



Membership for Top Health Plans Up Five Million as of Mid-Year 2014

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by Mark Farrah Associates

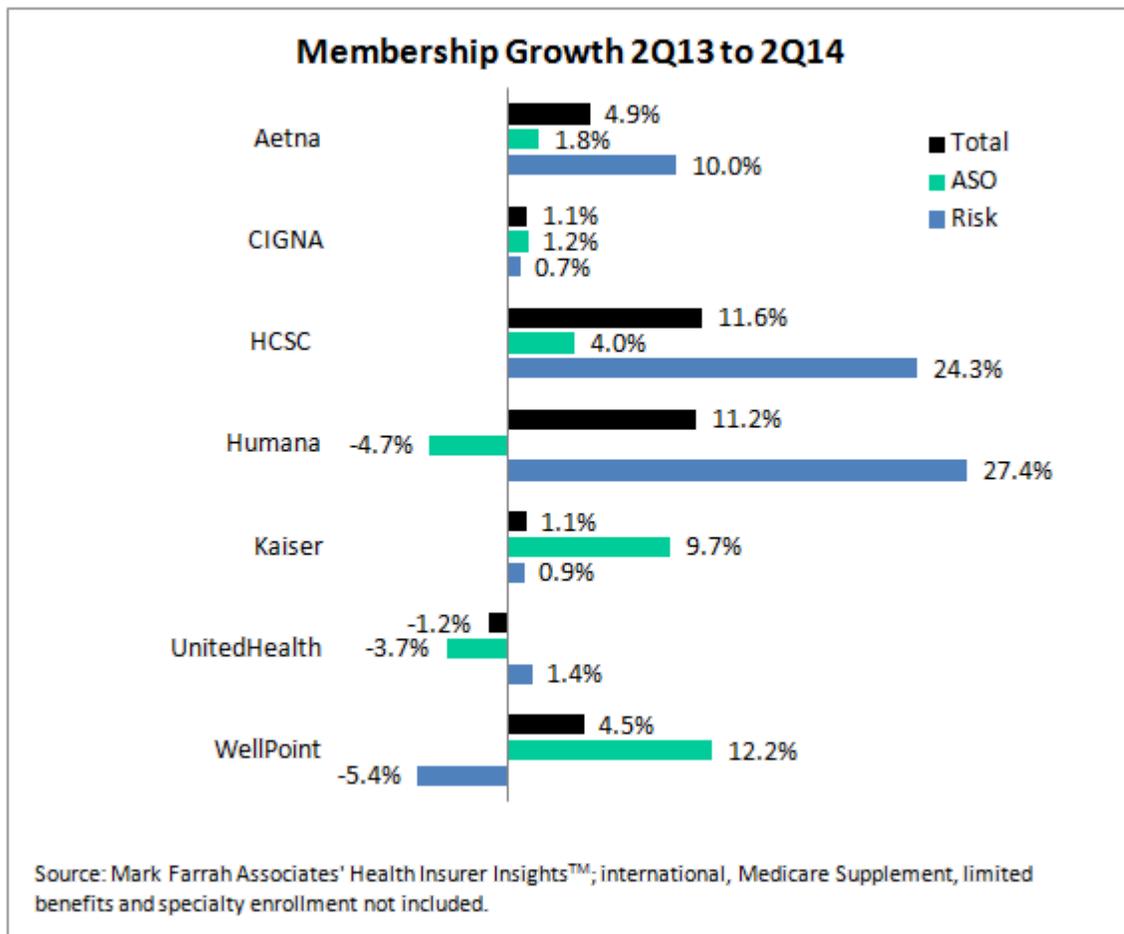
Combined 2nd quarter 2014 results for seven of the leading U.S. health plans indicated enrollment growth of almost 5 million. Aggregate figures reflected gains in both risk-based and self-funded medical membership. Most industry leaders realized significant gains in individual, non-group business as the individual mandate of the Affordable Care Act (ACA) took effect this year. Financial performance overall was generally favorable but year-over-year profits were down for some of the leaders.

Mark Farrah Associates assessed year-over-year enrollment changes and profitability as of the 2nd quarter 2014 for seven leaders in the health insurance industry: Aetna, Cigna, HCSC (Health Care Service Corporation), Humana, Kaiser, UnitedHealth and WellPoint. 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.

Second Quarter 2014 Enrollment Gains

Six of the seven leading U.S. health insurance companies experienced gains in comprehensive medical membership from 2nd quarter 2013 to 2nd 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 WellPoint reported overall membership increases though segment results varied by competitor. UnitedHealth was the only company on the leaderboard 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. Previous analysis briefs may not have excluded these lines. Generally speaking, the health insurance industry continues to show relatively strong performance in the initial year of ACA implementation.

As of June 2014, the leaders collectively covered more than 143 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) and WellPoint all reported enrollment gains of more than one million members year-over-year. Humana's gain was almost one million, with an increase of more than 900,000 members.



