Overview: California's Health Insurance Markets

Committee on Public Health and Development Services of the Second Extraordinary Session

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Katherine Wilson

Wilson Analytics, Author of CHCF publication

California Health Insurers: Brink of Change

Wilson Analytics

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Big Picture

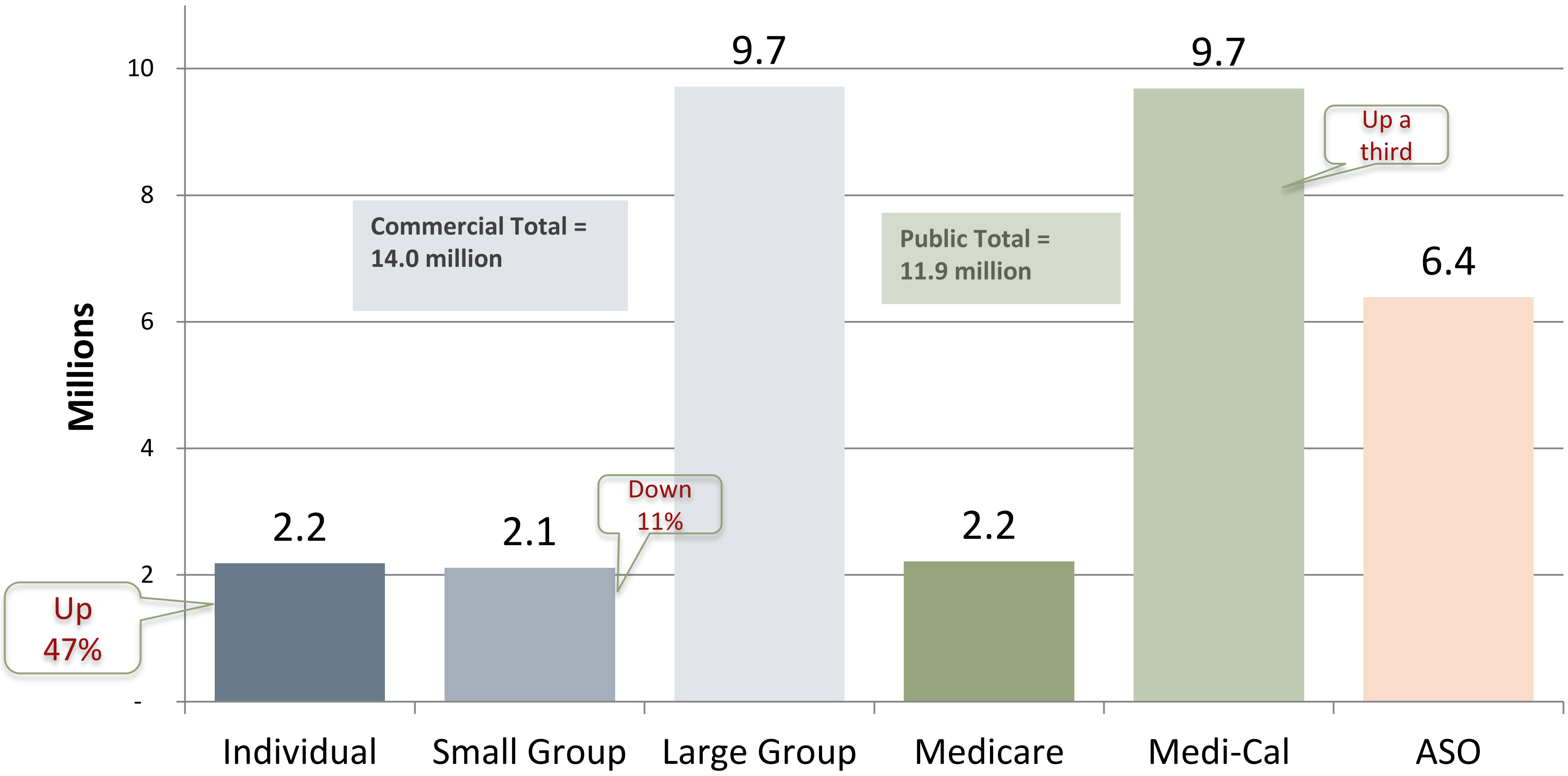
Diverse Marketplace

- Multiple Market Sectors
- Two Regulators
- For-profit & Not-for-profit Companies
- Government-based & Wall-Street-Backed Operators
- Statewide, national, regional, and specialized carriers
- Variations in finances

Trends

- Public enrollment increasing, especially Medi-Cal
- Group business – Eroding enrollment
- Individual – Growth due to ACA
- Recent Business Shifts to DMHC
- Merger Activity – Hot
- Operations in the black, mostly

