



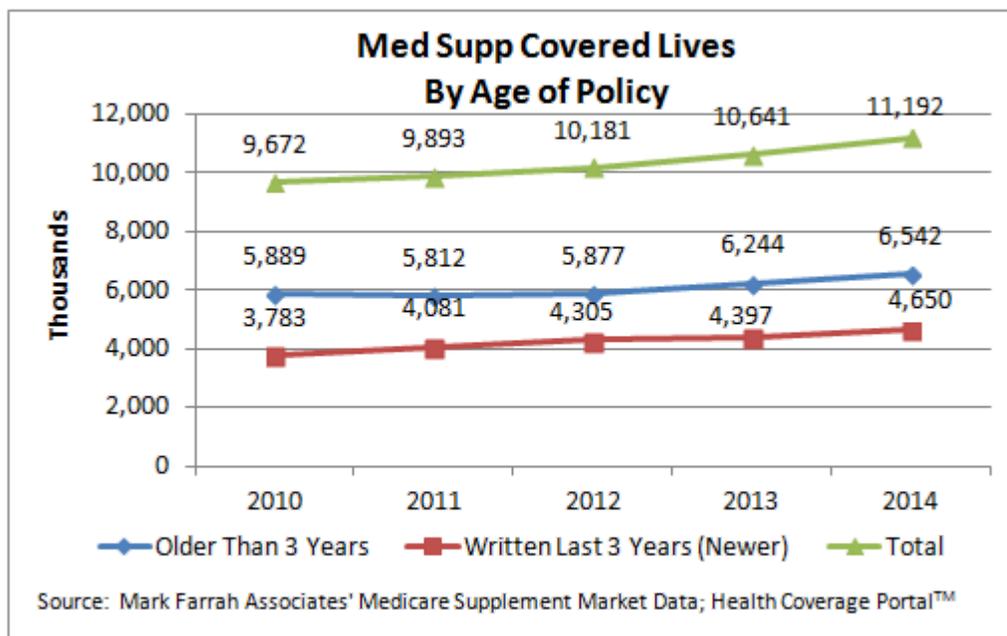
Med Supp Growth Bodes Opportunity for Insurers

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by Mark Farrah Associates

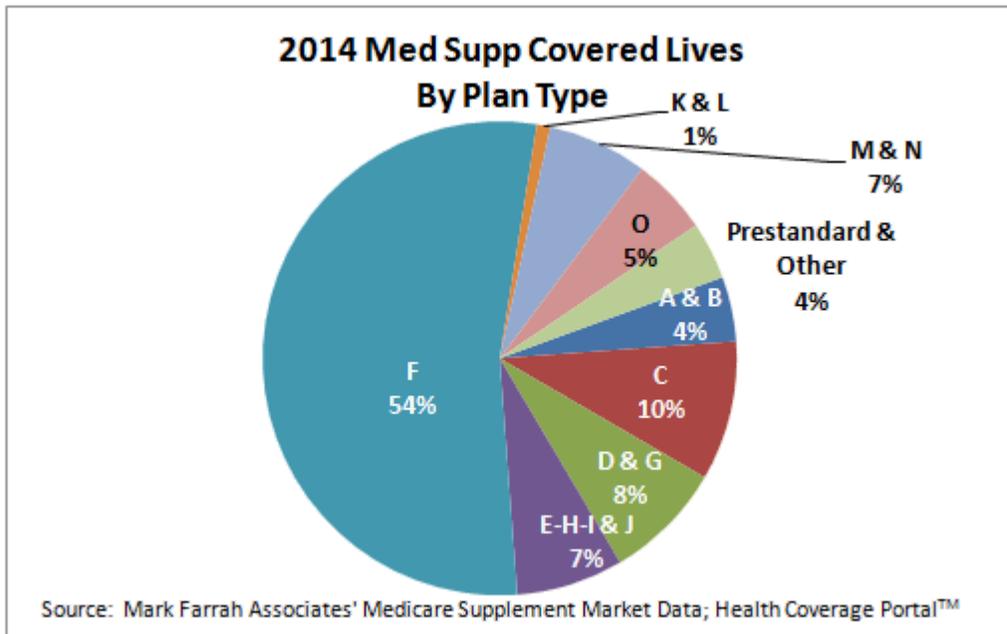
The Medicare Supplement segment continued to show impressive growth in 2014. As of December 31, 2014, enrollment in Medicare Supplement plans (also known as Med Supp or Medigap) approached 11.2 million, up 5.2% from 10.6 million in 2013, according to annual financial statements filed with the NAIC (National Association of Insurance Commissioners). Though UnitedHealth led the segment growth by a wide margin, many Med Supp carriers realized membership increases last year. The latest membership figures also indicate that carriers have written more new policies in recent years. Breakdowns of in-force policies show that carriers issued more than 4.650 million new policies from 2012 through 2014, a 5.8% increase over the 2013 count. Carriers reported an aggregate of 6.542 million in-force policies that were issued prior to the year 2012.

