

Medicare Advantage Membership up Nearly 1.4 Million Year-over-year

March 15, 2017

Medicare Advantage (MA) business continues to experience significant growth with a surge in the aging Baby Boomer generation increasing demand for MA plans. Despite the uncertainty surrounding health care and proposed budget cuts to the program, Medicare Advantage enrollment continues to climb and this trend is expected to continue throughout 2017 and forward. As of February 1, 2017, total Medicare Advantage membership stood at 19,593,341, with a net gain of 1,389,665 members, year-over-year.

According to data from the Centers for Medicare and Medicaid Services (CMS), 34% of the 58 million people eligible for Medicare are enrolled in MA plans across the United States and U.S. territories. Managed Medicare continues to be an attractive growth market for health insurance companies. This brief assesses company performance in the Medicare Advantage market as of February 2017 and analyzes market share for individually purchased and employer-sponsored benefits as well as evaluates MA plan type preferences.

The top ten carriers covered over 68% of all Medicare Advantage enrollees as of February 1, 2017. UnitedHealth Group and Humana lead the segment with more than 4.6 and 3.3 million MA members, respectively. Aetna and Kaiser Family Foundation also command significant market share with each enrolling over 1.4 million.

Competitive Dynamics

Medicare Advantage market penetration is still growing at a robust pace. Yet, with only 34% of the 58 million Medicare eligibles enrolled, there is still ample opportunity for growth in this highly competitive market. During the Annual Election Period (AEP) for Medicare Advantage and prescription drug plans, companies compete by offering new pricing and product options to beneficiaries. The AEP runs from October 15th through December 7th and plans begin to analyze full enrollment results in February and March to evaluate their standing and also assess which competitors gained and lost members during the

last AEP. Many companies conduct their post-AEP competitive assessments by using tools such as Mark Farrah Associates' (MFA) Medicare Business Online™ and Health Coverage Portal™.

According to CMS Medicare Advantage enrollment reports aggregated by MFA in Medicare Business Online™, total Medicare Advantage (MA) plan enrollment as of February 1, 2017 increased 7.6% from February 2016. The top ten companies, each with more than 250,000 members, have a sizeable stake in this segment and they collectively provide coverage for 68% of the market. Per the reference tables below, most leading MA companies realized year-over-year growth except for Cigna, Highmark and HealthNet. The overall net gain for the ten companies was 8.7%.

UnitedHealth retained its position as the top Medicare Advantage organization in the country. With over 4.6 million enrolled, UnitedHealth owns approximately 22% of the market. Humana ranks second with 16.9% market share and over 3.3 million lives. Aetna is positioned as third on the leader board, enrolling over 1.46 million and Kaiser Foundation Group closely follows with over 1.42 million lives.

February 2017 Top MA Organizations with Greater than 250,000 Members				
Parent	Feb-16	Feb-17	Percent Growth	February 2017 Market Share
UNITEDHEALTH	3,814,103	4,639,982	21.7%	23.7%
HUMANA	3,181,956	3,304,909	3.9%	16.9%
AETNA	1,355,071	1,466,009	8.2%	7.5%
KAISER FOUNDATION	1,360,691	1,426,373	4.8%	7.3%
ANTHEM	568,466	626,854	10.3%	3.2%
BCBS OF MI	420,021	454,106	8.1%	2.3%
CIGNA	563,966	452,508	-19.8%	2.3%
WELLCARE	326,380	348,452	6.8%	1.8%
HIGHMARK	375,446	325,757	-13.2%	1.7%
HEALTH NET	269,226	252,022	-6.4%	1.3%
Subtotal >250,000	12,235,326	13,296,972	8.7%	67.9%
All Others	5,968,350	6,296,369	5.5%	32.1%
Total	18,203,676	19,593,341	7.6%	100.0%

Sources: Medicare Business Online™, Mark Farrah Associates, presenting data from CMS enrollment reports

UnitedHealth experienced the largest increase in membership, adding 825,879 members year-over-year, for a net gain of 21.7%. United attributed this significant growth to premium and benefit stability, improved service and clinical performance and high star ratings. Humana experienced the second most gains with 122,953 new members, year-over-year. Per the chart below, membership gains were also fairly substantial for other leaders in this segment. Aetna gained over 110,000 new members primarily due to an increased percentage of members who enrolled in 4-stars or better plans as well as strong results of the Medicare Advantage annual election period (AEP). BCBS of New Jersey experienced a 251% membership increase between February 2016 and February 2017, partially due to competitors exiting markets.