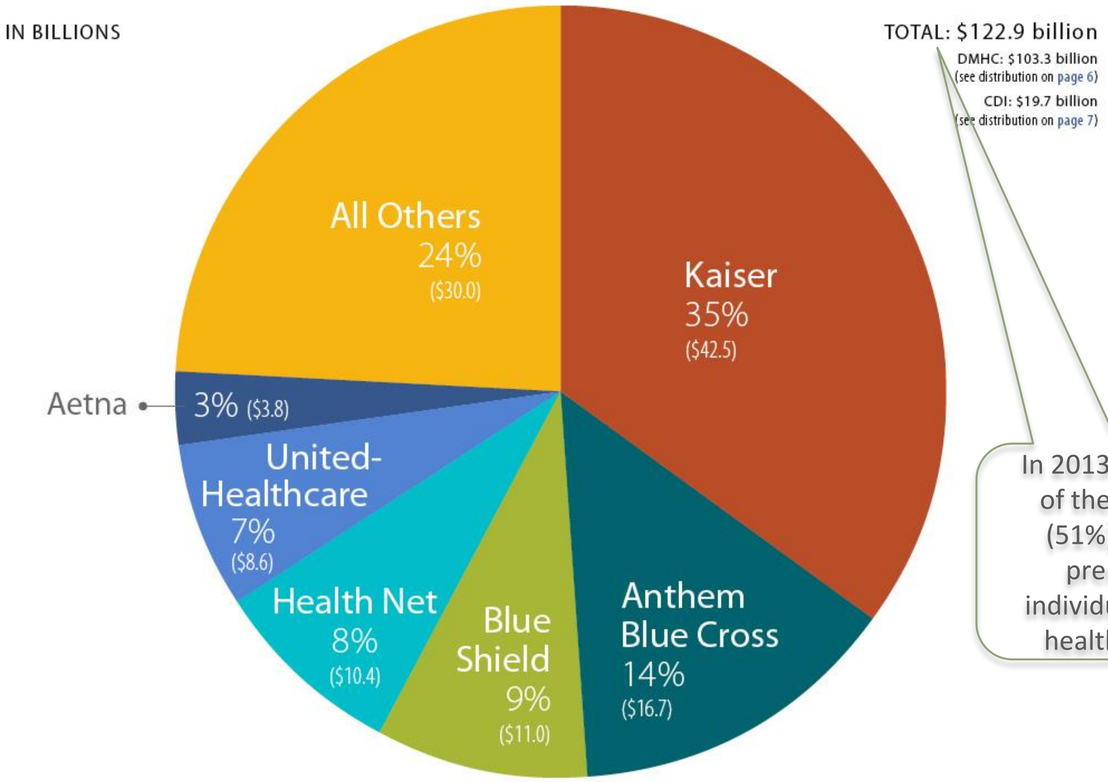
Market Size 2014: 25.9 M. Insured



Notes: 25.9 million combined commercial and public enrollees. Insurers provide administrative services only (ASO) for an additional 6.4 million enrollees in employer's self-insured plans. Medicare and Medi-Cal shown reflect managed care enrollment.
Source: Department of Managed Health Care and California Department of Insurance, AB 1083 reporting.

All Health Insurers, by Share of Revenue

California, 2013



In 2013, $62.3 billion of these revenues (51%) were from premiums for individual and group health insurance.

Notes: Kaiser figures adjusted to reflect only California business. UnitedHealthcare figures include PacifiCare. All Others reflects other full-service plans regulated by DMHC (including L.A. Care, SCAN, and CalOptima), as well as the Accident and Health (A&H) line of business regulated by CDI. Share computation based on total revenues from DMHC-regulated insurers and California A&H direct premiums written.

Sources: Department of Managed Health Care (DMHC) Health Plan Financial Summary Data, wpso.dmhc.ca.gov; California Department of Insurance (CDI): Life and Annuity Market Share Report, 2013, Exhibit 4(D), www.insurance.ca.gov; Insurers' Annual Statements, Schedule T, 2013.

