

Health insurance enrollment and revenue shifts 2013-2014

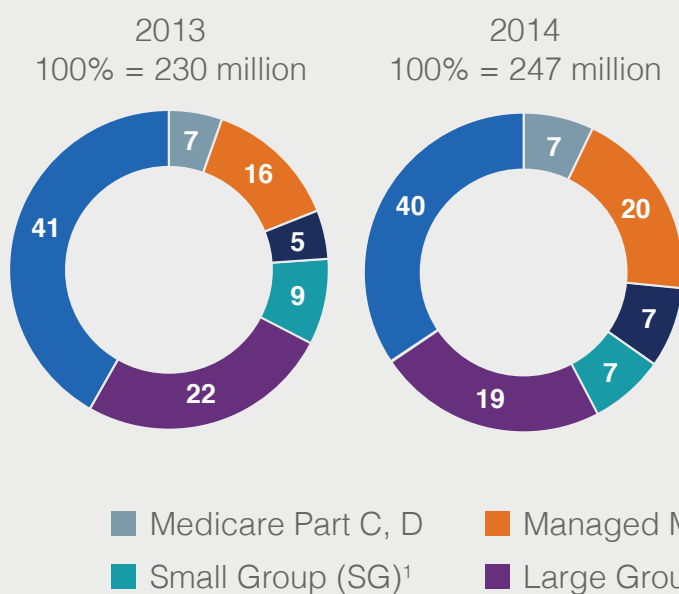
An emerging story

By enrollment

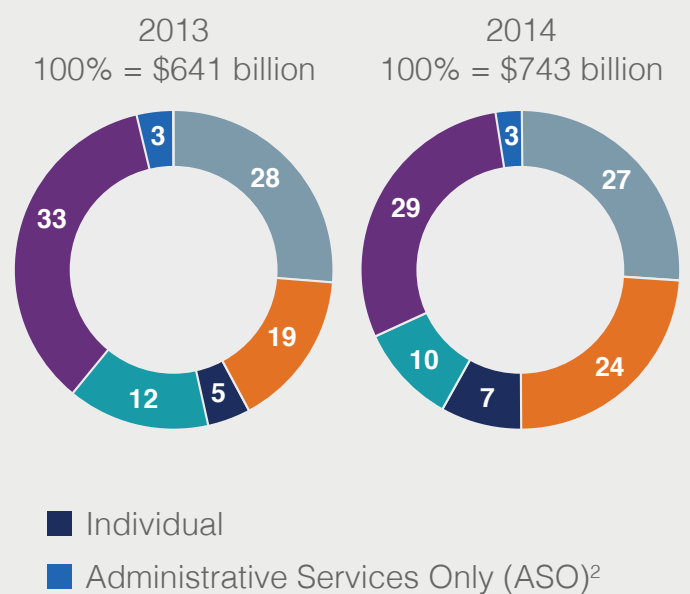
By revenue

Share of payors' aggregate enrollment and revenue in Medicaid and the Individual market has grown

