IN THE LITERATURE

The Big Five Health Insurers' Membership and Revenue Trends: Implications for Public Policy

SYNOPSIS

The five largest U.S. commercial health insurers collectively cover more than two-fifths of the insured population. Over the past decade, these companies' bottom lines have become increasingly linked to Medicare and Medicaid, with the two programs accounting for 59 percent of revenues in 2016. Access to coverage could be improved if insurers that participate in Medicaid or Medicare were required to also participate in the marketplaces in the same geographic area.

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Access to full article.

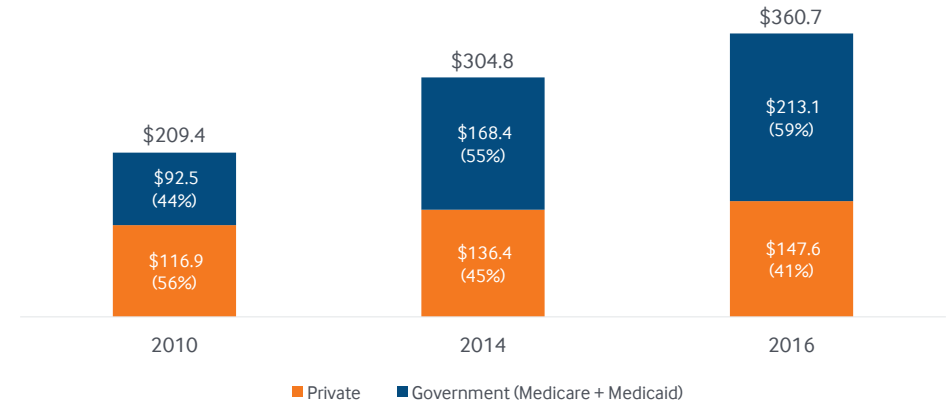
THE ISSUE

The U.S. health insurance industry has consolidated. As of 2016, the five largest for-profit insurers — UnitedHealthcare, Anthem, Aetna, Cigna, and Humana — had 125 million members, representing 43 percent of the country's total insured population. With enrollment in Medicare and Medicaid expanding, the "big five" have become increasingly dependent on the two programs for their growth and profitability. At the same time, they have entered and exited the Affordable Care Act (ACA) marketplaces in multiple states, adding to the fragmentation of insurance markets and creating anxiety for consumers in regions left with few participating health plans. The New York Academy of Medicine's Cathy Schoen and the Commonwealth Fund's Sara Collins examined membership and financial trends for the five leading health insurance carriers.

KEY FINDINGS

- In 2016, Medicare and Medicaid accounted for 59 percent of combined U.S. revenue for the five insurers, more than doubling since 2010, from $92.5 billion to $213.1 billion.
- Collectively, the five insurers' membership grew by 23 million (23%) from 2010 to 2016, with four of the five growing by at least 20 percent. This was more than double the increase from 2005 to 2010, the five years leading up to the ACA's passage.
- Medicare and Medicaid business grew faster than other segments between 2010 and 2016, doubling

Revenues from Premiums and ASO Contracts for the Five Largest U.S. Commercial Health Insurers, by Market Segment



Notes: ASO = administrative services only. Authors' analysis of data from insurers' annual corporate filings with the Securities and Exchange Commission. Revenue from people insured in other countries is excluded. Medicare revenue includes Medigap and Part D supplemental plans. Aetna, Cigna, Humana revenues exclude specialty service revenue. Anthem does not report Medicare or Medicaid revenue separately. Its government-market revenue includes revenue from federal employees. Aetna stopped reporting Medicare and Medicaid revenues separately in 2014. Cigna and Humana did not report Medicaid revenue separately in 2010.

Adapted from C. Schoen and S. R. Collins, "The Big Five Health Insurers' Membership and Revenue Trends: Implications for Public Policy," *Health Affairs,* Dec. 2017 36(12):2185–94.

The Commonwealth Fund

from 12.8 million members to 25.5 million across all five firms. By 2016, the carriers accounted for 52 percent of the Medicare Advantage market. Medicaid enrollment also doubled (7 million to 15 million).

- Despite experiencing losses in the individual market, four of the five (with the exception of Humana) reported that pretax profits either held steady or increased from 2013 through 2016, the first three years of the ACA's individual-market reforms.
- Profit margins had declined between 2010 and 2013 (prior to ACA implementation) before stabilizing between 2014 and 2016 (with the exception of Humana), as individual-market losses were offset by gains in other segments.
- The stock prices for all five insurers cumulatively increased more than 200 percent from 2011 to 2016.

Despite reported losses in insurers' individual-market business, corporate reports reveal healthy profitability and strong revenue growth overall, with other market segments — including Medicare and Medicaid — offsetting losses. The data underscore a growing mutual dependence between public programs and private insurers.

THE BIG PICTURE

Medicaid and Medicare have been a key source of membership growth for the five insurers, with plans strategically positioning themselves to enter or expand in these markets. For example, when Anthem purchased Amerigroup in 2012, it more than doubled its Medicaid membership while expanding into 20 new states. UnitedHealthcare, meanwhile, expanded into Medicare by partnering with AARP to offer Part D prescription coverage and buying regional plans that had Medicare Advantage business.

At the same time, these insurers have exited a number of state ACA marketplaces, citing financial uncertainty. To stabilize insurance markets across all segments and ensure consumer access to plans, the authors say, federal and state law could require any carrier participating in Medicare or in state Medicaid programs to also offer individual-market plans in those geographic areas. Such "tying" requirements would make it more difficult and costly for plans to jump in and out of markets.

ABOUT THE STUDY

The researchers analyzed annual corporate filings with the federal Securities and Exchange Commission, known as 10–K reports, for the five largest for-profit commercial insurers. Data are for 2010 through 2016, which includes three years before the ACA's major insurance reforms and three years following them.

THE BOTTOM LINE

The five largest commercial insurers together enroll 43 percent of the insured population, and they increasingly rely on their Medicaid and Medicare business for growth and profitability. Federal and state governments could potentially improve access to coverage by requiring insurers that participate in Medicaid or Medicare to also participate in the marketplaces in the same geographic area.

C. Schoen and S. R. Collins, "The Big Five Health Insurers' Membership and Revenue Trends: Implications for Public Policy," *Health Affairs,* Dec. 2017 36(12):2185–94.

This summary was prepared by Deborah Lorber.