2014 Update*

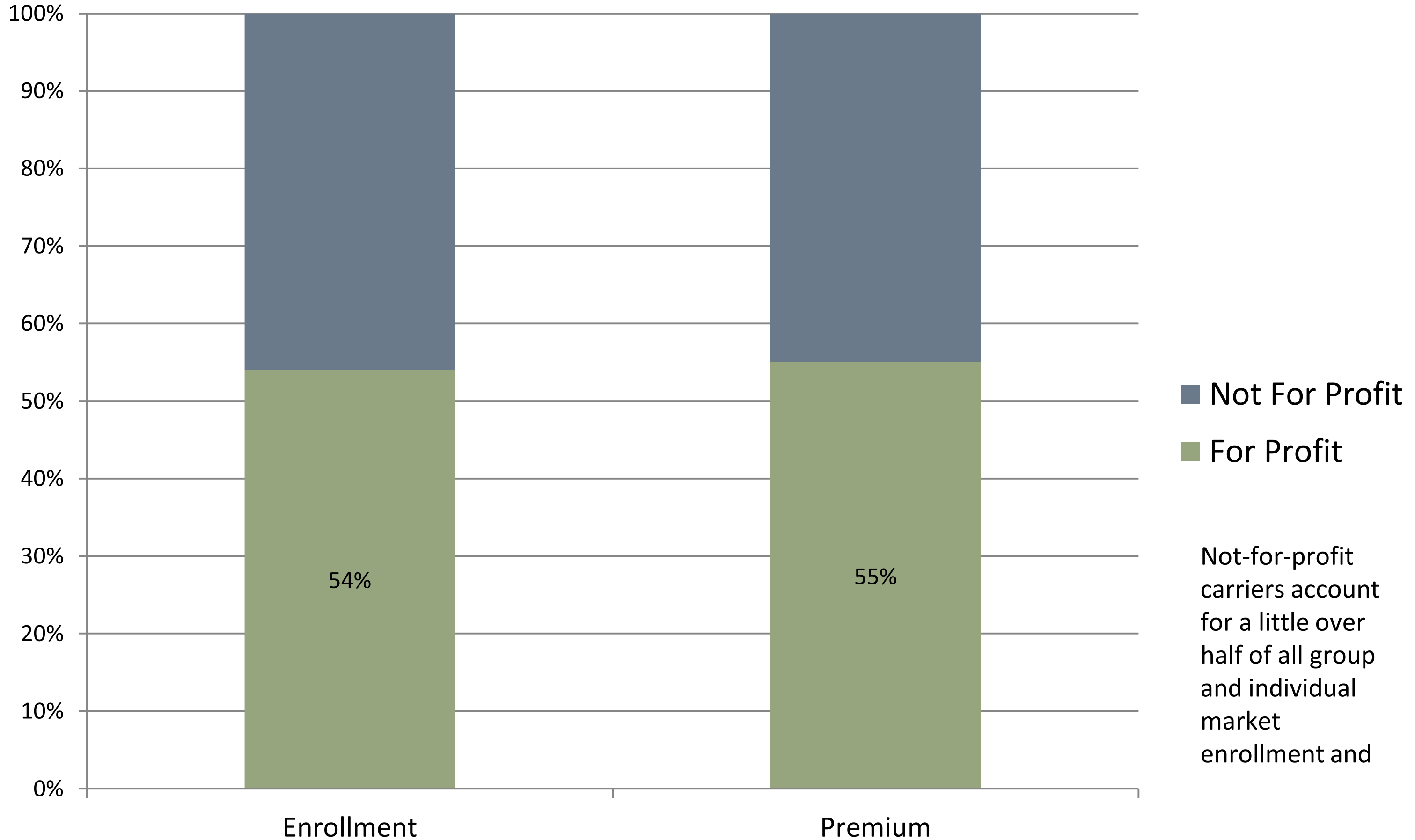
Total: $154 B

DMHC: $136 B

CDI: $18 B

*Preliminary Results

Amount of Business* in For-Profit vs NFP Carriers, 2013

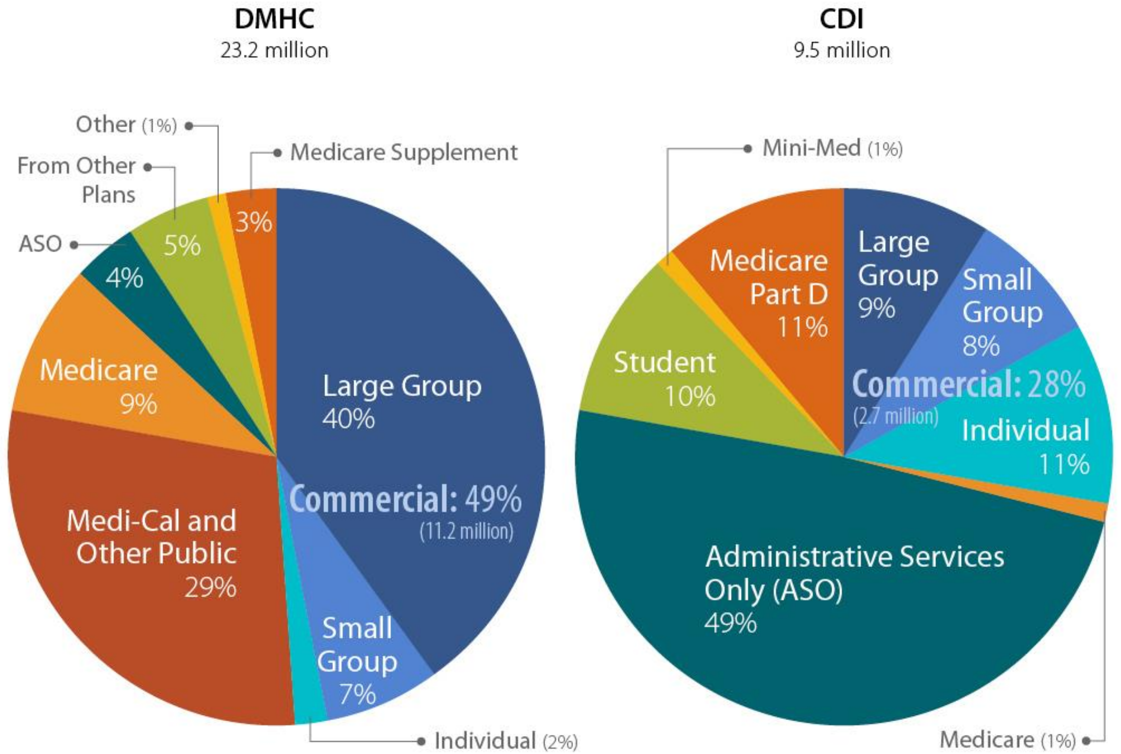


Not-for-profit carriers account for a little over half of all group and individual market enrollment and

* Commercial business (individual, small group, and large group).
Source: Centers for Medicare and Medicaid Services, Medical Loss Ratio filings, California.

Lines of Business by Regulator

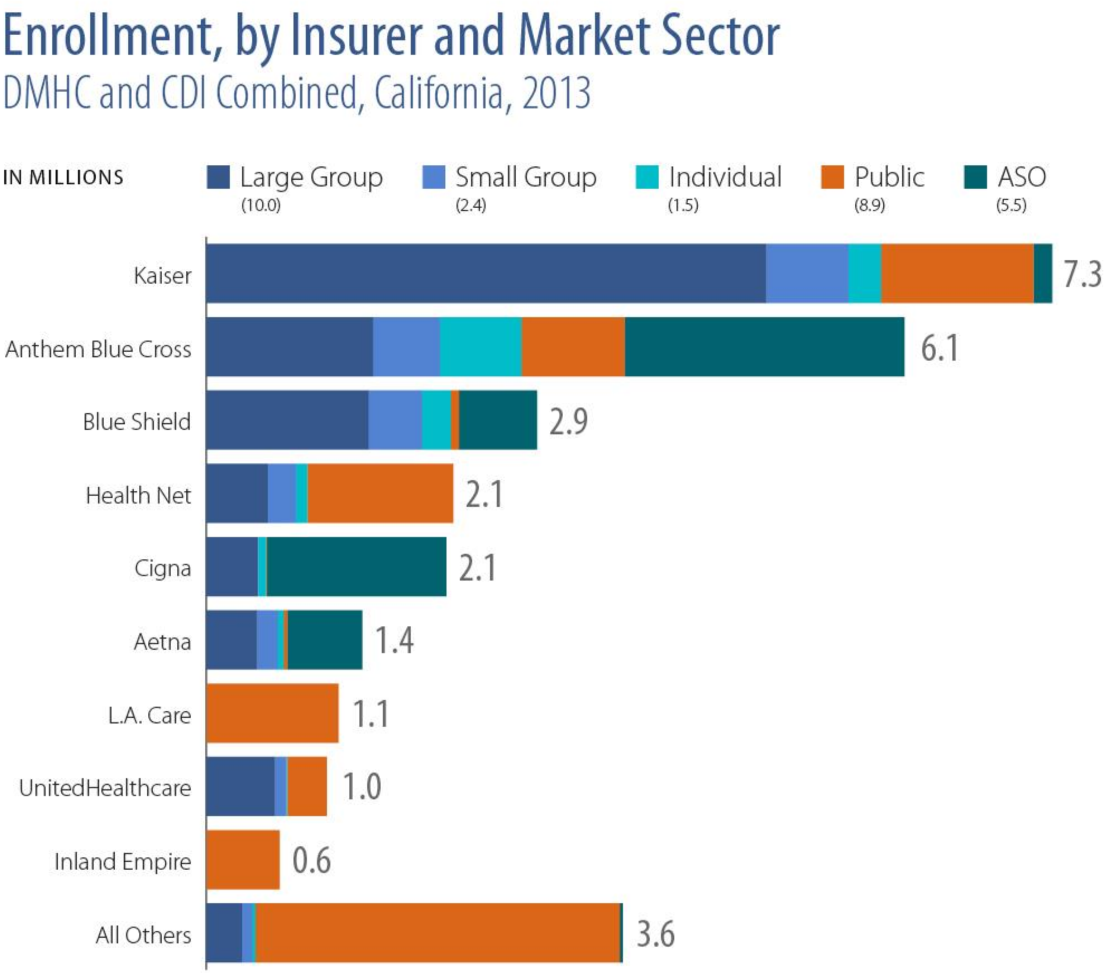
Health Insurance and ASO Enrollment
by Business Line Reported Under California Law, 2013



Notes: Figures shown reflect all components reported by CDI and DMHC in response to the requirements imposed by AB 1083, which mandated reporting of enrollment in individual, small group, large group, Medi-Cal managed care, and ASO (provided to self-insured employers) business lines. Enrollment reporting under this law is available for 2012 and 2013; see companion data file. Medicare Supplement (DMHC) and Medicare Part D (CDI) are not comprehensive insurance; From Other Plans (DMHC) is subcontracted enrollment. Medi-Cal and Other Public includes Healthy Families and AIM. Large group includes Federal Employee and TriCare. For more detailed information about lines of business by regulator, see page 25.

