

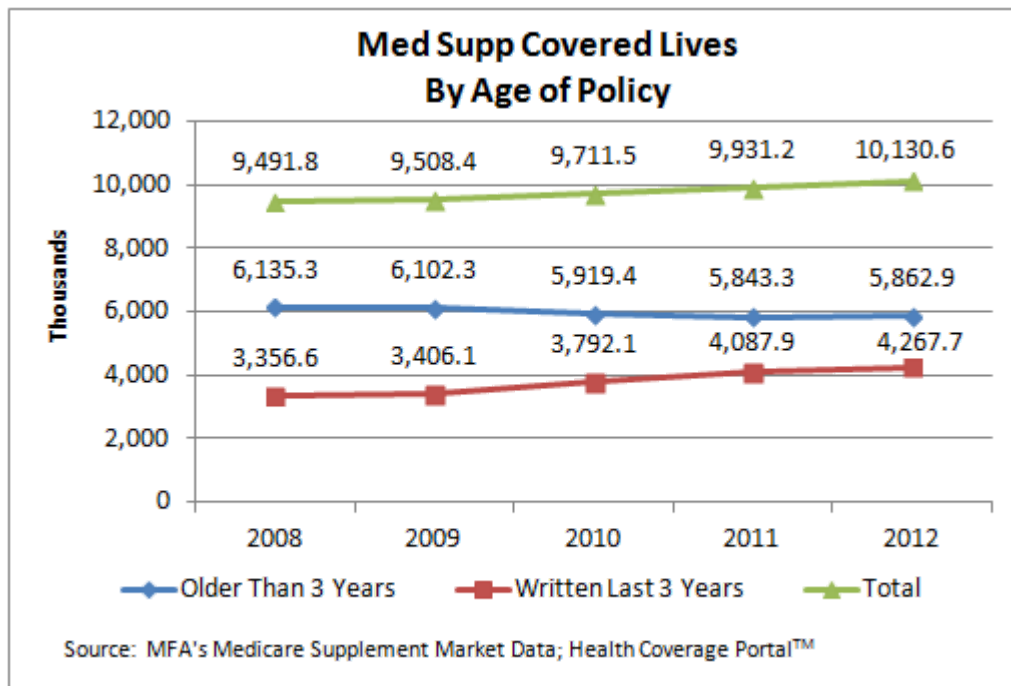


Med Supp Enrollment Tops 10 Million

5/16/2013

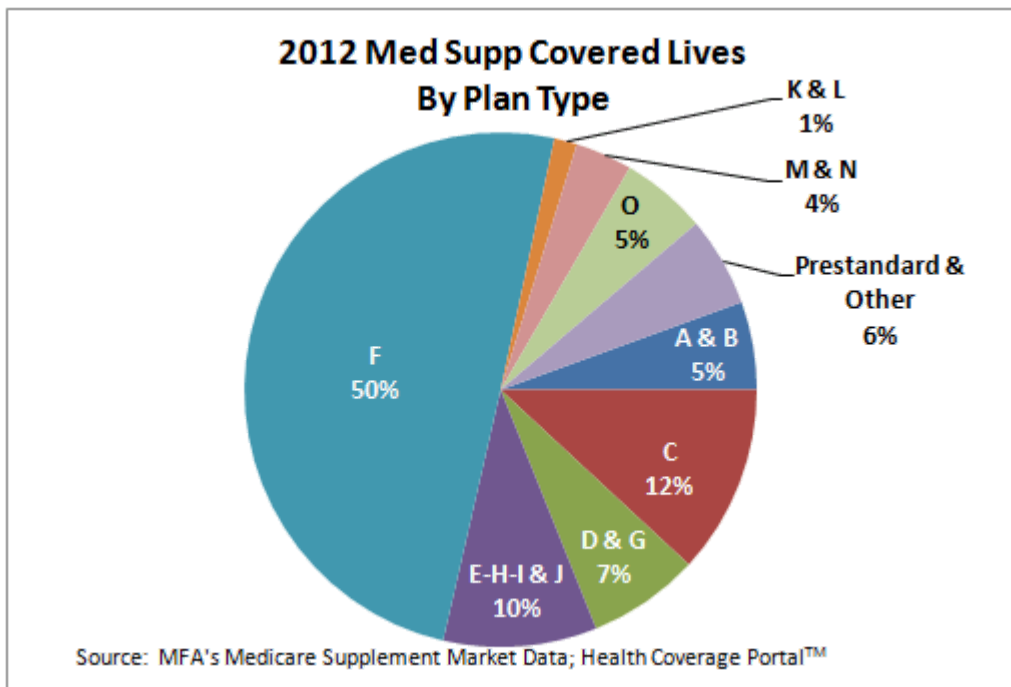
by Debra A. Donahue

Medicare Supplement products remain a viable and growing alternative to Medicare Advantage options for seniors looking to offset the out-of-pocket costs of traditional Medicare coverage. As of December 31, 2012, enrollment in Medicare Supplement products (also referred to as Med Supp or Medigap) exceeded 10.1 million enrollees, up 2% from 9.9 million in 2011, according to annual financial statements filed with the National Association of Insurance Commissioners (NAIC). The latest Medicare Supplement membership figures show continued growth in the number of new policies being issued. The number of newer policies, those issued in the last three years, increased by 4.4% in 2012 when compared to the 2011 final enrollment data. In comparison, final