

2014 FLORIDA HEALTH INSURANCE MARKET REPORT

BY THE

FLORIDA HEALTH INSURANCE ADVISORY BOARD

Introduction

The Florida Health Insurance Advisory Board (FHIAB) is charged with advising the Office of Insurance Regulation (Office), the Agency for Health Care Administration (AHCA), the Department of Financial Services (DFS), other executive departments and the Legislature on health insurance issues [see Section 627.6699(11)(o), Florida Statutes (F.S.)]. As a part of this responsibility, the Board is required to issue an annual report on the state of the health insurance market in Florida.

The reports issued by the Board rely upon data collected by the Office under the authority of Section 627.9175, F.S. The 2014 report incorporates carrier data submitted to the Office for the year ending December 31, 2013. Previous reports are available on the FHIAB section of the Office's website at: <http://www.floir.com/Sections/LandH/FHIAB.aspx>.

Background

The FHIAB evolved from small group health insurance reform in Florida. Originally established in 1992 as the Florida Small Employer Health Reinsurance Program, it was expanded in 1997 to include the Florida Individual Health Reinsurance Program. Both Programs were governed by the same Board of Directors and operated as the Florida Health Reinsurance Program. In 2005, Florida statutes were amended to require the Program to advise the Office, AHCA, DFS, other executive departments and the Legislature on health insurance issues. Due to these developments, the Board voted to change its name to the Florida Health Insurance Advisory Board to better reflect its current responsibilities.

The composition of the board of directors was also changed to decrease the number of insurance company representatives and to add representatives of the business community and other stakeholders. There are 14 members of the Board as prescribed by Statute; however, only 13 board member positions are currently filled. A listing of the FHIAB board is attached.

Florida's Commercial Health Insurance Markets Detailed

The following figures present enrollment and premium summaries in Florida's commercial (non-governmental) major medical health insurance markets as reported and compiled from data filed with the Office by each Accident and/or Health Coverage Provider.

Enrollment

As shown in Table 1, total enrollment in Florida's commercial health insurance markets has steadily declined over the last five years. Enrollment declined 5.9% from 3.3 million in 2012 to 3.1 million covered lives by the end of 2013.

The number of covered lives in each of the major markets changed from 2012 to 2013 as follows:

Individual Coverage

Total covered lives at year end 2013 were 803,218, a decrease of 32,202 or 3.9%.

Individually underwritten individual coverage did show a small increase of 0.8% or 6,622 lives.

Small Group

This market reported a total of 746,408 covered lives. This is a decrease of 32,766 or 4.2%.

Large Group

At year end 2013, 1,575,859 lives were covered in this market, a decrease from 2012 of 114,396 or 6.7%

Table 1
Commercial Insurance Enrollment 2009 - 2013

Market Segments	2009	2010	2011	2012	2013
In-state Guarantee Issue (HIPAA)	76,203	98,823	34,485	44,566	5,600
In-state Individual Underwritten	503,582	510,591	670,536	619,226	608,027
Total In-state Individual	579,785	609,414	705,021	663,792	613,627
Conversion	52,047	55,856	32,177	29,124	9,467
In-state Groups of One	18,319	19,612	16,653	21,434	9,748
In-state 2-50 Member Groups	1,045,923	845,101	826,512	755,229	705,205
Total In-state 1-50 Member Groups	1,064,242	864,723	843,165	776,663	714,953
In-state 51+ Member Groups	1,904,722	1,905,156	1,815,634	1,603,984	1,428,765
Out-of-State Group Guarantee Issue (HIPAA)	1,832	1,967	1,947	1,883	2,025
Out-of-State Group Individual Underwritten	180,837	175,042	171,506	169,745	187,566
Total Out-of-State Individual	182,669	177,009	173,453	171,628	189,591
Out-of-State Groups of One	162	134	378	377	1,208
Out-of-State 2-50 Member Groups	4,706	6,892	1,073	2,134	30,247
Total Out-of-State 1-50 Member Groups	4,868	7,026	1,451	2,511	31,455
Out-of-State 51+ Member Groups	81,224	82,217	72,833	86,271	147,094
Total	3,869,557	3,701,407	3,643,734	3,333,980	3,136,798

