

Briefing Paper

Individual Health Insurance Markets Grow and Are Transformed: Results for Four States

© Allan Baumgarten, 2014

As implementation of the Affordable Care Act (ACA) continues, the market for individual health insurance has grown sharply and been transformed in many states. This briefing uses individual plan enrollment data from companies in Arizona, Michigan, Minnesota and Wisconsin to compare changes in enrollment and market share during the rollout of key provisions of the ACA: the individual mandate, new standards for qualifying health plans and subsidized coverage available through exchanges. The analysis is partly based on the research that I conduct to produce my health care payer and provider market reports for eight states. In 2014, I am releasing new reports for five states: Illinois, Michigan, Minnesota, Texas and Wisconsin. Additional information on my state reports and links to request or download sample reports can be found at <http://www.AllanBaumgarten.com>

This paper is divided in two sections. In the first, we present enrollment data for individual plans in these states based on their NAIC (National Association of Insurance Commissioners) annual and quarterly statements. We compare enrollment and market share at the end of 2013 and at the end of the first half of 2014 to measure the impact of implementation of the Affordable Care Act on the individual market in that state. In the second section, we look at some of the factors that influenced those results, including whether or not the state and its major insurers elected to renew non-complying plans and the role of new market entrants, including co-operatives and Medicaid insurance companies.

Changes in Enrollment and Market Share

This analysis is based on a comparison of enrollment data from annual and quarterly statements that health insurers submit to state regulators. For companies based in each state, we took the data from the Exhibit of Premiums, Enrollment and Utilization (page 30) in their annual statement for 2013 and their second quarter statement (page 7) for 2014. For national insurance carriers, we took the 2013 end of year individual enrollment numbers from the Supplemental Health Care Exhibit (page 216), which was added a few years ago to report compliance with the medical loss ratio standards established by the ACA – 80% for individual and small group plans and 85% for large group plans. However, these national carriers do not file quarterly reports on their enrollment by state, so it is not possible to compare enrollment changes for them until they submit their 2014 annual statements in the spring of 2015. In fact, some of them are licensed as life insurers and do not file national enrollment numbers in their quarterly reports. Humana Insurance is one of the few national carriers that does file national enrollment numbers in its quarterly reports. That report shows that individual enrollment in Humana Insurance Company plans dropped from 419,000 at the end of 2013 to 336,000 at the end of March 2014, but then bounced back to 411,000 at the end of June.

The market share of those national insurers varies widely for these four states. National insurers like Aetna Life Insurance or Humana Insurance account for as much as 30.5% of the individual market in Arizona at the end of 2013 but as little as 5.6% in Minnesota. In Wisconsin national carriers controlled just under one-fifth of the individual market as of December 2013, while they had 13% of the Michigan market for individual coverage. Our enrollment numbers for the national carriers do not include every insurer doing business in these states, but do include all of them with more than a few dozen enrollees. We downloaded 2013 statements with enrollment data for 11 of the national insurers.

Arizona

Arizona chose not to establish its own marketplace but rather to be part of Healthcare.gov, the federally facilitated health care insurance marketplace. Seven companies offered to sell HMO and PPO plans for 2014 to Arizona residents through the marketplace. At the end of the first open enrollment period, the U.S. Department of Health & Human Services reported that about 120,000 individuals in Arizona selected a

marketplace health plan on Healthcare.gov That data does not distinguish between persons who had paid a premium by that date or not, and we suggest that those numbers overstate the actual number paying premiums to a health plan and completing their enrollment.

Exhibit 1 shows that at the end of December 2013, about 188,000 individuals were enrolled in insurance plans in Arizona. (In these tables, we highlight in yellow the companies that have the largest market share or who had significant enrollment changes during this period.) Of that number, about 131,000 were enrolled in Arizona health plan companies. The others were in companies like Humana Insurance, Aetna Life Insurance and Health Net Insurance. The Arizona companies in the top half of the table added 76,000 individual lives between the end of 2013 and June 30, 2014.

In 2013, about 129,000, or about two-thirds of the total (including the national insurers), were enrolled in Blue Cross Blue Shield of Arizona. While Blue Cross Blue Shield added more than 10,500 individuals during that six-month period, HealthNet of Arizona got by far the largest number of new enrollees, growing by nearly 62,000 lives. Price was clearly a consideration: Health Net offered a Silver Plan with a \$2,000 deductible, not including the Banner hospitals, for which a 27-year old would pay \$161 in Maricopa County. A Blue Cross Silver Plan with a \$3,000 deductible and a limited hospital network was more expensive.

