



Membership for Leading Health Plans Up 5.6 Million from 3Q13 to 3Q14

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by Mark Farrah Associates

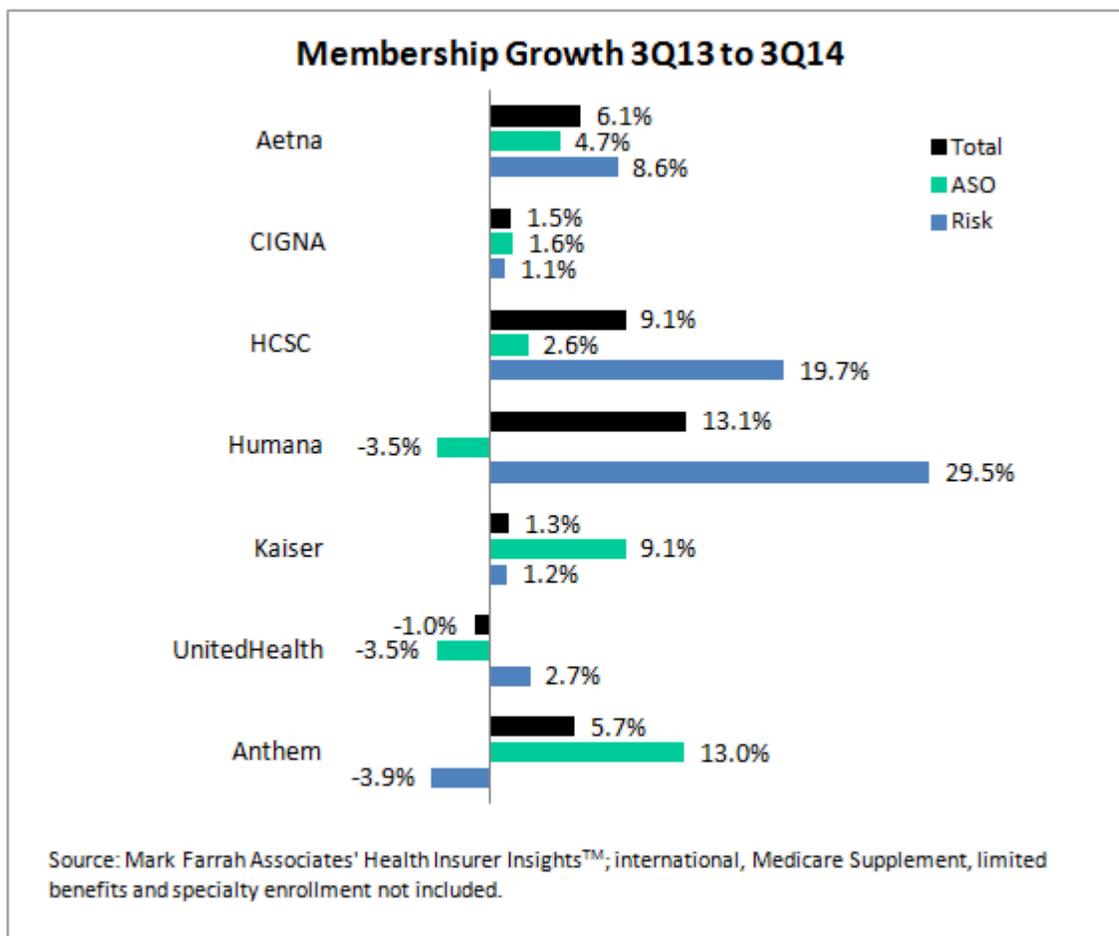
Combined 3rd quarter 2014 results for seven of the leading U.S. health plans indicated enrollment growth of 5.6 million but profits were down from 3Q13 to 3Q14 for many. Aggregate enrollment figures reflected gains in both risk-based and self-funded medical membership. Most industry leaders realized significant gains in individual, non-group business as the individual mandate of the Affordable Care Act (ACA) continues to make broad-based changes to the U.S. health care system. As the health insurance industry changes, staying current on the latest business strategies and financial health of the competition is critically important.