Medicare Supplement enrollment for 2011 increased 2.3% over 2010, with a 7.8% growth rate in new policies. The number of covered lives in policies written more than 3 years ago increased 0.3% from 2011 to 2012 and declined -1.3% between 2010 and 2011. This is a reflection of the aging of policies written in more recent years.



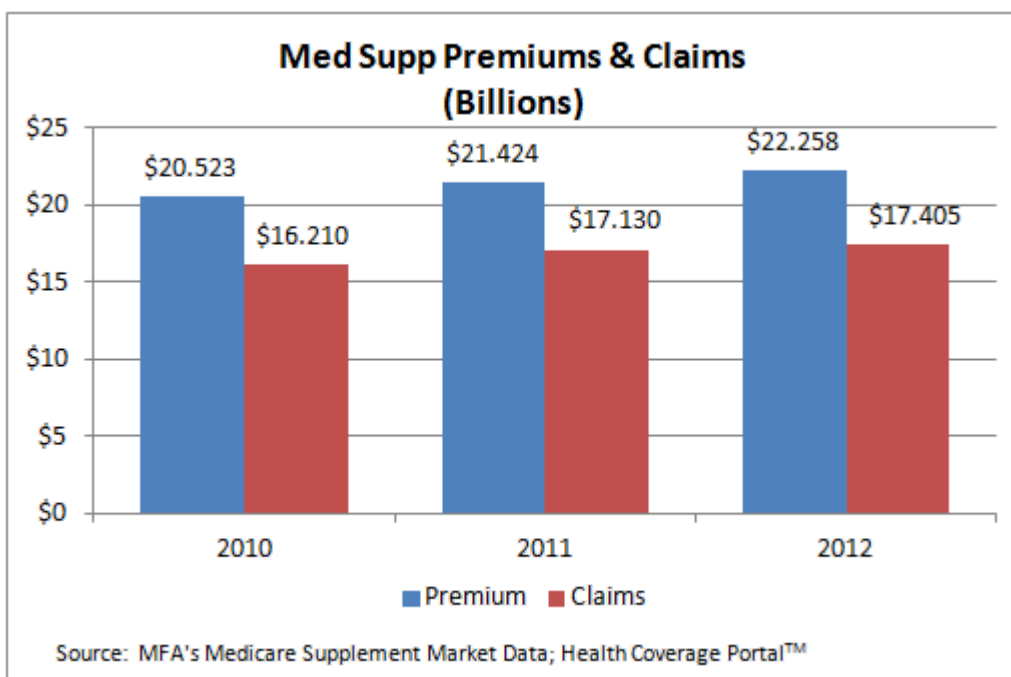
Med Supp Business Snapshot

Between 2011 and 2012, enrollment in Medicare Supplement plans increased by close to 200,000 covered lives. Plan F, the most popular design that covers Medicare deductibles as well as coinsurance and copayment costs, increased by more than 400,000 enrollees between 2011 and 2012. Plan F was purchased by 50% of people with Medigap coverage in 2012, up from 47% in 2011. Based on policy names and numbers, it appears roughly 2.4% of Plan F enrollment is in high deductible type products, up from 2% in 2011.