MA Organizations with the Largest Gains from February 2016 to February 2017				
Parent	Feb-16	Feb-17	Growth 2016 - 2017	Percent Change
UNITEDHEALTH	3,814,103	4,639,982	825,879	21.7%
HUMANA	3,181,956	3,304,909	122,953	3.9%
AETNA	1,355,071	1,466,009	110,938	8.2%
KAISER FOUNDATION	1,360,691	1,426,373	65,682	4.8%
BCBS OF NJ	24,067	84,519	60,452	251.2%
ANTHEM	568,466	626,854	58,388	10.3%
BCBS OF MN	197,885	245,411	47,526	24.0%
HEALTHPLUS OF MI	17,423	61,060	43,637	250.5%
HCSC	102,497	137,906	35,409	34.5%
BCBS OF MI	420,021	454,106	34,085	8.1%
Total	11,042,180	12,447,129	1,404,949	12.7%

Sources: Medicare Business Online™, Mark Farrah Associates, presenting data from CMS enrollment reports

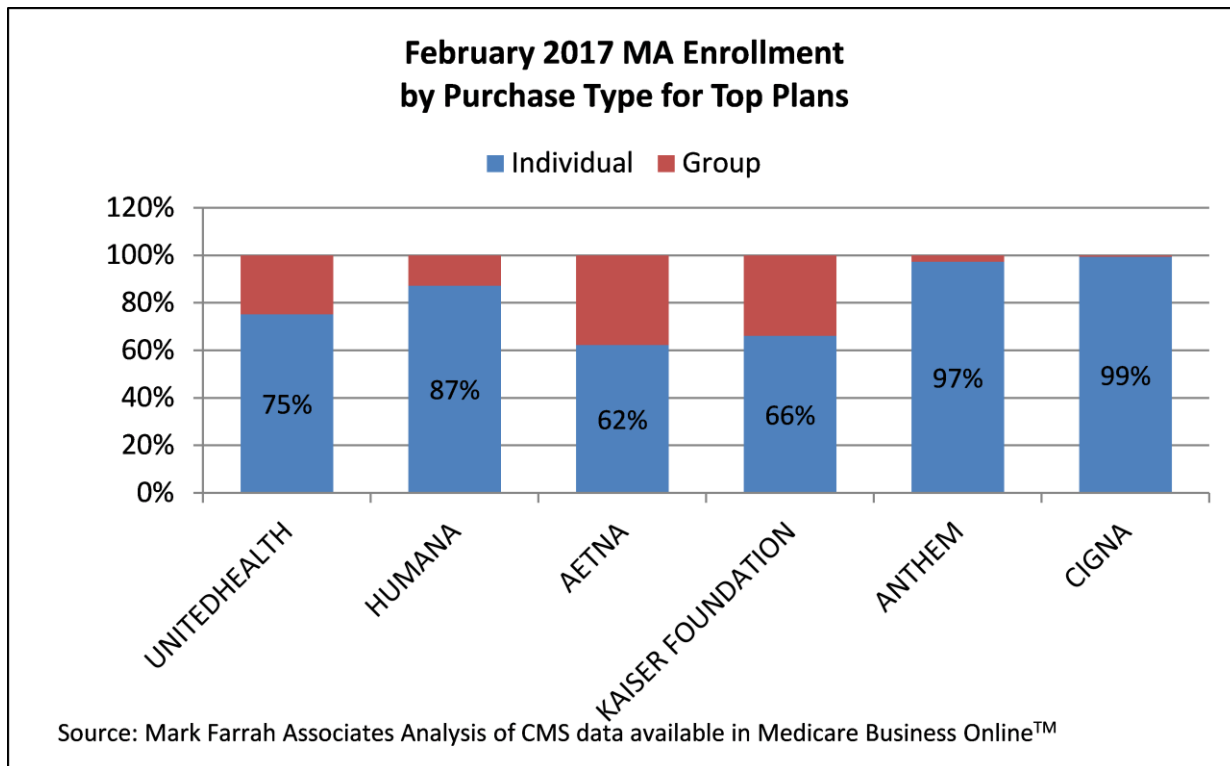
Of all MA plans, seven, including Cigna, lost more than 15,000 members year-over-year. Cigna suffered a loss of over 111,000 members as the company was issued a Notice of Imposition of Immediate Intermediate Sanctions by CMS in early 2016. Additionally, Cigna was required to suspend certain MA enrollment and marketing activities and was not permitted to participate in the 2017 Medicare Advantage and Part D annual enrollment period (AEP). The company reported that it is making progress with remediation efforts to resolve the matters and remains focused on improving its senior business for 2017.