Exhibit 1

Enrollment in Individual Health Insurance Plans in Arizona, 2013 and June 2014*

Arizona Health Plans	December 2013 Enrollment	June 2014 Enrollment	Change Through June 2014		2013 Market Share	June 2014 Market Share
Blue Cross Blue Shield	129,251	139,802	10,551	8.2%	99.0%	67.6%
CIGNA Healthcare	636	385	-251	-39.5%	0.5%	0.2%
Health Choice Arizona	0	495	495	NA	0.0%	0.2%
HealthNet of Arizona	596	62,263	61,667	10346.8%	0.5%	30.7%
Meritus Health Partners (HMO)	0	3,218	3,218	NA	0.0%	1.6%
Meritus Mutual Health Partners (PPO)	0	269	269	NA	0.0%	0.1%
UnitedHealthcare	25	12	-13	-52.0%	0.0%	0.0%
University of Arizona	0	277	277	NA	0.0%	0.1%
Health Plan Subtotal	130,547	206,721	76,174	58.3%	100.0%	100.0%
National Carriers	December 2013					
Aetna Life Insurance	13,608					
Connecticut General	2,385					
Health Net Insurance	11,869					
Humana Insurance	17,337					
Time Insurance	11,124					
UnitedHealthcare Insurance	1,077					
National Carrier Subtotal	57,400					
TOTAL	187,947					

Three new competitors – Health Choice Arizona, Meritus Mutual and University of Arizona Health - entered the market for individual coverage in Arizona and offered products on the Healthcare.gov website

* Data for Meritus Health Partners was added after the original version of this paper was released.

and through brokers and other web sites. However, the three barely made a dent in the market, gaining a total of 4,000 enrollees between the three. Health Choice Arizona is the Medicaid (known here as AHCCCS) health plan owned by the IASIS hospitals in Phoenix, Meritus is the new co-operative health plan in the state and University of Arizona Health Plans/Marketplace is owned by the University of Arizona and is related to one of the AHCCCS plans. (The University of Arizona Health Plans is currently in discussions with Banner Health, the largest hospital system in the state, about Banner Health acquiring the University of Arizona providers and health plans.)

Michigan

Michigan chose to participate in a State-federal Partnership Marketplace. Governor Snyder supported a state-operated exchange but could not get legislative support. For the 2014 open enrollment, 13 HMOs and insurers (some part of the same company) offered Michigan plans on Healthcare.gov. For 2015, five more companies have applied to sell plans on the exchange.

At the close of the first open enrollment season, the Department of Health and Human Services reported that nearly 273,000 Michigan residents had chosen an individual plan at Healthcare.gov. *Exhibit 2* shows that the number of individuals with coverage through Michigan insurance companies nearly doubled in the first half of 2014, from 226,000 to 432,000. (The national carriers had only 33,600 members in 2013.)

Exhibit 2

Enrollment in Individual Health Insurance Plans in Michigan, 2013 and June 2014

Health Plan	December 2013	June 2014	Change Through June 2014		Market Share 2013	Market Share June 2014
Blue Care Network	3,053	125,614	122,561	4014.4%	1.4%	29.1%
Grand Valley Health Plan	78	69	-9	-11.5%	0.0%	0.0%
Health Alliance Plan	1,267	4,974	3,707	292.6%	0.6%	1.2%
HealthPlus	341	2,400	2,059	603.8%	0.2%	0.6%
Humana Medical Plan	0	31,738	31,738	NA	0.0%	7.3%
McLaren Health Plan	3,004	7,069	4,065	135.3%	1.3%	1.6%
Meridian Health Plan	0	14	14	NA	0.0%	0.0%
Paramount Care of MI	3	0	-3	-100.0%	0.0%	0.0%
Physicians Health Plan	101	40	-61	-60.4%	0.0%	0.0%
Priority Health	929	6,436	5,507	592.8%	0.4%	1.5%
Total Health Care USA	2,323	25,768	25,768	1009.3%	1.0%	6.0%
HMO Subtotal	11,099	204,122	195,346	1739.1%	4.9%	47.3%
Alliance Health and Life	9,540	9,694	154	1.6%	4.2%	2.2%
Blue Cross Blue Shield	174,122	180,681	6,559	3.8%	77.1%	41.8%
Consumers Mutual	0	189	189	NA	0.0%	0.0%
HealthPlus Insurance	12,373	21,182	8,809	71.2%	5.5%	4.9%
Priority Insurance	18,722	16,034	-2,688	-14.4%	8.3%	3.7%
Insurer Subtotal	214,761	227,780	13,019	6.1%	95.1%	52.7%
TOTAL	225,860	431,920	208,365	91.2%	100.0%	100.0%

