



Top Plans Experience Enrollment Declines During 1Q09

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by Debra A. Donahue

The nation's leading health insurers saw an aggregate decline of 78,000 members between December 31, 2008 and March 31, 2009. Declining commercial enrollment was offset primarily by individual products offered to seniors. Health plan total enrollment growth decelerated throughout most of 2008 and now appears to have shifted to a halt for the top plans in 1Q09. Profitability improved marginally for some of the leading plans, but not all. These eight health plans cover 58% of the total insured population in the nation, and their experience may be a bellwether for the rest of the industry.

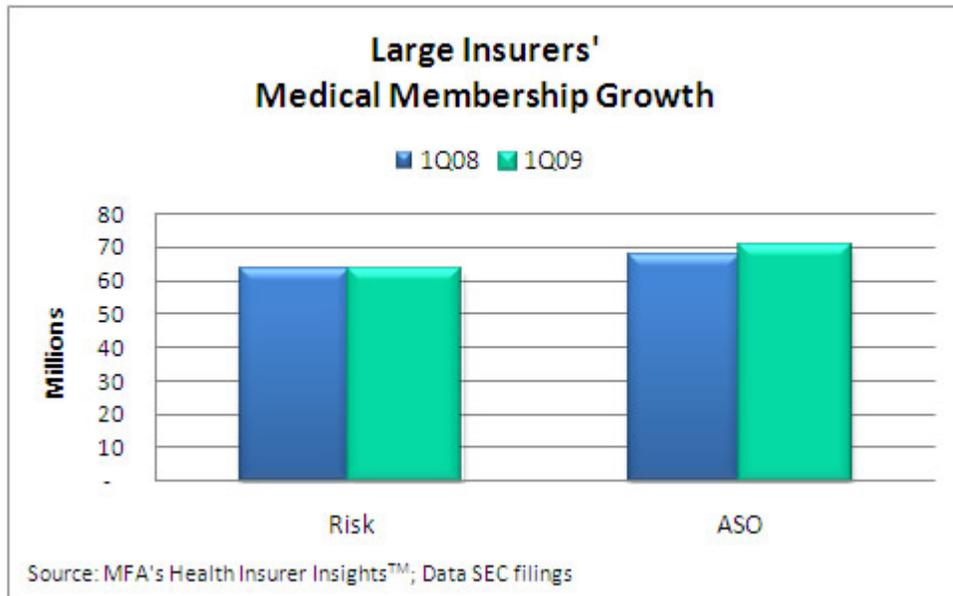
This brief presents key findings from MFA's review of enrollment and financial trends among eight top health insurers: Aetna, CIGNA, Health Care Service Corporation (HCSC), Health Net, Humana, Kaiser Permanente, UnitedHealth Group and WellPoint. It looks at results from first quarter 2009. Financial and membership data and observations were gleaned from the July 2009 Health Insurer Insight™ series.

Membership Growth Slows

The health insurance industry saw membership growth rates decline throughout 2008; however during the first quarter 2009 most of the leading health plans experienced membership losses. The eight leading companies reported a combined loss of 78,000 members, during the first quarter of 2009, bringing aggregate membership down to 133.1 million members from 133.2 million members at yearend 2008. Combined Medicare Supplement and Medicare Advantage (Senior) enrollment increased by 313,000 members between 4Q08 and 1Q09 offsetting much of the 403,000 membership decline experienced in the Commercial sector.

Large Insurers' Medical Membership Growth			
Segment	4Q08	1Q09	Change
Senior*	8,872,000	9,185,000	313,000
Medicaid**	6,896,000	6,908,000	12,000
Commercial**	117,418,000	117,015,000	(403,000)
Total	133,186,000	133,108,000	(78,000)
<small>* May include both Med Supp and Medicare Advantage but not PDP ** Includes ASO and Risk-based arrangements Source: MFA's Health Insurer Insights™; Data SEC filings</small>			