Individual versus Group Enrollment

Medicare Advantage plans are either purchased directly by individuals or through an employer/group retiree plan. Individual or direct purchase Medicare Advantage policies are the most common purchase type. As of February 2017, about 81% (approximately 15.7 million) of membership was from individual MA policies. This speaks to why plans invest considerable time to devise direct market and selling strategies in preparation for the AEP every year.

Only 19% of total MA membership, or 3.65 million, originated through an employer group health plan or retirement health benefit in February 2017. Nonetheless, group membership continues to grow as 508,000 more beneficiaries were enrolled in employer group MA plans as compared to the same time period a year ago. Enrollment was primarily driven by UnitedHealth plan gains with over 1.14 million group plan members to date. Humana, Aetna, and Kaiser Foundation Health Plans all have more than 450,000 members from group plans. Aetna's MA membership is comprised of 38% group enrolled.

Group Medicare Advantage plans continue to be a viable opportunity for health companies as plans have historically received higher MA payments on average over the Individual market. However, CMS announced it will phase in rate cuts to the employer group waiver program over the next two years to more closely align payments with individual plan bids. Further considerations to the proposed changes are currently being evaluated in preparation for the final Call Letter which will be released April 3, 2017.



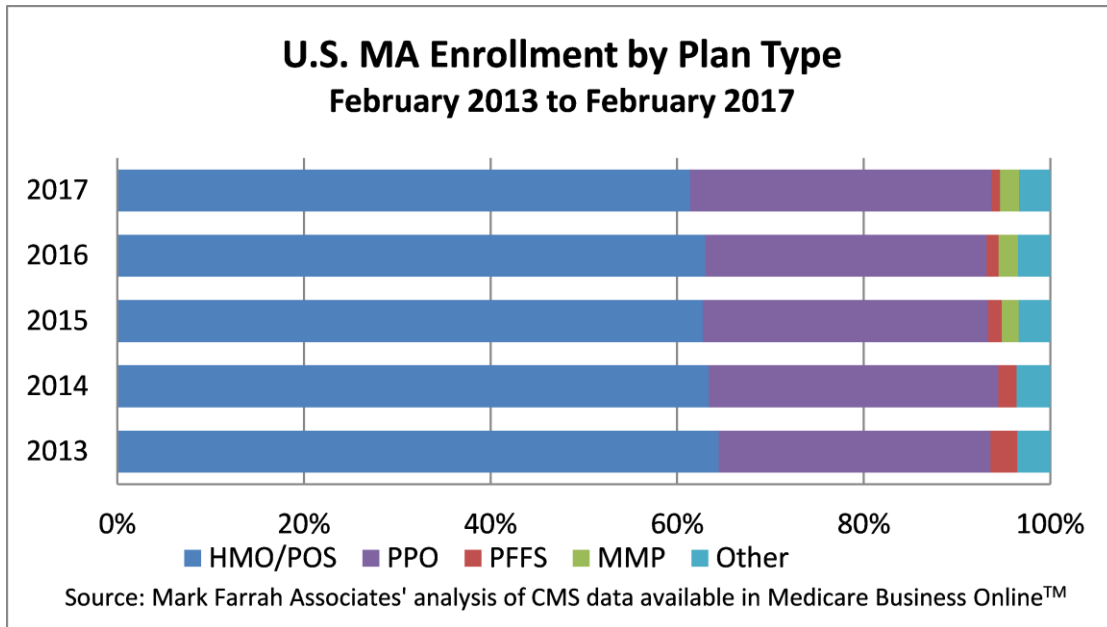
It is important to note that MA enrollment counts by company or geography for the same reporting period may be slightly different, depending on the CMS enrollment source. CMS county-level reports do not output enrollment for plans with 10 or fewer members per county. In addition, February 2017 membership figures reflect business accepted and booked through January 6th. There may likely be additional competitive shifts in enrollment and market observations through March.