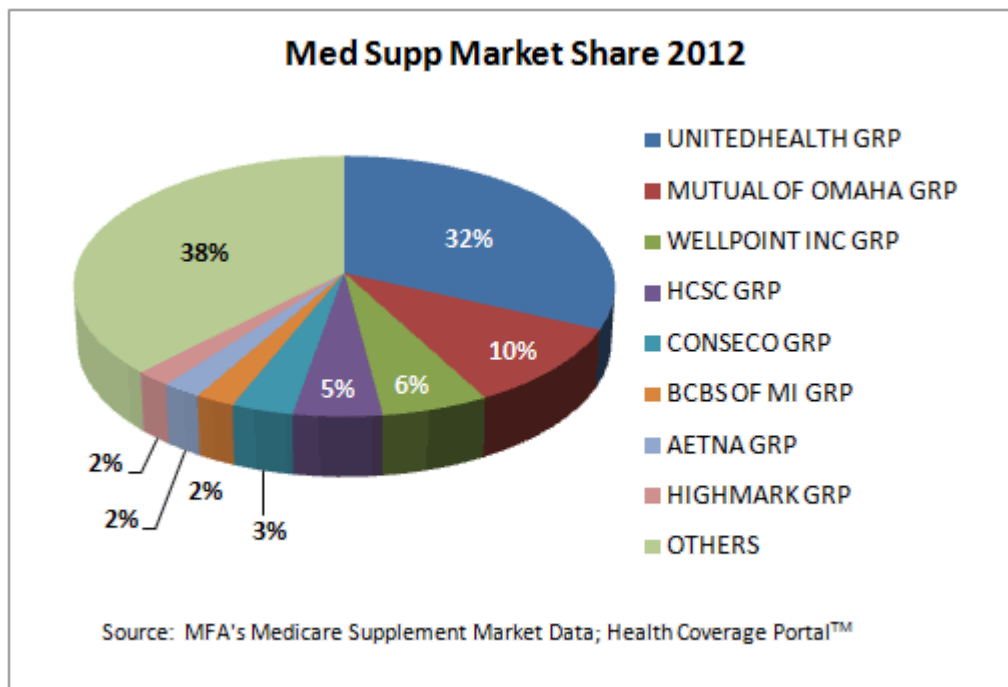


Mark Farrah Associates (MFA) observed significant shifting among plan types in 2012. Plan types C and P each declined by more than 100,000 people. Plan type P (or Prestandard) is used for policies issued prior to the enactment of the Omnibus Reconciliation Act (OBRA) of 1990, which standardized the Medicare Supplement plans as we know them today. Plan J declined by more than 78,000. Plan N gained nearly 358,000 enrollees since June 2010 when it was introduced. Plan M, also introduced in 2010, is the most unpopular option, with only 5,413 enrollees as of December 2012.

Medicare Supplement plans earned \$22.258 billion in premiums and incurred \$17.405 billion in claims during 2012, increases of 3.9% and 1.6% over 2011, respectively. The aggregate loss ratio, incurred claims as a percent of earned premiums, dropped to 78.2% in 2012. The aggregate loss ratio hovered around 80% from 2007 to 2011, with a slight dip to 79% in 2010.



In 2012, 190 carriers reported Med Supp enrollment, down from 193 in 2011. Only 129 of these carriers reported writing new policies in the last three years, the same as last year. Leading managed care organizations, Blues plans, regional plans and multiline carriers compete in the Medicare Supplement space. UnitedHealth, with a longstanding AARP contract, dominates the segment with 32% market share. Mutual of Omaha ranks a distant second with 10% share. Market share among top plans changed in 2012, with UnitedHealth gaining an additional 1.4% of the market. Aetna's purchase of Genworth Financial companies' Medicare Supplement business helped it to join the ranks of the leading Medicare Supplement plans in 2012. Market share for four of the leading plans -- Mutual of Omaha, WellPoint, Conesco and Highmark -- declined less than 1% from 2011 to 2012.



Many companies are diversifying their Medicare portfolios with Med Supp, Med Advantage as well as stand-alone Part D plans to better leverage opportunities in the growing senior market. The competitive landscape could change as new companies and new products enter this dynamic market.

About Medicare Supplement Market Data

Mark Farrah Associates presents the latest Medicare Supplement market data in the Health Coverage Portal™. The data scope includes state-by-state membership, premiums, claims and loss ratios for all plans nationwide. The data is as filed with the National Association of Insurance Commissioners in annual financial statements. Annual Medicare Supplement data is refreshed four times a year to capture any carriers that file data late or to correct previously filed information. For more information about MFA's Medicare Supplement Market Data product, please visit the Product section of our website ([www.markfarrah.com/\(default.aspx/\)](http://www.markfarrah.com/(default.aspx/))) or call us at 207.985.8484.

About Mark Farrah Associates (MFA)

Mark Farrah Associates (MFA) is a leading data aggregator and publisher providing health plan market data and analysis tools for the healthcare industry. MFA's Medicare Supplement Market Data and Medicare Business Online™ (MBO) products simplify the tracking of the Medicare market. MBO coupled with Medicare Benefits Analyzer™ provides a full suite of business intelligence for the competitive Medicare Advantage market. Committed to simplifying analysis of health insurance business, our products include Medicare Business Online™, Medicare Benefits Analyzer™, Health Coverage Portal™, County Health Coverage™, Health Insurer Insights™, and Health Plans USA™.

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