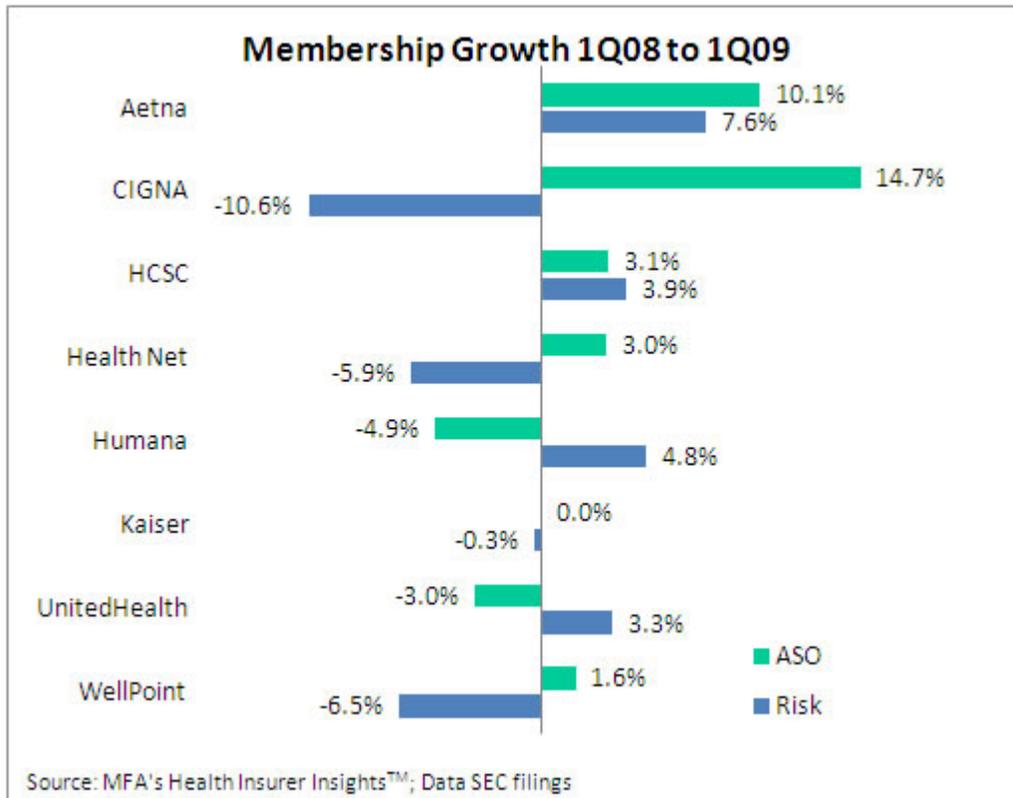
WellPoint and UnitedHealth, the two largest plans in the United States, saw total enrollment declines of 490,000 and 465,000 respectively. The economy and maintaining strict pricing and underwriting discipline were cited as reasons for the declines. Aetna, the third largest health insurance organization in the country, added 1.4 million total members during the same period, offsetting most of the enrollment declines experienced by its competitors.



Year-over-year, total membership for the eight leading plans increased by 2.2 million, from 130.9 million in 1Q08 to 133.1 million for 1Q09. ASO enrollment increased 3.5% and risk enrollment declined -0.2% for these plans during this period.