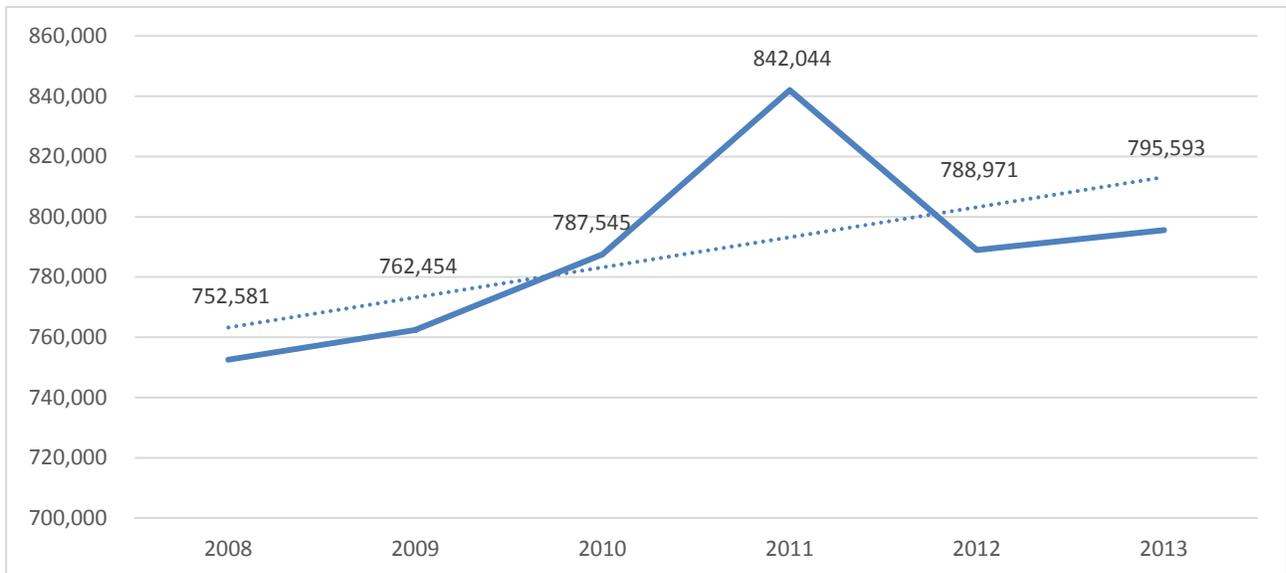
Health Underwritten Individual Coverage

The year 2013 marks the last year that most individual healthcare coverage in Florida was issued upon evidence of insurability, meaning applicants had to undergo medical underwriting to determine eligibility for coverage. Therefore, relatively good health is virtually always essential to obtain this form of coverage. For the most part, this market is not a “safety net” but rather coverage potentially available to individuals who do not have other healthcare options.

The underwritten individual health insurance market represents an important transitional and gap provider of coverage, by fulfilling the health coverage needs of persons without access to employer group coverage. As a result, this market is viewed as an important component of a state’s commercial health insurance market, as well as an indicator of overall economic conditions.

Because of the natural link between small business coverage and individual coverage, enrollment gains in the underwritten individual market may be reflective of a weakening small group market as smaller employers drop coverage. In comparing the total 2013 enrollment with 2012, it appears there was a slight increase in the market; this increase could be attributed to the new healthcare mandates. However, upon further analysis, the 2013 enrollment when compared to 2008-2010 shows a consistent moderate pattern of increases supporting the conclusion that the market was viable through 2013.

Enrollment for the Individual Health Market in Florida 2008-2013



Commercial Premiums

The overall commercial market generated \$12,577,068,069 in premiums in 2013, a 2.2% decrease from 2012.

Table 2
Commercial Insurance Premium 2009-2013

Market Segments	2009	2010	2011	2012	2013
In-State Guarantee Issue (HIPAA)	\$184,476,385	\$251,229,825	\$90,461,795	\$318,820,820	\$46,058,218
In-State Individual Underwritten	\$1,139,104,837	\$1,178,297,500	\$1,555,152,018	\$1,587,893,482	\$1,678,536,461
Total In-State Individual	\$1, 323,581,222	\$1,429,527,325	\$1, 645,613,813	\$1,906,714,302	\$1,724,594,679
Conversion	\$189,722,540	\$186,809,163	\$127,679,623	\$120,126,913	\$98,888,407
In-State Groups of One	\$133,628,189	\$142,982,457	\$144,946,593	\$186,267,181	\$82,496,172
In-State 2-50 Member Groups	\$3,930,428,639	\$3,427,152,712	\$3,363,977,844	\$3,347,248,700	\$3,405,315,940
Total In-State 1-50 Member Groups	\$4,064,056,828	\$3,570,135,169	\$3,508,924,437	\$3,533,515,881	\$3,487,812,112
In-State 51+ Member Groups	\$7,998,029,911	\$7,818,144,860	\$7,732,637,795	\$6,554,272,781	\$6,074,079,498
Out-of-State Group Guarantee Issue (HIPAA)	\$15,934,109	\$17,727,569	\$18,785,163	\$18,023,068	\$17,360,280
Out-of-State Group Individual Underwritten	\$480,354,818	\$470,538,036	\$449,018,169	\$433,335,899	\$471,673,583
Total Out-of-State Individual	\$496,288,927	\$488,265,605	\$467,803,332	\$451,358,967	\$489,033,863
Out-of-State Groups of One	\$434,309	\$523,454	\$330,837	\$626,020	\$8,373,521
Out-of-State 2-50 Member Groups	\$20,456,961	\$20,999,718	\$6,740,341	\$12,621,773	\$178,533,665
Total Out-of-State 1-50 Groups	\$20,891,270	\$21,523,172	\$7,071,178	\$13,247,793	\$186,907,186
Out-of-State 51+ Member Groups	\$234,000,776	\$225,207,074	\$238,503,217	\$280,947,635	\$501,036,179
Total	\$14,326,571,474	\$13,739,612,368	\$13,728,233,395	\$12,860,255,524	\$12,577,068,069

Premium Dollars and Direct Losses

Comparing premiums collected in various markets with the losses associated with those markets yields the direct incurred loss ratio for that market segment. As expected, each market demonstrates a different loss ratio profile.

