions to the law. In the interim, health plans large and small will be working to solidify whatever footholds they have established. As the industry braces for more change, the need for health insurer market share and financial performance data has never been greater.

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 \(/contact-us.aspx\)](/contact-us.aspx) to learn more about our products. Our portfolio includes the Health Coverage Portal™, County Health Coverage™, Health Insurer Insights™, Medicare Business Online™, Medicare Benefits Analyzer™, and Health Plans USA™ - - www.markfarrah.com (</default.aspx>).

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