Health Plans' Mixed Results

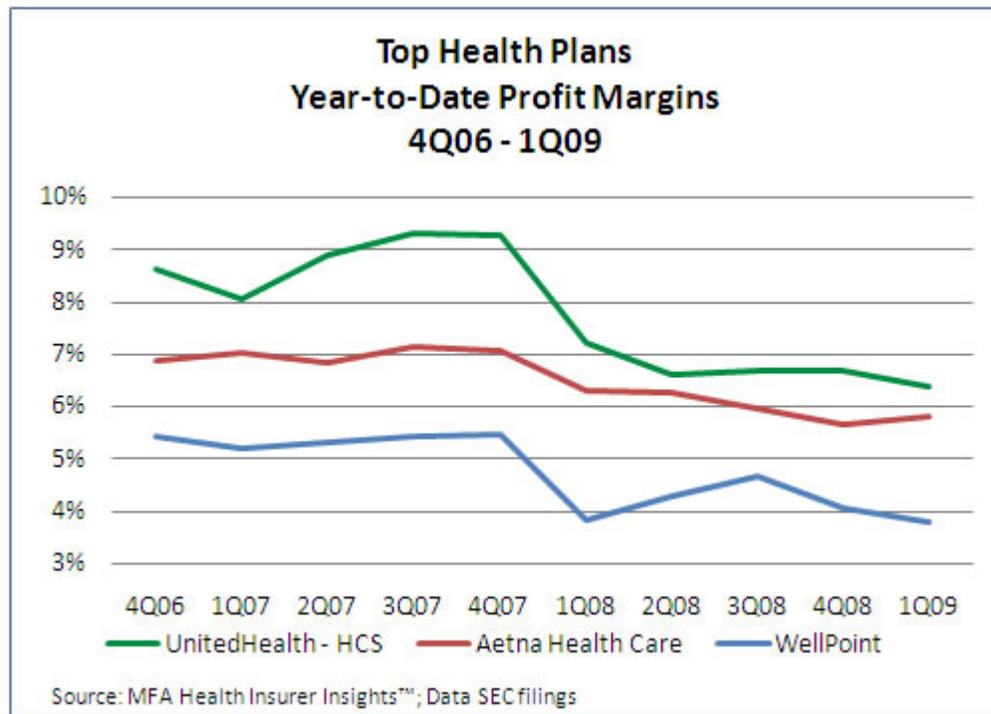
With a gain of 1.365 million members, Aetna was the only leading company to see significant enrollment growth between fourth quarter 2008 and first quarter 2009. It added more than twice as many members this period than it did during first quarter 2008. HCSC and Kaiser saw small increases in membership between 4Q08 and 1Q09, growing 0.3% and 0.1% respectively. The other five companies lost membership during this period. However, WellPoint, Health Net and Kaiser were the only organizations among top competitors that saw declines in membership year-over-year.



Between March 31, 2008 and March 31, 2009, Aetna, HCSC, Humana and UnitedHealth increased risk enrollment. Of the top plans, Humana and UnitedHealth reported decreases in ASO covered lives. CIGNA continued to experience the largest growth rate over the year, increasing total enrollment by 9.6%. CIGNA gained nearly 1 million new members between 1Q08 and 1Q09. However, Aetna which added more than 1.6 million members for the year gained the most for these eight plans. Cigna and WellPoint saw the largest declines in risk enrollment.

Profitability Improvement Mixed

Top health plans achieved mixed results in terms of profitability year-over-year and between yearend 2008 and first quarter 2009.



UnitedHealth Group's Health Care Service (HCS) business unit continued to see eroding profitability during first quarter 2009. It reported a 6.4% profit margin* for the period ended March 31, 2009 compared to 7.2% at March 31, 2008 and a 6.7% profit margin for the twelve months ended December 31, 2008. Aetna's Health Care sector's net income of 5.8% through March 31, 2009 was a slight uptick over the 5.6% net income reported for the year ended December 31, 2008. However, this was a decline from the 6.3% it saw for the period ended March 31, 2008. WellPoint's 3.80% first quarter 2009 profit margin was slightly below both its 3.83% first quarter 2008 results and in comparison to the 4.1% profit margin it showed for yearend 2008.

Kaiser and Humana both experienced improvements in first quarter net income compared with yearend 2008 and year-over-year results. CIGNA and Health Net experienced mixed results and HCSC saw declines in both year-over-year results and yearend 2008 net income.

With the 2010 open-enrollment season progressing, top health plan executives are juggling missed 2009 enrollment targets along with medical cost trend concerns and increased utilization provoked by the poor economy. Many are creating new employer-based products with down-sized benefit packages as well as direct-to-consumer options for individuals who have lost employer-sponsored coverage. Health plans are rising to these challenges while mending their own financial positions, and keeping their sights on health care reform initiatives coming out of Washington D.C. The remainder of 2009 should prove fascinating.

* Profit margin is net income (loss) divided by total revenues.

For consistent updates about membership changes and to keep informed about business strategies for top health insurers, subscribe to Health Insurer Insights™ and receive updated company profiles every three months. Profiles are available for Aetna, Assurant, Blue Cross Blue Shield of Massachusetts, CIGNA, Coventry Health Care, Harvard Pilgrim Health Care, Health Care Service Corporation (HCSC), Health Net, Humana, Kaiser Permanente, UnitedHealth Group and WellPoint. For a free demonstration of MFA products, email ProdMgr@markfarrah.com (<mailto:prodmgr@markfarrah.com>).

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Debra A. Donahue is Vice President of Market Analytics & Online Products with MFA.



Mark Farrah Associates
Phone: 724.338.4100
Web: www.markfarrah.com

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