Mark Farrah Associates assessed year-over-year enrollment changes and profitability as of the 3rd quarter 2014 for seven leaders in the health insurance industry in the latest Health Insurance Insights reports for: Aetna, Cigna, HCSC (Health Care Service Corporation), Humana, Kaiser, UnitedHealth and Anthem. These companies collectively insure or administer coverage for more than half of all Americans with health insurance benefits. The innovations and capabilities they are building to sustain and grow business for the long term provide important guidance for the industry overall.

Membership Gains from Third Quarter 2013 to Third Quarter 2014

Six of the seven leading U.S. health insurance companies experienced gains in comprehensive medical membership from 3rd quarter 2013 to 3rd quarter 2014, according to Mark Farrah Associates' analysis of GAAP and statutory financial data. Aetna, Cigna, Health Care Service Corporation (HCSC), Humana, Kaiser Permanente and Anthem reported overall membership increases though segment results varied by competitor. UnitedHealth was the only company on the leader board that experienced a year-over-year membership decline. It is important to note, for the purposes of this assessment the analyst excluded membership figures identified for Medicare Supplement, limited benefits and international coverage. Generally speaking, the health insurance industry continues to show relatively strong performance with ACA implementation.

As of September 2014, the leaders collectively covered more than 145 million U.S. members in risk and self-funded ASO (administrative services only) commercial and government plans. These top plans provide coverage for more than half of all Americans with health insurance coverage, including those covered through commercial plans and government programs. Aetna, HCSC (Health Care Service Corporation), Anthem, and Humana all reported enrollment gains of more than one million members year-over-year. Anthem's gain was over 2 million, with an increase of 5.7% members.



Overall membership trends of the leading health plans continue to reflect increases in ASO enrollment. Self-funded ASO membership increased by 3.4% from September 2013 to September 2014. ASO growth confirms that self-funded health plans remain a popular choice among larger employers looking for greater control of costs and benefits. Overall risk enrollment increased by 4.8% year-over-year.

Aetna reported growth in Commercial, Medicare and Insured Medicaid products but a reduction in Medicaid ASC (administrative service contract or self-funded) business. Aetna's 3rd quarter earnings results reported a 10th consecutive quarter of membership growth due to growth in Aetna's Commercial ASC and Government products. At September 30, 2014, Aetna had 23.1 million medical members consisting of approximately 40% insured members and 60% administrative services contract (ASC) members, as compared to 21.8 million medical members the prior year. The conversion of self-funded membership into fully-insured private exchanges is continuing to exceed Aetna's initial projections. Humana's Individual enrollment increased by approximately 630,000 members year-over-year. The company reported new individual, non-group sales in both on-exchange and off-exchange plans. Health Care Service Corporation (HCSC) affiliate Blues plans also experienced significant growth in individual membership, gaining 737,095 members from September 2013 to September 2014.

Anthem, previously Wellpoint, reported total medical membership increased over 2 million for the rolling twelve months ended September 30, 2014, primarily due to increases in Local Group, Medicaid, National Accounts and Blue Card® membership. With total medical membership of 37.5 million, Anthem has now outranked UnitedHealth in enrollment. Note that Anthem includes approximately 5.3 million BlueCard members in enrollment reporting.

As of third quarter 2014, UnitedHealth's total U.S. medical membership was approximately 36.7 million, reflecting a decrease of 375,000 when compared to 3rd quarter 2013. The company reported the decrease was a result of disciplined pricing in a continued competitive environment and in individual policy customers due in

