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Individual market enrollment dropped 10-12% year-over-year as of the end of first quarter 2017

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An analysis of data from the end of first quarter 2017 shows that enrollment in the individual market¹ decreased by 1.8 million to 2.2 million members since the end of Q1 2016. The 2017 premium increases, which averaged more than 20%, appear to be the primary driver of this change. However, other factors may also have been involved, including the cancelling of advertising in the last days of open enrollment and IRS's announcement that it would not pursue tax filers who were silent about their insurance status on tax returns. In addition, overall economic growth has increased the employment rate and number of people with employer-sponsored coverage.

Effectuated enrollment reports released by the Centers for Medicare and Medicaid Services indicate that exchange market enrollment dropped 4% to 6% between Q1 2016 and Q1 2017.² The enrollment decline in the off-exchange market was much larger—18% to 20%—during that time.^{3,4,5} The likely explanation for the steeper decline in the off-exchange market is that enrollees there did not benefit from the 2017 premium subsidies that shielded approximately 8.7 million on-exchange enrollees from the rate hikes.

¹ The total individual market includes both on-exchange and off-exchange ACA-qualified plans, as well as grandfathered and transition (grandmothered) pre-ACA plans.

² Effectuated enrollment for 2017 was sourced from the "2017 Effectuated Enrollment Snapshot" report from the Centers for Medicare and Medicaid Services.

³ Enrollment figures for Non-profit Blues, Provider led health Plans, Other and most Medicaid carriers has been taken from the Premium, Enrollment, and Utilization Exhibit from NAIC filings at 3/31/2017.

⁴ Enrollment for the California Department of Managed Health Care carriers has been taken from the "Enrollment and Utilization" Exhibit for each carrier.

⁵ Enrollments for public for-profit carriers has been taken from SEC 10Q reports for 2016 Q1 and 2017 Q1.

Performance by carrier type

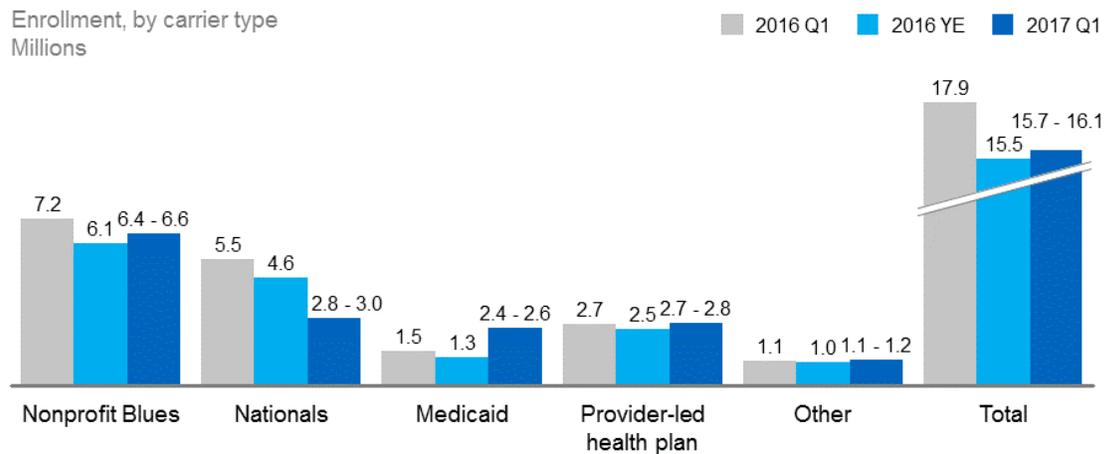
Not all carriers experienced enrollment decreases (Exhibit 1). Medicaid carriers saw individual membership grow by about 900,000 to 1.1 million people (63% to 65%) between Q1 2016 and Q1 2017. This growth appears to have resulted from both the Medicaid carriers’ competitive pricing and the exit of several national carriers from many individual exchanges. Largely because of those exits, national carriers saw membership decrease by 2.5 million to 2.7 million (45% to 49%) during that time.

Although nonprofit Blues continued to be the individual market share leader in Q1 2017, they experienced a drop in enrollment of 8% to 10% (7.2 million in Q1 2016 to between 6.4 million and 6.6 million in Q1 2017).

Individual market enrollment for provider-led health plans and other carriers was quite stable between Q1 2016 and Q1 2017.

EXHIBIT 1

Individual market enrollment change from 2016 Q1 to 2017 Q1, by carrier type



SOURCE: McKinsey Payor Financial Database, data as of June 16, 2017

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Notes about data limitations

- The premium, enrollment and utilization data (PEU) data reported in NAIC filings sometimes includes State Children's Health Insurance Program (SCHIP) lives. When this occurs, it is possible to estimate the split between individual and SCHIP enrollment by comparing data from the NAIC's filings for the end of the previous year (PEU Exhibit and the Supplementary Healthcare Exhibit). The methodology used to make these estimates is described below. Because the SCHIP lives included in these exhibits represent less than 2% of total reported individual enrollment, we believe the estimates are fairly accurate.
- Quarterly PEU data is available only at the legal-entity level. State-level quarterly enrollment data is not available for legal entities that operate in multiple states.
- Data for most public carriers has been sourced from 10Q filings. The quarterly individual enrollment data for many national carriers reported in the NAIC's PEU exhibits includes SCHIP lives. As a result, the 10Q reports provide a more reliable enrollment source.
- The enrollment data used in the analysis described in this report represents an estimated 95% of the individual market in 2017 (based on 2015 covered lives for carriers continuing to participate in the individual market).

Methodology

- Enrollments for Q1 2016 and Q1 2017 (derived from the sources mentioned above) were compared at the national and carrier-type level.
- Carrier types were defined as follows:
 - Nonprofit Blues: Nonprofit Blue Cross Blue Shield payors
 - National: A commercial payor with a presence in more than four states that has filed on exchanges
 - Medicaid: A health plan with the majority of its members in Medicaid managed care programs
 - Provider-led health plan: A carrier that is owned by a health system or is an integrated health system
 - Other: Carriers not covered under the above definitions
- Some carriers included in this analysis had SCHIP enrollment included in the individual PEU Exhibits (about 200,000 members at year-end 2016). As a result, this analysis may overstate Q1 2017 enrollment by 100,000 to 300,000 (approximately 1-2%).

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