Percentage share of enrollment

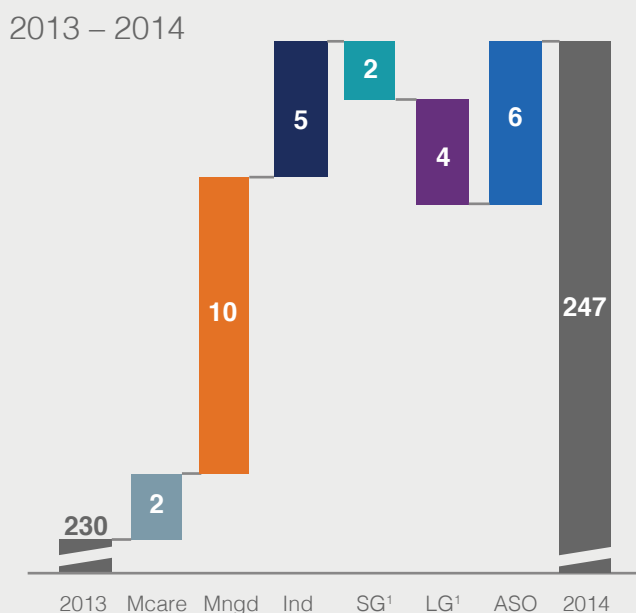


Percentage share of revenue from premiums

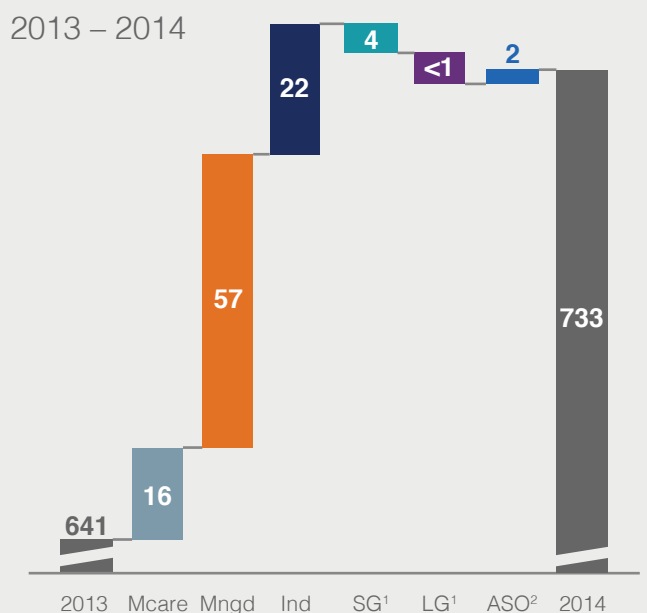


Absolute enrollment and revenue have also grown, by 17 million lives and \$86 billion, respectively

Change in enrollment (millions)



Change in revenue (\$ billions)



Year 1 financials: the Individual market

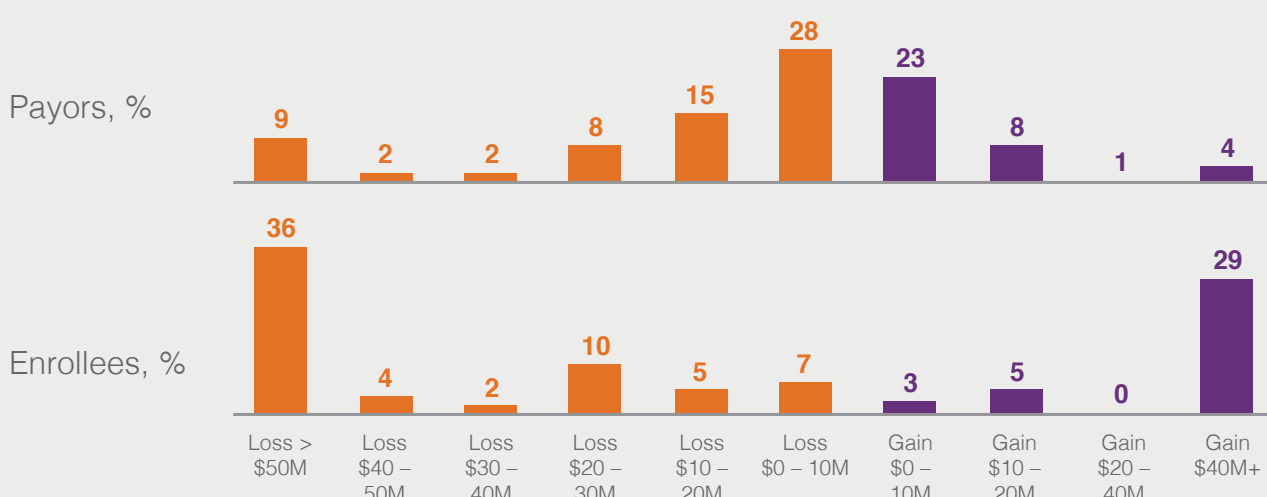
Although Individual market revenues have grown, payors lost \$2.5 billion in 2014 there, after reinsurance and risk adjustment

2014 Individual market post-2R operating gain/loss³

Estimated market-wide loss **-\$2.5B**

Estimated full year loss per member **-\$163**

2014 performance in the Individual market varied among payors — most lost money, but ~35% made money



Methodology

All findings based on publicly available sources.

For enrollment and revenue shifts: Estimated enrollment is based on the following sources: CMS enrollment reports (Medicare); NAIC financials, IRS 990 reports, select state websites, DMHC reports (Medicaid); NAIC financials, DMHC reports (Individual, Small Group, Large Group); Kaiser (ASO). Estimated revenues, based on McKinsey Payor Financial Database, which includes NAIC financials of SHCE filings, DMHC filings, IRS 990 forms, DMHC financials, select state websites.

For year 1 financials: We analyzed all available 2014 Supplemental Healthcare Exhibits filed by payors for their Individual medical insurance business (comprising 92% of payors). Profitability is based on reported post-tax margin adjusted for the difference between reinsurance and risk adjustment (as booked at the end of 2014) and CMS reported reinsurance and risk adjustment payments as of 06/30/2015, assuming a corporate tax rate of 35%. Risk adjustment bookings were attributed to the Individual line of business based on relative proportion of reported member months. The effect of risk corridors were not included as carrier-specific risk corridor data has not yet been released.

¹ Fully insured only

² Self-insured of all employer sizes; excludes stop loss revenue

³ Includes ACA compliant (on and off exchange) and non-ACA compliant plans