Sources: Department of Managed Health Care (DMHC), Enrollment Summary Report, www.dmhc.ca.gov; California Department of Insurance (CDI), Covered Lives Report, www.insurance.ca.gov.

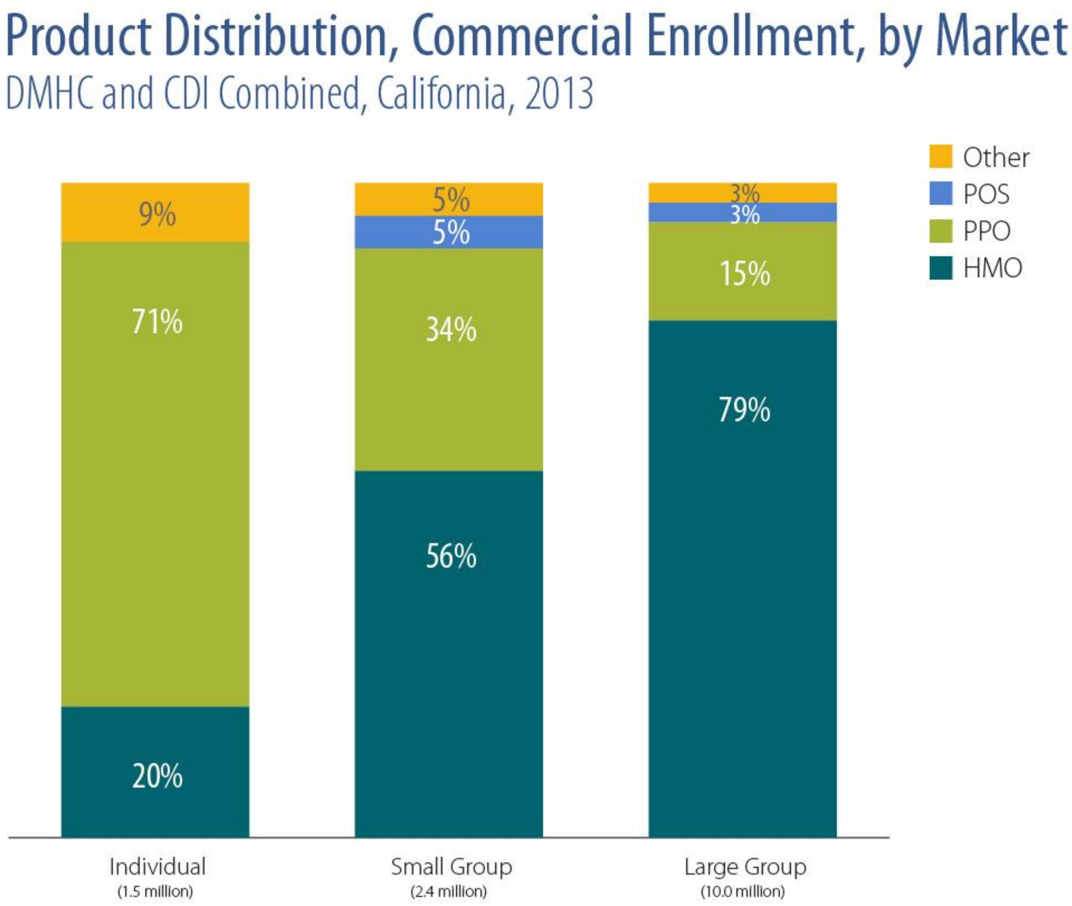
Lines of Business, by Insurer



Notes: Commercial consists of individual, small group, and large group enrollment. ASO (Administrative Services Only) are provided to self-insured employers. Health Net includes Health Net Community Services enrollment, which is primarily Medi-Cal. All Others consists of insurers with fewer than 500,000 enrollees, such as CalOptima (Orange county), Partnership (county consortium), and Molina.

Sources: Department of Managed Health Care (DMHC), Enrollment Summary Report, www.dmhc.ca.gov; California Department of Insurance (CDI), Covered Lives Report,