This brief provides an overview of the Medicare Supplement market with insights about competitive positioning and standardized plan type preferences.



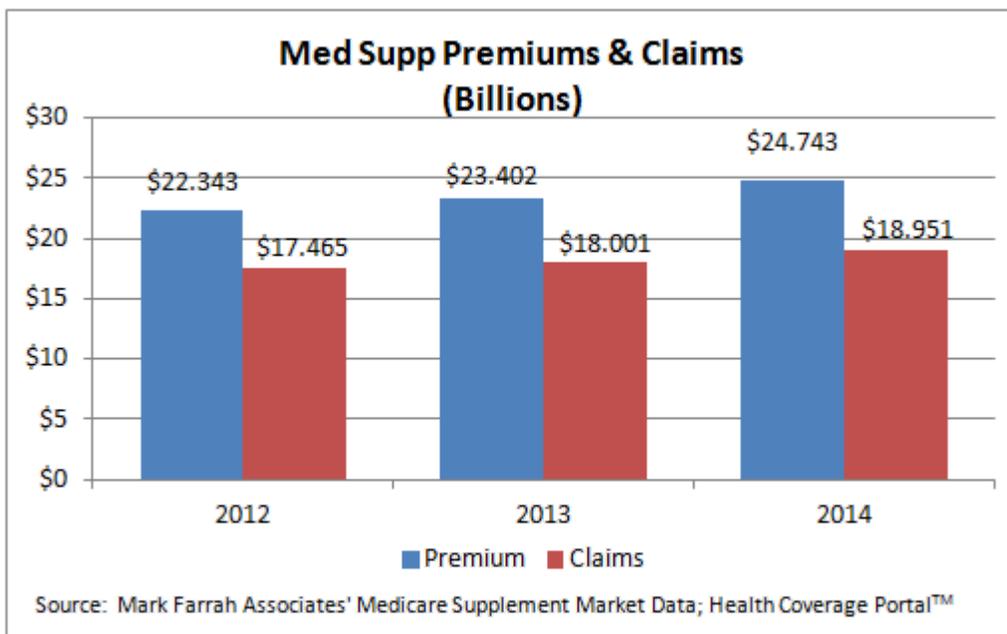
Med Supp Business Snapshot

Total enrollment in Medicare Supplement plans increased substantially from 2013 and 2014 with 551,135 covered lives added to the segment. About 48% of this market growth is attributed to a notable membership increase for UnitedHealth. In terms of standardized plans, the number of beneficiaries enrolled in Plan F increased by 494,599. Enrollment growth was also significant in standardized plan types G and N, with increases of 141,024 and 188,256 members, respectively. Plan F remains the most popular plan type by far, enrolling more than 6 million Med Supp members and accounting for 54% of the market.