Overall membership trends of the leading health plans continue to reflect increases in both risk and ASO enrollment. Risk-based membership grew by 4% and self-funded ASO membership increased by 3% from June 2013 to June 2014. ASO growth confirms that self-funded health plans remain a popular choice among larger employers looking for greater control of costs and benefits. Risk enrollment growth as of mid-year reflects increases in both ACA-driven individual non-group membership as well as continued growth in the Medicare and Medicaid programs.

Aetna reported year-over-year growth in Commercial, Medicare and Insured Medicaid products but a reduction in Medicaid ASC (administrative service contract or self-funded) business. During the 2nd quarter earnings call, CEO Mark Bertolini said Aetna's large group commercial ASC membership grew by more than 270,000 year to date and the company expects this segment will exceed 650,000 members by year-end. He also mentioned that continued conversion of self-funded membership into fully-insured private exchanges is changing the business mix and making revenue growth a more meaningful metric.

Humana's individual enrollment increased to 1,244,300 at June 30, 2014, up from 568,300 one year prior. 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 more than 800,000 year-over-year.

WellPoint reported total medical membership increased 1.6 million for the rolling twelve months ended June 30, 2014, primarily due to increases in Local Group, Medicaid, National Accounts and Individual membership. With total medical membership of 37.2 million, it appears WellPoint now may outrank UnitedHealth as the largest health plan in the United States. Note that WellPoint includes approximately 5.1 million BlueCard members in membership reporting.

As of mid-year 2014, UnitedHealth's total U.S. medical membership was 36.5 million, reflecting a decrease of 445,000 when compared to 2nd quarter 2013. The company attributed the loss to losing a large state employer account and explained the decrease in commercial risk-based enrollment was due to disciplined pricing in a continued competitive environment.

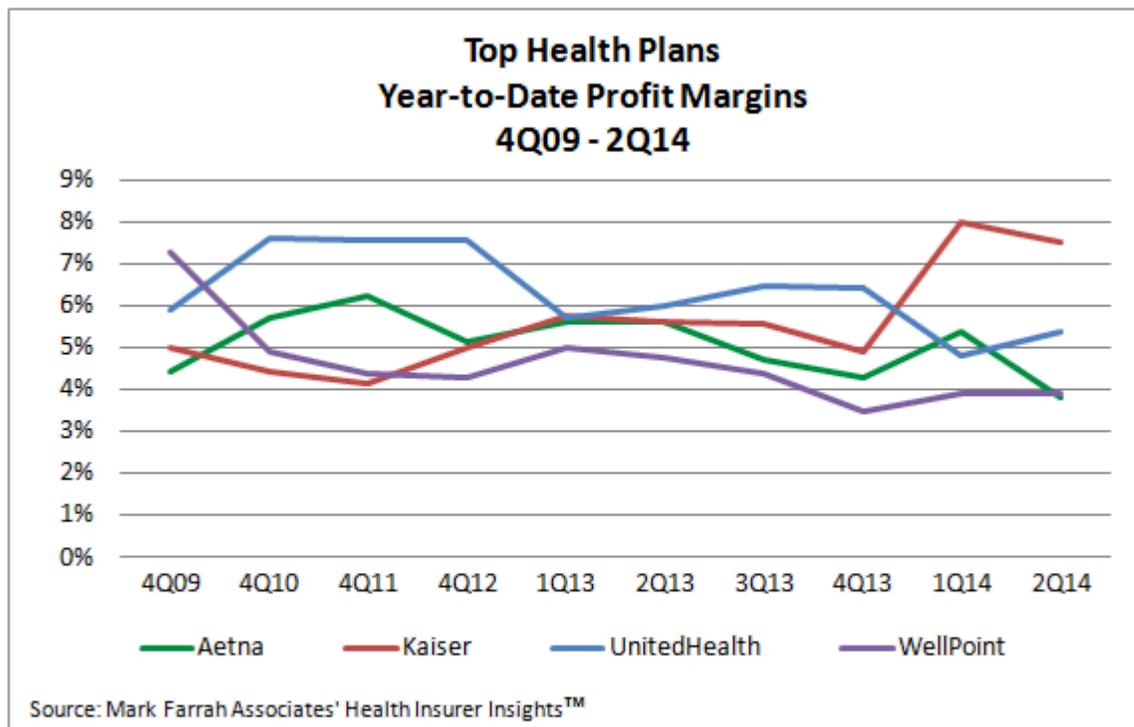
Kaiser Permanente offset a loss of group-risk members by adding almost a half million individual, non-group members in the last year. The 10% increase in ASO enrollment was moderate given the company's small self-funded book.

Cigna experienced modest growth in medical membership but has retained a significant ASO book; the company administers 11.2 million self-funded lives.

Second Quarter 2014 Profits Continued to Slide

Health insurers are striving for cost containment while investing in reform-driven expansion initiatives, technology and partnerships to sustain and grow business for the long term. Although 2nd quarter 2014 profit margins for industry leaders were favorable, profits were down when compared to 2nd quarter 2013.

A closer look at four of the top seven plans per the chart below shows that Kaiser's 2Q14 profit margin was 7.5% as the company continues to report favorable operating income. Aetna's 2Q14 profit margin was 3.8%, UnitedHealth's results show 5.4% and WellPoint's margin was 3.9%.



**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™.

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