Product Distribution

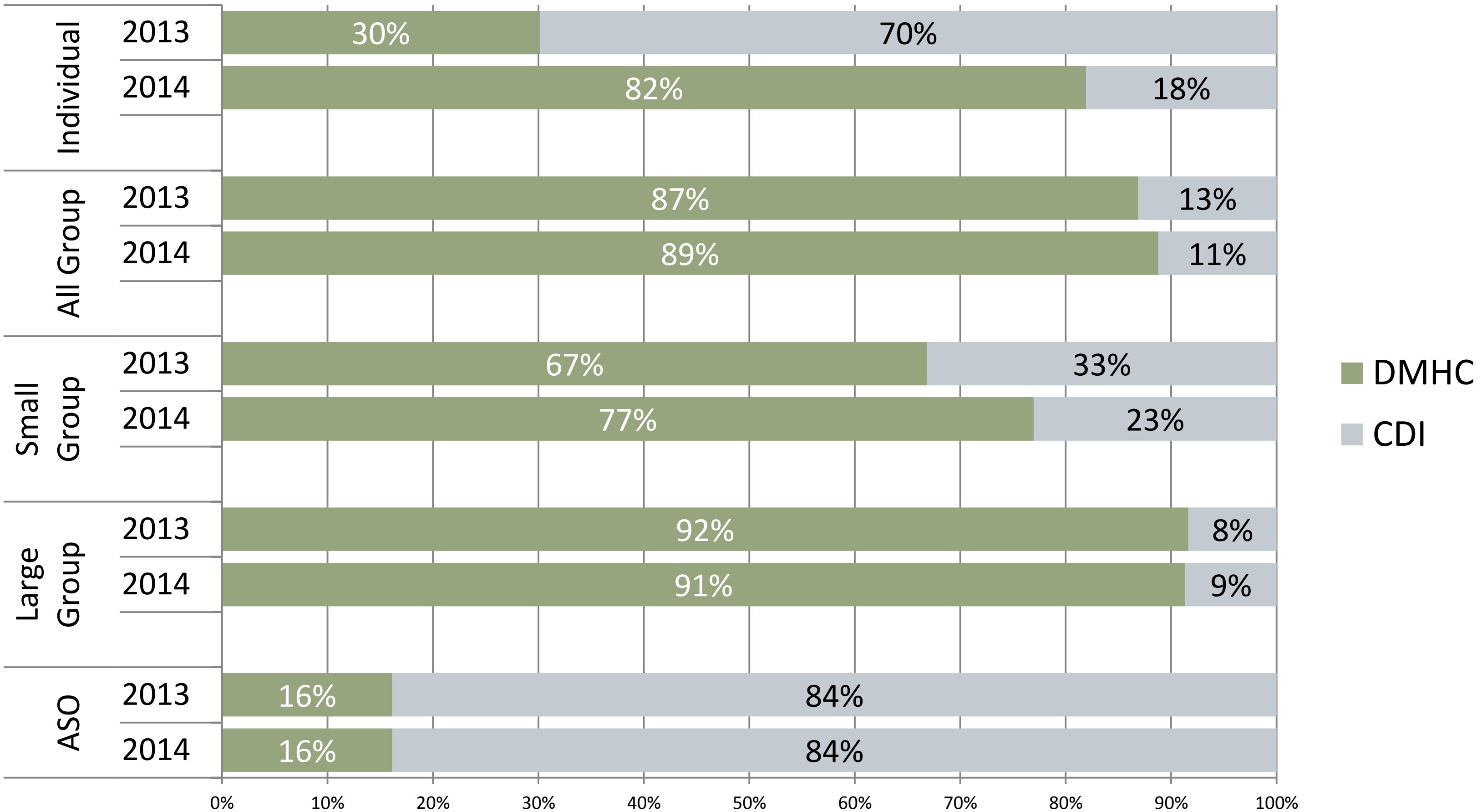


Notes: Enrollment figures are as of December 2013. Large Group includes enrollees in the Federal Employees Health Benefit Program (FEHBP) and Tricare. Commercial refers to health insurance individually purchased or obtained through an employer group. Other includes the following categories: Exclusive provider organization (EPO), fee-for-service (FFS), high deductible health plan (HDHP), and other major medical products. Not all products are reported by both regulators. DMHC reports the following commercial products: HMO, PPO, and POS; these products also encompass high deductible health plans (HDHPs). CDI reports PPO, POS, EPO, FFS, HDHP, Federal, TriCare, and other major medical products; mini-med products and student health do not constitute major medical coverage and are excluded here.

Sources: Department of Managed Health Care (DMHC), Enrollment Summary Report, www.dmhc.ca.gov; California Department of Insurance (CDI), Covered Lives Report, www.insurance.ca.gov.

Enrollment by Regulator

2013 vs 2014



Source: Analysis of DMHC and CDI enrollment reporting filed in compliance with AB 1083. See also The CHCF Blog, "Enrollment in Individual Helath Plans Up 47% in 2014," May 20, 2015.

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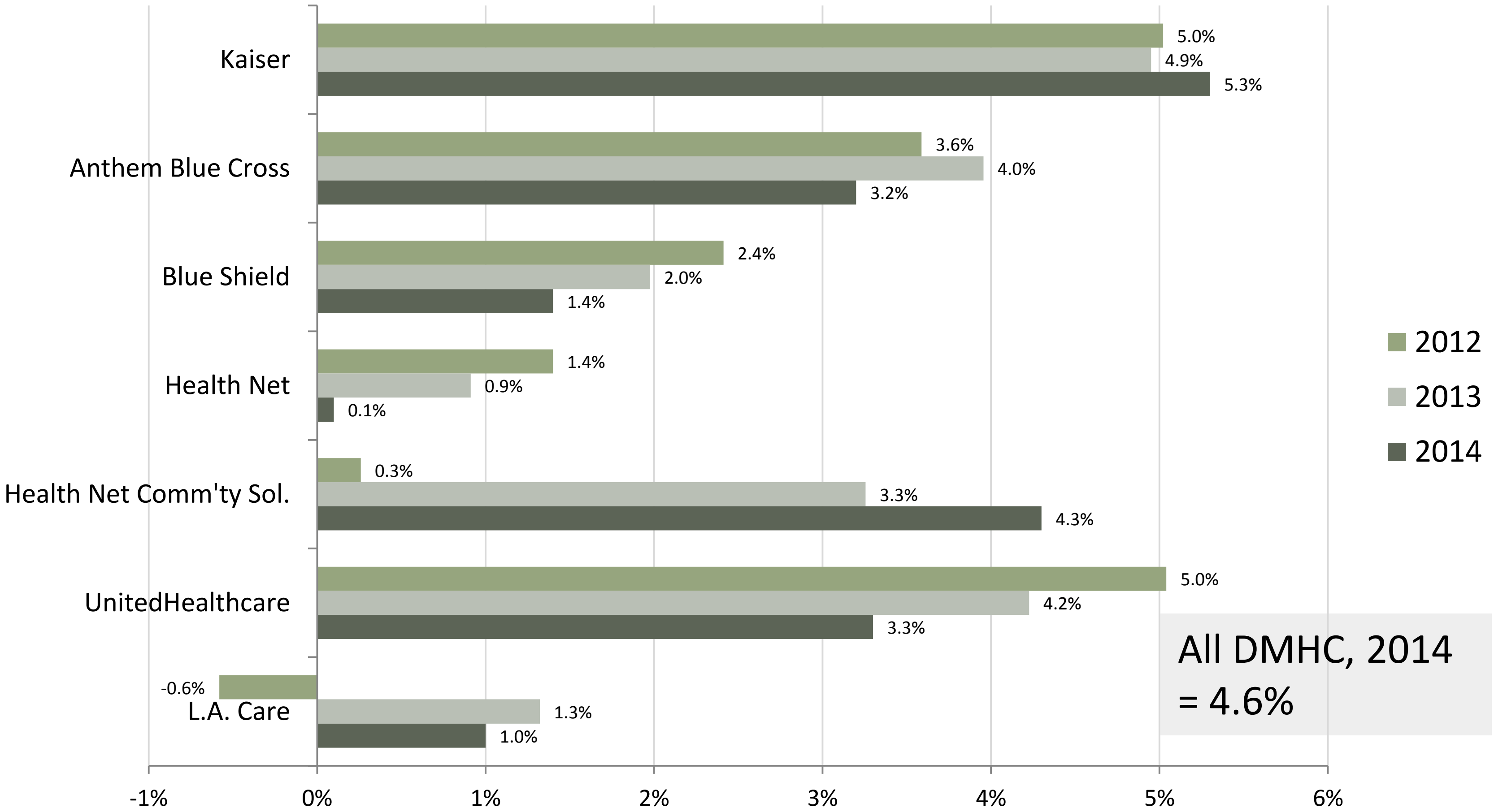
Net Income, 2012 – 2014
Major Insurers, DMHC



Note: Kaiser figures reflect multi-state activity.
Source: Department of Managed Health Care (DMHC) Health Plan Financial Summary Data.