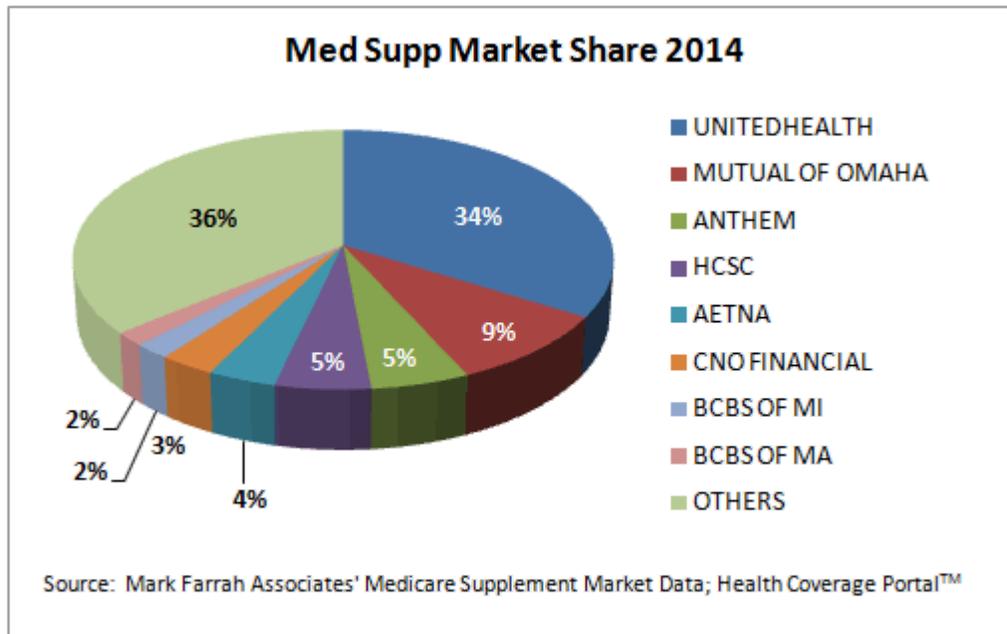
Note plan type O or Other is used by carriers in three states (Massachusetts, Minnesota, and Wisconsin) that have waivers to the standardized Medicare Supplement regulations. Plan type P for Pre-Standardized is used for policies issued prior to the enactment of the Omnibus Reconciliation Act (OBRA) of 1990, which standardized benefits for Medicare Supplement plan types.

Medicare Supplement plans collectively earned \$24.743 billion in premiums and incurred \$18.951 billion in claims during 2014, increases of 5.7% and 5.3% over 2013, respectively. The aggregate loss ratio (incurred claims as a percent of earned premiums) was 76.6% in 2014, on par with 2013. Medicare Supplement business has been largely unaffected by the Affordable Care Act. Reforms in recent years have not imposed major plan design changes or minimum loss ratio requirements for these plans. Dozens of Med Supp carriers have sustained a significant presence in the market by selling products at competitive rates while maintaining favorable loss ratio levels.



UnitedHealth, with a longstanding AARP contract, dominates the Med Supp market with 34% market share. Mutual of Omaha ranks a distant second with 9% share but nonetheless covers more than one million members. Anthem and Health Care Service Corporation (HCSC) each have about a 5% share of the market based on total

membership. The balance of approximately 5 million Med Supp enrollees is distributed across a wide array of other insurance companies selling products in this highly competitive segment.



Medicare Supplement will remain an attractive market for insurance companies as baby boomers continue to age into Medicare at a rapid pace. With 54.4 million Medicare eligibles, more insurers may consider diversifying their senior market portfolios to leverage opportunities across all product lines in this growing segment. Nevertheless, long-standing competitors and new entrants will continue to strategize and focus on growth opportunities in the Medicare Supplement market for many years to come.

About Med Supp Market Data

Med Supp Market Data, a Health Coverage Portal™ option offered by Mark Farrah Associates, presents the latest market share and financial performance data for Medicare Supplement plans. The product includes state-by-state membership, premiums, claims and loss ratios for plans nationwide. Online tables also include claims contacts as reported in the financial statements as filed with the National Association of Insurance Commissioners (NAIC). California managed care plans do not file financial statements with the NAIC and are not included in this analysis. For more information about [Med Supp Market Data \(/products/med-supp-market-data.aspx\)](/products/med-supp-market-data.aspx), please visit our website ([www.markfarrah.com \(/default.aspx/\)](http://www.markfarrah.com (/default.aspx/))) or call 724.338.4100.

About Mark Farrah Associates (MFA)

Mark Farrah Associates (MFA) is a leading aggregator of health plan market data and provides analysis tools for the healthcare industry. Our products include Med Supp Market Data, Medicare Business Online™, Medicare Benefits Analyzer™, Health Coverage Portal™, County Health Coverage™, Health Insurer Insights™, and Health Plans USA™.

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