Exhibit 2 (continued)

National Carriers	December 2013					
Aetna Life	10,444					
Connecticut General	12					
Humana Insurance	9,775					
Time Insurance	13,283					
UnitedHealthcare Insurance	88					
National Carrier Subtotal	33,602					
TOTAL	259,462					

Blue Care Network, the commercial and Medicare HMO of Blue Cross Blue Shield, reported the largest gains, adding almost 123,000 new lives and ending the first half of the year with 29% of the enrollment for Michigan insurers. The largest insurer of individuals remains Blue Cross Blue Shield, which only added about 6,600 new individual lives in the first half of 2014. It has 41.8% of the market, so the two Blue Cross plans combined now have 71% of the market. Two other HMOs, Humana Medical Plan and Total Health Care USA, also posted significant gains. Humana offered the least expensive plans in Michigan and is now the third largest individual insurer in the state. Priority Health (HMO) added 5,500 lives, though its affiliated Priority Insurance Company lost 2,700 lives.

While Humana reported strong gains, two other newcomers to the individual line of business did not do as well. Meridian Health Plan offered an exchange plan in the southwestern part of the state, co-branded with the Bronson Health system, but got less than 20 members. Consumer Mutual Insurance Company, a newly formed co-operative gained less than 200 individual members, plus another 1,300 small group members.

Minnesota

Minnesota chose to build and operate its own exchange, called MNsure (MNsure.org) MNsure experienced significant problems with its operations and leadership, and even now relies on manual processes for several key functions. Five HMOs and health insurers sold through MNsure; two offered HMO plans and three insurers sold PPO plans. MNsure reported that almost 52,000 enrolled in Qualified Health Plans through the exchange, plus another 186,000 in Medicaid and MinnesotaCare (CHIP) during the open enrollment. However, data from the health plans showed that only about 42,000 actually paid a premium and completed enrollment in private plans. That has implications for future operation of MNsure, since its funding going forward is tied to fees charged on enrollees.

Exhibit 3 shows the enrollment in individual plans operated by Minnesota companies increased by 24.5% in the first half of 2014, or about 57,000 lives. The biggest gains were made by PreferredOne Insurance, which added more than 65,000 new members and went from an individual market share of 6.3% to 27.7%. Blue Cross Blue Shield, which had 60% of the market in 2013 added about 14,300 net new individual members but saw its market share decrease to 53%.

Exhibit 3

Enrollment in Individual Health Insurance Plans in Minnesota, 2013 and June 2014

Health Plans	December 2013	June 2014	Change Through June 2014		Market Share 2013	Market Share June 2014
Blue Plus	122	71	-51	-41.8%	0.1%	0.0%
Group Health	39	4,949	4,910	12589.7%	0.0%	1.7%
HealthPartners	2,727	1,805	-922	-33.8%	1.2%	0.6%
Medica	66	2,081	2,015	3053.0%	0.0%	0.7%
UCare	0	422	422	NA	0.0%	0.1%
HMO Subtotal	2,954	9,328	6,374	215.8%	1.3%	3.2%
Other Health Insurers						
Blue Cross Blue Shield	139,556	153,846	14,290	10.2%	60.0%	53.1%
HealthPartners Insurance	26,540	20,772	-5,768	-21.7%	11.4%	7.2%
Medica Insurance	48,907	25,479	-23,428	-47.9%	21.0%	8.8%
PreferredOne Insurance	14,576	80,061	65,485	449.3%	6.3%	27.7%
Other Health Insurer Subtotal	229,579	280,158	50,579	22.0%	98.7%	96.8%
TOTAL	232,533	289,486	56,953	24.5%	100.0%	100.0%
National Carriers						
Aetna Life	49					
Connecticut General	28					
Humana Insurance	5					
Time Insurance	13,492					
UnitedHealthcare Insurance	91					
National Carrier Subtotal	13,665					
TOTAL	246,198					

Note that HealthPartners operates as two licensed HMOs and a separate insurance company. Combined, it lost about 1,700 lives; while its Group Health HMO added nearly 5,000 new members, its HealthPartners Insurance Company lost about 5,800. Similarly, Medica's HMO gained 2,000 individual lives, but its separate insurance company lost 23,400 in that six-month period.