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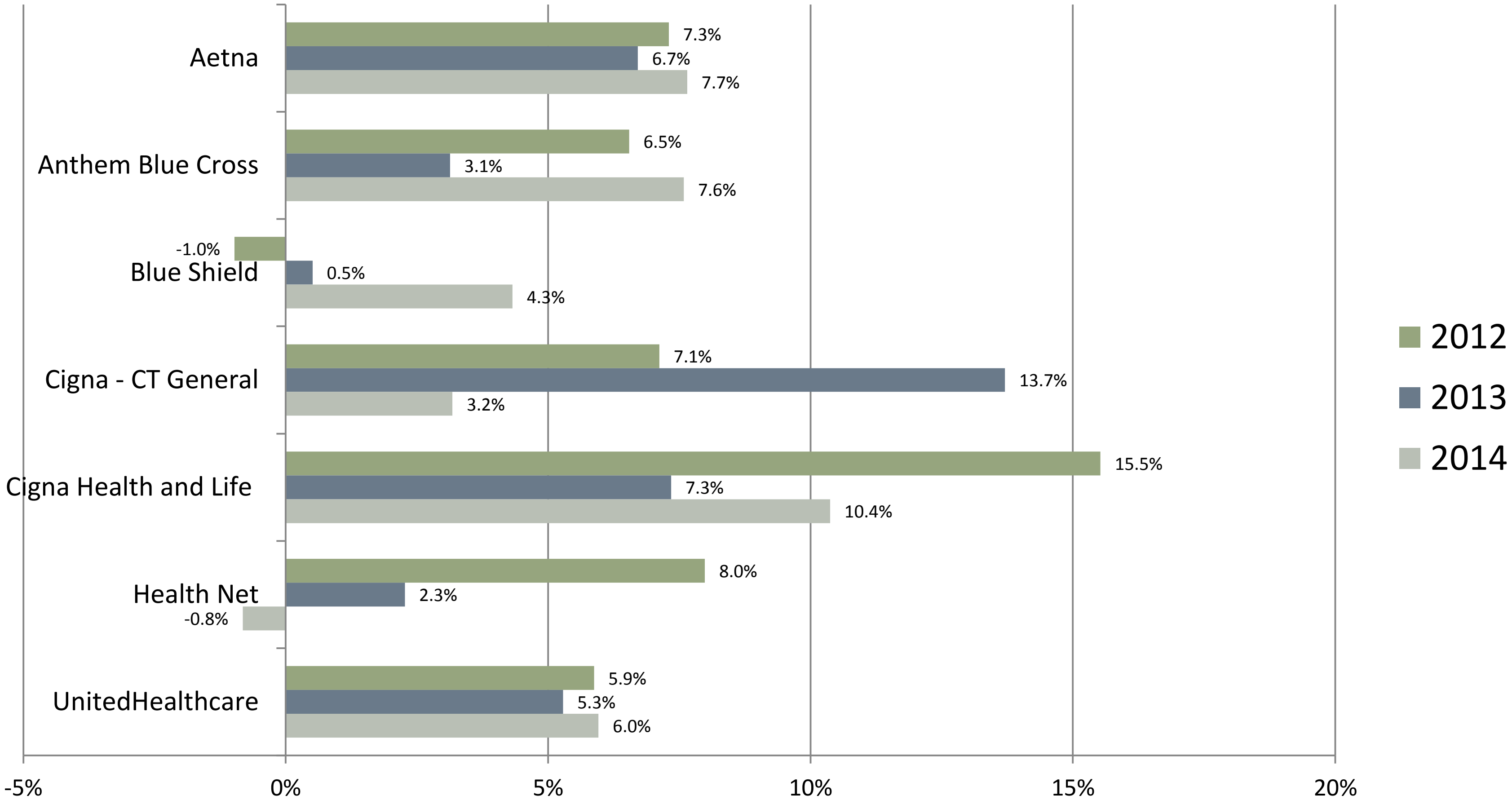
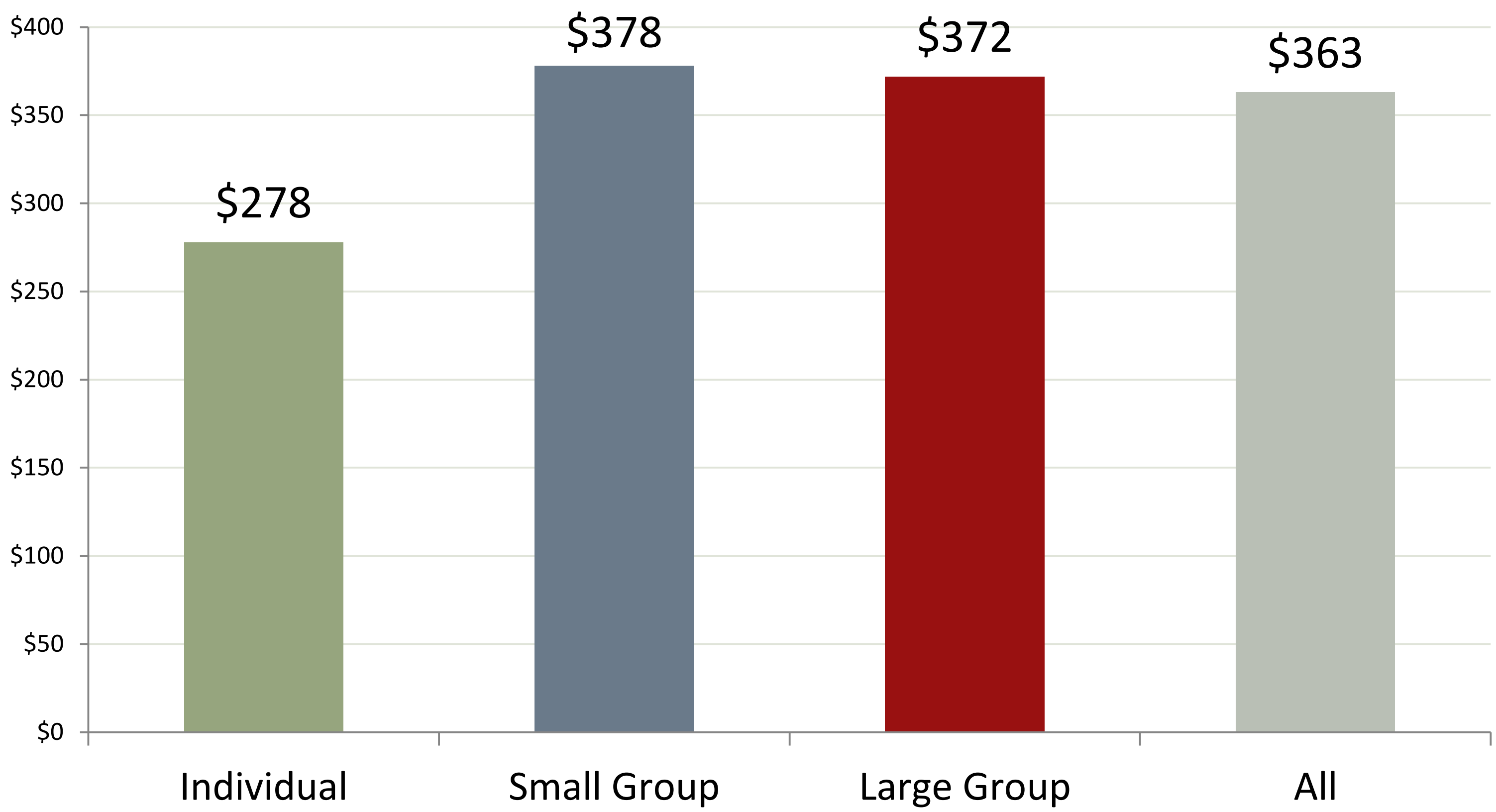
Net Income, 2012 – 2014
Major Insurers, CDI