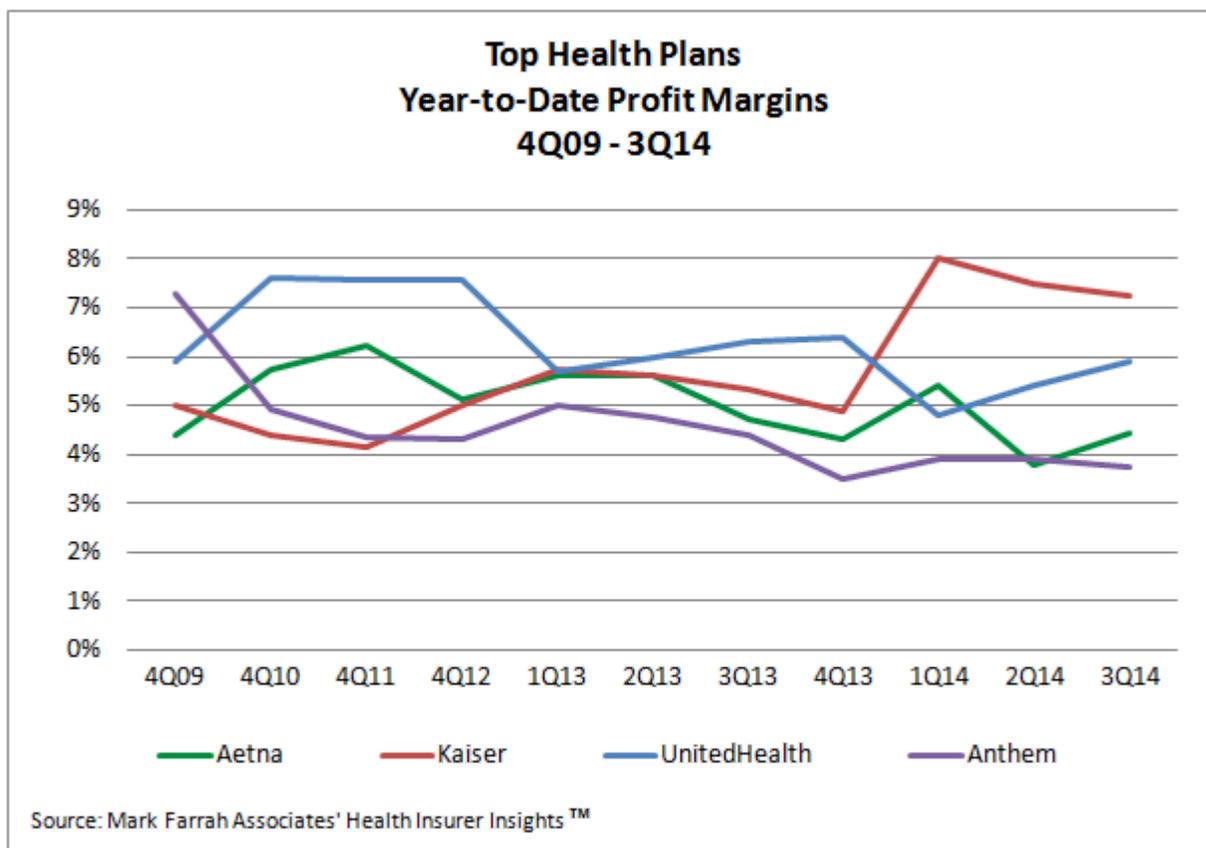
part to customers moving to public exchanges. The decrease in number of people served under commercial fee-based arrangements was primarily due to the loss of a large state employer account.

Kaiser Permanente's third quarter total medical membership saw an increase of approximately 120,000 at September 30, 2014, or 1.3%. The company offset a loss of group-risk members by adding almost a half million individual, non-group members in the last year. Cigna experienced modest growth in medical membership but has retained a significant ASO book; the company administers 11.3 million self-funded lives.

Third Quarter 2014 Profitability Results

The majority of the seven health plans saw downturns in year-over-year profitability for third quarter 2014, when compared to third quarter 2013.

A closer look at four of the top seven plans per the chart below shows that Aetna's 3Q14 profit margin was at 4.4%, down 0.3% from third quarter 2013. UnitedHealth's results show 5.89% and Anthem's margin was 3.8%, a decrease of 0.7% year-over-year. Kaiser was the only top plan to report improvement in profitability for 3Q14 with a profit margin of 7.26%, an increase of 1.9% from the previous year.



**Profit margins were calculated as net income divided by total revenues.*

About this Data

The data used in this analysis brief was obtained from Mark Farrah Associates' Health Insurer Insights™ report series and Health Coverage Portal™ database. Each quarter, MFA profiles the latest strategies and market positions for 10 of the top health insurers in the industry using GAAP and statutory financial performance metrics. 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 (www.markfarrah.com/products (/products/Default.aspx)) or call 207.985.8484.

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