In-state large group experienced a loss ratio of 82.4% in 2013. This is a higher volume and lower administrative cost business environment; consequently, higher loss ratios are expected in this market relative to other markets. This loss ratio is down slightly from the 2012 loss ratio of 83.2%.

In-state small group loss ratios increased one percent from 76.6% in 2012 to 77.6% in 2013.

Individual market loss ratios decreased less than two percent from 78.3% in 2012 to 76.6% in 2013. As noted earlier in this report, there was a slight decrease in enrollment and premiums in this market for 2013, which appears to have leveled out consistent with the prior five year data. In-state HIPAA-issued policies experienced a 102.8% loss ratio for 2013, up from 86.4% in 2012; HIPAA-issued certificates issued through out-of-state associations reported a lower loss ratio for such coverage, 105.9%, down from 134.1% in 2012.

It should also be noted that group conversion policies represent an important safety net for individuals and families losing group coverage, and also play an important role in Florida's HIPAA mechanism. These are hybrid policies, issued as pseudo-individual coverage by virtue of the policyholder's prior relationship to the group. Again, anyone opting for such coverage likely would not be able to qualify for such a policy on a medically-underwritten basis, which is why loss ratios in the conversion market are also high, coming in at 135.3% for 2013, down from 148.5% in 2012. Group conversion policies have higher associated rates to compensate for anticipated losses, as do many HIPAA-related policies issued in the regular individual market.

Table 3
Direct Premiums/Losses & Loss Ratios
2012-2013

Market Segments	2012			2013		
	Direct Premium	Direct Losses	Loss Ratio	Direct Premium	Direct Losses	Loss Ratio
In-state Guarantee Issue (HIPAA)	\$ 318,820,820	\$275,611,276	86.4%	\$46,058,218	\$47,366,632	102.8%
In-state Individual Underwritten	\$1,587,893,482	\$1,216,458,737	76.6%	\$1,678,536,461	\$1,275,442,203	76%
	\$ 1,906,714,302	\$1,492,070,013	78.3%	\$1,727,594,679	\$1,322,808,835	76.7%
Conversion	\$120,126,913	\$178,368,415	148.5%	\$98,888,407	\$133,786,777	135.3%
In-state Self-Employed or Sole Proprietor	\$186,267,181	\$172,602,529	92.7%	\$82,496,172	\$118,534,875	143.7%
In-state 2-50 Member Groups	\$3,347,248,700	\$2,532,487,631	75.7%	\$3,405,315,940	\$2,587,825,277	76%
Total In-state 1-50 Member Groups	\$3,533,515,881	\$2,705,090,160	76.6%	\$3,487,812,112	\$2,706,360,152	77.6%
In-State 51+ Member Groups	\$6,554,272,781	\$5,451,689,120	83.2%	\$6,074,079,498	\$5,006,747,077	82.4%
Out-of-State Group Guarantee Issue (HIPAA)	\$18,023,068	\$24,172,762	134.1%	\$17,360,280	\$18,385,035	105.9%
Out-of-State Group Individual Underwritten	\$433,335,899	\$291,707,139	67.3%	\$471,673,583	\$325,405,779	69%
Total Out-of-State Individual	\$451,358,967	\$315,879,901	70.0%	\$489,033,863	\$343,790,814	70.3%
Out-of-State Self-Employed or Sole Proprietor	\$626,020	\$838,903	134%	\$8,373,521	\$10,397,659	124.2%
Out-of-State 2-50 Member Groups	\$12,621,773	\$10,451,951	82.8%	\$178,533,665	\$172,810,051	96.8%
Total Out-of-State 1-50 Member Groups	\$13,247,793	\$11,290,854	85.2%	\$186,907,186	\$183,207,710	98%
Out-of-State 51+ Member Groups	\$280,947,635	\$240,349,799	85.6%	\$501,036,179	\$438,170,788	87.5%
Total	\$12,860,255,524	\$10,395,765,366	80.8%	\$12,577,068,069	\$10,165,054,570	80.8%

Conclusion

The FHIAB concludes that the market data for 2013 continues to follow the trends of prior years with gradual declines in most markets. Loss ratios were overall stable at an aggregate ratio of 80.7%. The largest change in loss ratios occurred in the conversion segment with a decrease of 13.2%. As this data is from year end 2013, the impact of the implementation of the Patient Protection and Affordable Care Act (PPACA) is only beginning to be reflected in the data, and is likely to have marketplace implications for the 2015 report based on 2014 year-end data.

The FHIAB continues to assist the Office with the emerging issues of federal and state health insurance regulatory reform and remains a valuable forum for the debate of reasonable responses to a changing health insurance marketplace. As always, the Board is prepared to participate in hearings and conduct meetings that will discuss matters affecting Florida's major medical insurance marketplace.

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