While no new co-operatives were formed to offer health insurance in Minnesota, one of the Medicaid/Medicare HMOs, UCare, did begin to offer individual plans for 2014. However, UCare got fewer than 500 enrollees, even though it advertised its plan offerings widely and had a co-branded product with the Fairview Health system. In the Twin Cities area, PreferredOne offered a Silver plan with a \$3,500 deductible for a monthly premium (for a 27-year old) of \$140. Some national comparisons showed that plan as the least expensive in the entire country. However, those inexpensive plans were not available in all parts of the state. In the city of Rochester, where Mayo Clinic is the dominant provider, there were few insurers offering plans and the available options were much more expensive.

Wisconsin

Wisconsin elected to be part of Healthcare.gov, the federally facilitated health care insurance marketplace. For 2014, 11 HMOs and other insurers offered a range of HMO and PPO plans, though there were some counties with only a small number of insurers offering plans. The April data from the U.S. Department of

Health and Human Services showed that 139,815 Wisconsin residents signed up for marketplace plans at Healthcare.gov

In *Exhibit 4* we shows that enrollment in individual plans (for Wisconsin companies) doubled in the first half of 2014, to 228,000. The biggest gains were by Common Ground Healthcare, a new co-operative plan, which went from zero to more than 27,000 individual enrollees in just six months. Note that while HMOs in Minnesota had very few individual members. Wisconsin HMOs started 2014 with 60,000 individuals.

Exhibit 4
Enrollment in Individual Health Insurance Plans in Wisconsin, 2013 and June 2014

Health Plan	December 2013	June 2014	Change Through June 2014		Market Share 2013	Share June 2014
Compcare Health Services	17,856	35,244	17,388	97.4%	16.0%	15.5%
Dean Health	23,958	43,699	19,741	82.4%	21.4%	19.2%
Group Health Cooperative South Central	1,901	1,883	-18	-0.9%	1.7%	0.8%
Health Tradition	679	3,299	2,620	385.9%	0.6%	1.4%
Medica Health Plans	0	6,862	6,862	NA	0.0%	3.0%
MercyCare HMO	50	850	800	1600.0%	0.0%	0.4%
Molina Healthcare	0	3,804	3,804	NA	0.0%	1.7%
Network Health Plan	1,719	1,526	-193	-11.2%	1.5%	0.7%
Physicians Plus	4,235	3,403	-832	-19.6%	3.8%	1.5%
Security Health Plan	8,149	27,596	19,447	238.6%	7.3%	12.1%
UnitedHealthcare	2		-2	-100.0%	0.0%	0.0%
Unity Health Plans	2,722	9,752	7,030	258.3%	2.4%	4.3%
WPS Health Plan (ARISE)	7,973	20,549	12,576	157.7%	7.1%	9.0%
HMO Subtotal	69,246	158,467	89,221	128.8%	61.9%	69.5%
Blue Cross Blue Shield	7,409	4,609	-2,800	-37.8%	6.6%	2.0%
Common Ground	0	27,475	27,475	NA	0.0%	12.1%
Network Health Insurance	620	512	-108	-17.4%	0.6%	0.2%
Wisconsin Physician Service Insurance	34,599	36,791	2,192	6.3%	30.9%	16.1%
Other Insurer Subtotal	42,628	69,387	26,759	62.8%	38.1%	30.5%
TOTAL	111,874	227,854	115,980	103.7%	100.0%	100.0%
National Carriers	December 2013					
Aetna Life	22					
Humana Insurance	10,977					
Time Insurance	16,012					
UnitedHealthcare Insurance	145					
Subtotal	27,156					
TOTAL	139,030					

Other plans with significant gains were Dean Health, WPS Health Plan, Security Health Plan and Compcare Health, the HMO of Blue Cross Blue Shield of Wisconsin. Unlike the Blue Cross plans in the other three states analyzed here, individual business is not that significant for the Wisconsin Blues plan. Medica Health Plan of Wisconsin, controlled by a Minnesota company, has re-opened and recapitalized its dormant HMO license for western Wisconsin, and gained close to 6,900 new individual members. Plans were generally more expensive here than in Minnesota. There were only three Silver plans (offered by

Dean Health) that could be bought for less than \$200/month for a 27-year old. The most expensive plans were those offered in western Wisconsin and by some of the plans in Madison.