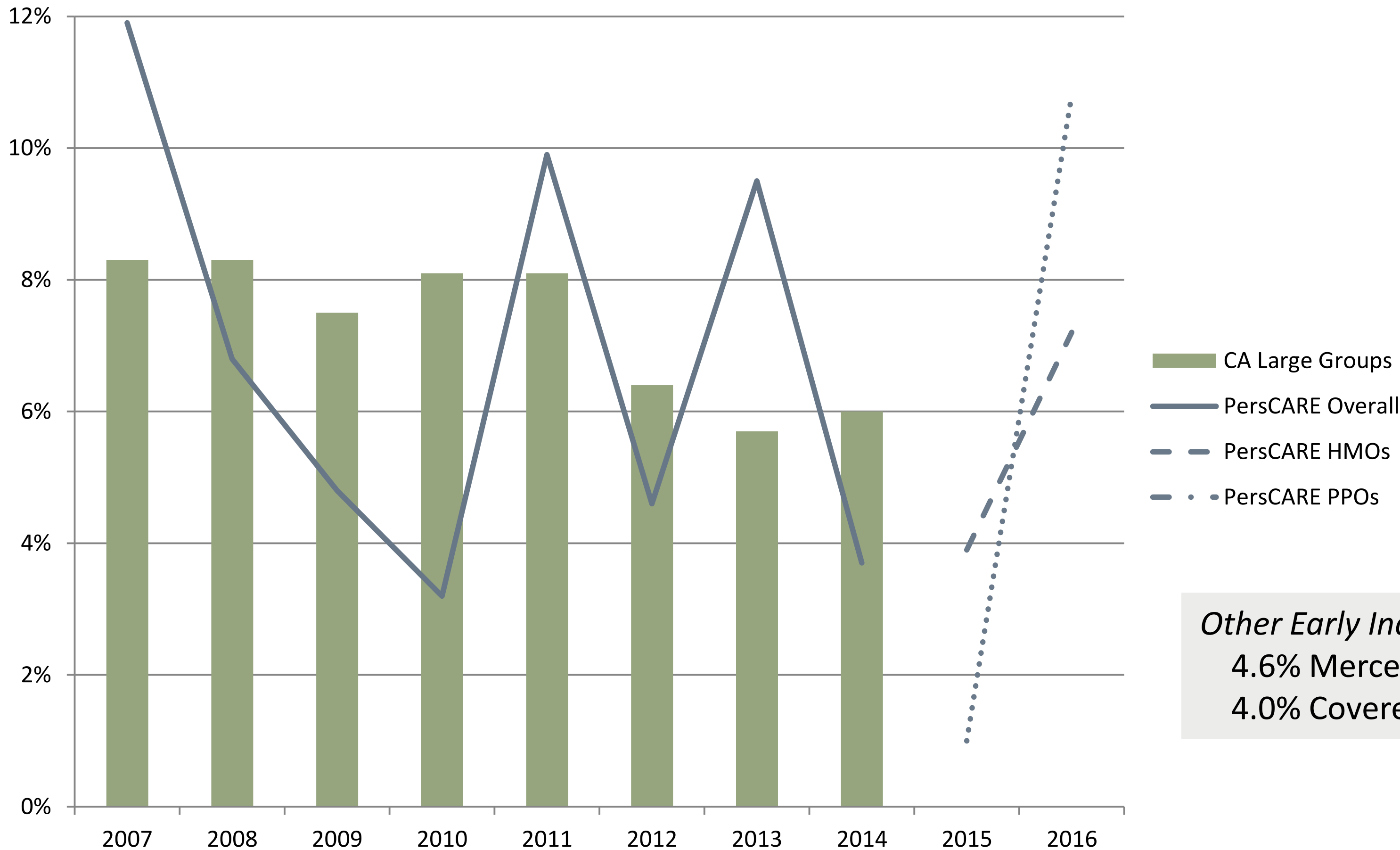
Note: Net income reflects multistate activity for all carriers except Anthem.
Source: California Department of Insurance (CDI), Insurers' Annual Statements, 2011-2013.

Premium Revenue, Per Member Per Month California, 2013



Source: Centers for Medicare and Medicaid Services, Medical Loss Ratio Filings, 2013. Excludes specialty insurance.