MA Plan Type Preferences

HMO's, including those with point-of-service options, remain the dominant plan type. As of February 2017, about 61% of all members were enrolled in an HMO plan. PPOs, including local and regional plans, covered 32% of MA enrollees, an 821,000 member increase from 2016.

Medicare-Medicaid HMO enrollment continues to rise as CMS and state Medicaid agencies build new programs to cover the dual eligible population. These plans enrolled nearly 391,000 members as of February 2017, up from approximately 371,000 in 2016. Dual eligible beneficiaries are among the poorest and sickest beneficiaries and consequently account for higher health care costs. Various health plan designs, in addition to SNPs (Special Needs Plans) continue to address the needs of this high cost population.

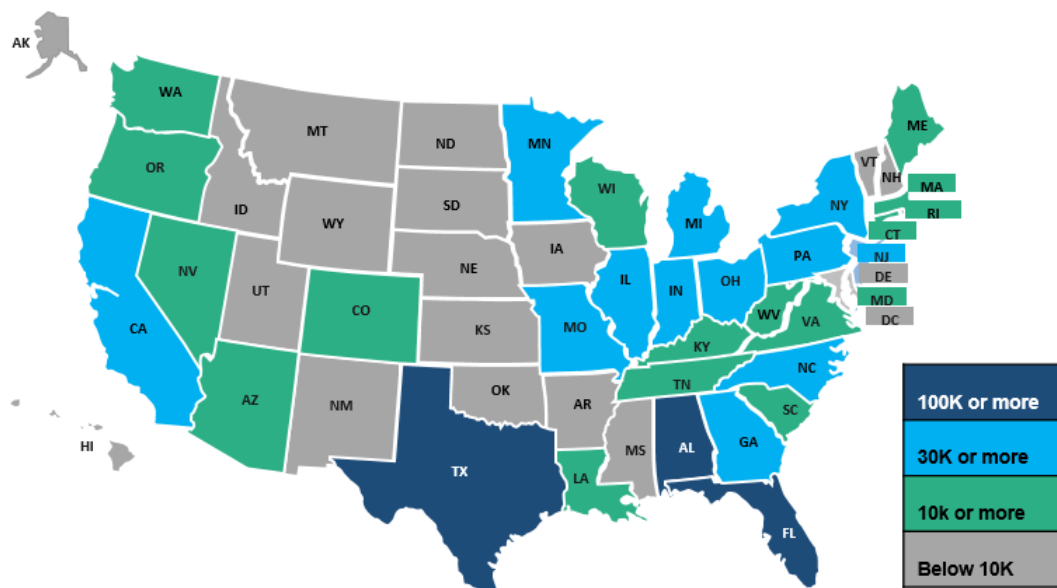
Private-fee-for-service (PFFS) plan enrollment comprise just 1% of the total. The percentage of enrollment in "Other" plan types, such as Cost or Medical Savings options, remained the same at 3% from February 2016 to February 2017.



MA Enrollment Growth by State

Medicare Advantage market penetration varies across states but enrollment trends continue to indicate year-over-year growth within the U.S. As of February 2017, Medicare Advantage enrollment increased in all contiguous states as well as Alaska and Hawaii. Net membership gains and losses totaled approximately 1.4 million, nationally. Florida, Texas and Alabama all experienced significant enrollment gains with increases of 100,000 members or more. Florida saw the most sizeable increase of 123,000 members from the prior year.

Medicare Advantage Membership Growth February 2016 to February 2017



Source: Medicare membership data (CMS), Medicare Business Online™, Mark Farrah Associates

Competition amongst Medicare Advantage plans remains strong. As roughly 75 million Americans of the Baby Boom generation are beginning to enter retirement age, this presents an increasing opportunity for health insurers. As public attention on health care continues to escalate, the Medicare market will likely continue to grow amidst unknown and unpredictable changes. Mark Farrah Associates will continue to monitor enrollment and industry shifts in this highly competitive segment.

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 Business Online™ (MBO) product simplifies the tracking of monthly Medicare Advantage and PDP enrollment by competitor. The Medicare Benefits Analyzer™ presents benefit copay comparisons across hundreds of benefit attributes by plan as reported in the Plan Finder on Medicare.gov. Med Supp Market Data™ offers enrollment and financial insights for companies interested in Medicare Supplement business. Our product portfolio also includes Health Coverage Portal™ (with Supplemental Health Care Exhibit data), County Health Coverage™, and Health Plans USA™.

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