Issues Affecting Individual Plan Enrollment

In this section we discuss several market elements that affected the growth of individual plans and the shifts that we described in market share. Note that health plans marketed and sold their plans through multiple channels: their state exchange, their own web sites and enrollment representatives and on-line and traditional agents and brokers. PreferredOne in Minnesota attributed more than half of its membership gain to channels outside of the MNsure exchange. New entrants like co-operatives or Medicaid plan that did not have a well-developed sales team or ties with local agents were hurt badly by the operational problems experienced by Healthcare.gov and some of the state exchanges.

Renewing Non-Qualified Plans

The Affordable Care Act directed that HHS developed new standards for qualifying health plans and that insurers not be allowed to sell such plans in 2014. In the fall of 2013, insurance companies sent out notices to certain individual policyholders informing them that their current coverage did not meet the requirements of the Affordable Care Act and that they would need to switch to a qualifying plan for 2014. Faced with an uproar, federal authorities offered state insurance regulator the option of allowing states to decide whether or insurers and policyholders could renew those non-compliant policies for 2014.

States responded in a variety of ways, with many of them, including many states operating their own exchanges, saying they would not allow the “transition fix.” In Arizona, the state decided not to allow plans to renew non-qualified plans after January 1, 2014. However, it did permit and even encourage insurers to invite policyholders to renew their non-qualified before the end of 2013, thus extending those plans into 2014.

Faced with opposition from the health plans, Minnesota did not allow individuals to renew plans that did not meet ACA standards. The health plans argued that they had set their new rates assuming a risk mix that included consumers leaving behind their old non-qualifying plans and allowing them to renew would be too disruptive. About 140,000 Minnesotans received letters saying that their plans would not be renewed, so they went shopping for new coverages. Many of them found their way to PreferredOne, with its low rates and generally broad provider networks. Some of the other insurers, with higher premiums and more limited networks, lost market share. In interviews, some insurers suggested that PreferredOne was buying the business by under-pricing its products. PreferredOne pointed out that its medical loss ratio on its existing individual lives was so low that it was one of the few Minnesota insurers that had to pay rebates because of not meeting the loss ratio minimums.

Many of the states that defaulted to the federal exchange did allow policyholders and insurers to renew. In Michigan, Governor Snyder allowed insurers to continue the non-compliant policies into 2014. However, Blue Cross Blue Shield, the largest insurer in the state, did not extend its plans, except for a special “Keep Fit” product whose renewal date came before the end of 2013. Wisconsin did allow individuals and insurers to continue their non-compliant plans, and it has been reported that more than 80% of them did.

New Market Entrants

With funding under the Affordable Care Act, 23 new co-operative health plans were launched in 2013, including companies in Arizona, Michigan and Wisconsin. The goal of that program was to inject new competition into the individual and small group insurance markets. And some plans that were specifically formed to contract with state Medicaid programs decided to expand into individual business. They promoted themselves as offering two strengths: a demonstrated track record of managing care for a low-income population and the ability to smooth transitions for people moving between Medicaid and subsidized exchange coverage as their job situation changed.

In these four states, only one of these new entrants was successful in attracting more than a handful of new members. Common Ground Healthcare gained more than 27,000 members in the first half of 2014.

However, it has lost \$9.4 million in the first six months of 2014, on top start-up costs of \$4.3 million in 2013. Common Ground offered a broad provider network, including the Aurora hospitals and physicians, the largest provider system in the state. Lacking experience and being cautious, some of the Medicaid health plans and co-operatives set their premiums rates higher than other plans in the market. For 2015, it is likely that many of them will try to “sharpen their pencils” and offer plans at a lower price point.

HMO Versus PPO?

We did not observe a clear pattern showing that insurers offering HMO plans to individuals did any better or any worse than those offering PPO plans. Some companies offered both kinds of plans for a variety of marketing reasons. In any case, the distinctions may not be meaningful to a consumer who is comparison-shopping based on price and provider network.

In at least one instance, the an insurer operating both an HMO and a separate accident and health insurance company elected to use their insurance company license for new individual plans. PreferredOne in Minnesota explained that, based on their anticipated new enrollment, it would need to add millions in new capital in order to remain in compliance with state capital adequacy requirements. It determined that the additional capital that would be required from its owners (the Fairview and North Memorial systems) would be less if the new enrollees came to the insurance company instead of the HMO.