Rate Increases, Large Group & CalPERS 2007 -2016



Other Early Indicators, 2016:
4.6% Mercer, Lg Gr, National
4.0% Covered CA

Source: NORC/CHCF California Employer Health Benefits Survey; CalPERS Facts at a Glance, 2016 State Health Premiums; CHCF *California's Health Insurers,* 2015 edition; Covered California, "Good Rates and How We Got There", July 27, 2015.

California Rate Increases

Recent History and Early 2016 Figures, Selected Sources

	2011	2012	2013	2014	2015	2016
CalPERS Overall	9.9%	4.6%	9.5%	3.7%		
CalPERS HMOs	10.6%	5.3%	8.7%	3.8%	3.9%	7.2%
CalPERS-PPOs	8.7%	3.0%	14.0%	2.5%	1.0%	10.8%
Large Group	8.1%	6.4%	5.7%	6.0%	--	--
Small Group	10.1%	8.0%	7.7%	6.5%	--	--
Individual	10.0%	8.2%	9.0%	16.6%	Prelim Analysis 4-6%	
Covered CA	--	--	--	--	4.2%	4.0%

Notes: Large group reflects California Employer Health Benefit Survey. Methodologies for determining increases vary. Covered California figures are weighted averages. Individual and small group market figures are median increases filed with regulators. Mercer's Annual Survey, an early source of national rate information, reported increases of 4.6% for 2016 expected by large employers nationally.

Sources: CalPERS; CHCF/NORC Employer Health Benefit Survey, 2015 ed; CHCF *California Health Insurers: Brink of Change*, Feb 2015.

Mergers & Acquisitions in Play

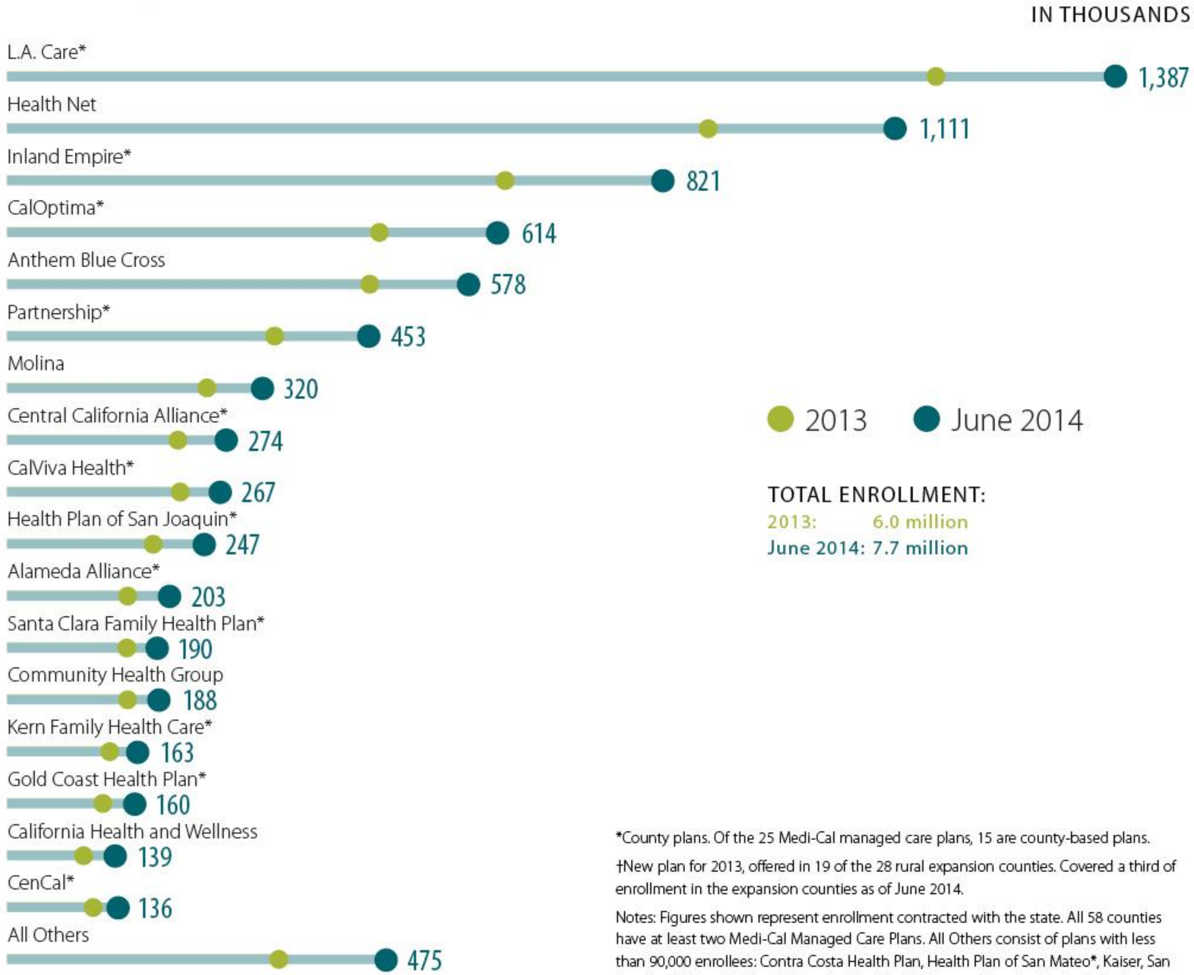
Summer 2015

Insurer	Insurer	Value	California Effects
Anthem	Cigna	48.3 B	Combines 2 largest ASO companies in CA
Centene*	Health Net	$6.8 B	Geographic expansion, M-Cal Adds comm'l presence for Centene.
Blue Shield	Care First	$1.2 B	Medi-Cal presence for Blue Shield
Aetna	Humana	$37 B	CA less impacted

* Parent of California Health & Wellness, serving Medi-Cal in rural expansion counties.

Medi-Cal Managed Care Enrollment

California, December 2013 and June 2014



*County plans. Of the 25 Medi-Cal managed care plans, 15 are county-based plans.

†New plan for 2013, offered in 19 of the 28 rural expansion counties. Covered a third of enrollment in the expansion counties as of June 2014.

Notes: Figures shown represent enrollment contracted with the state. All 58 counties have at least two Medi-Cal Managed Care Plans. All Others consist of plans with less than 90,000 enrollees: Contra Costa Health Plan, Health Plan of San Mateo*, Kaiser, San Francisco*, Care 1st Health Plan, Positive Health Care, and Family Mosaic Project.

Source: California Department of Health Care Services, Medi-Cal Managed Care Enrollment Reports, December 2013 and June 2014, www.dhcs.ca.gov.