

2007 FLORIDA HEALTH INSURANCE MARKET REPORT

BY THE

FLORIDA HEALTH INSURANCE ADVISORY BOARD

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Introduction

The Florida Health Insurance Advisory Board (formally the Florida Health Reinsurance Program) is charged with advising the Office of Insurance Regulation, the Agency for Health Care Administration, the Department of Financial Services, other executive departments and the Legislature on health insurance issues [see Section 627.6699(11)(o), F.S.]. As a part of that responsibility, it is also required to issue a report on the state of the health insurance market in Florida. Reports were previously issued in December 2005 and September 2006. These reports provide enrollment and premium data for Florida's commercial health insurance markets and statistical information on the demographics and rates of insurance coverage for Florida's employers.

Background

The Florida Health Insurance Advisory Board grew out of 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 are governed by the same Board of Directors and operate as the Florida Health Reinsurance Program. In 2005 the statutes were amended to require that the Program advise the Office of Insurance Regulation, the Agency for Health Care Administration, the Department of Financial Services, other executive departments and the Legislature on health insurance issues. As a result of that change, the Board also voted to change its operating name to the Florida Health Insurance Advisory Board (FHIAB) to better reflect its new 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 others. A listing of current board members is attached.

The following report on Florida's health insurance markets represents the third report issued by FHIAB and presents data through 2006 from the Florida Office of Insurance Regulation, the Florida Agency for Workforce Innovation, the University of Florida's Department of Health Services Research, Management and Policy and the United States Census Bureau.

Executive Summary

This is the third report on Florida's health insurance markets issued by the Florida Health Insurance Advisory Board. It paints a mixed picture of health insurance coverage in Florida. While the number of persons covered in the commercial health insurance market has increased, the number and the percentage of Florida's population without health insurance coverage has also increased. Based on 2006 U.S. Census Bureau estimates, Florida's population is 18.1 million and the number of persons in Florida without health insurance now numbers just over 3.8 million.

The Florida Health Insurance Advisory Board provides this report as a useful tool as policymakers look to find solutions to Florida's increasing uninsured population

Statistics on Florida's Commercial Health Insurance Markets

The following is a presentation of enrollment and premiums in Florida's commercial (non-governmental) health insurance markets for the period 2001 through 2006. This report is compiled from data filed with the Florida Office of Insurance Regulation (OIR) by each Accident and/or Health Coverage Provider. These data have not been audited or independently verified.

Enrollment

During the period 2001 through 2006, total enrollment in Florida's commercial health insurance markets decreased from 5.1 million covered lives to 4.5 million covered lives, a decrease of 11.8 percent as shown in Table 1. It is important to note that total enrollment did increase from 4.2 million covered lives in 2005 to 4.5 million covered lives in 2006. This is an increase of 7.1 percent and represents the first yearly increase in total enrollment during the reporting period.

Market Segments	Covered Lives as of December 31 for Measurement Period					
	2001	2002	2003	2004	2005	2006
Instate Guarantee Issue (HIPAA)	7,439	12,673	11,594	10,310	29,202	67,691
Instate Individual Underwritten	431,289	419,191	447,150	482,618	424,774	479,550
Total Instate Individual	438,728	431,864	458,744	492,928	453,976	547,241
Conversion	14,644	23,473	31,712	28,150	26,104	45,713
Instate Groups of One	89,236	59,650	23,236	39,119	31,613	32,330
Instate 2-50 Member Groups	1,150,063	991,762	968,631	994,547	1,028,949	1,092,579
Total Instate 1-50 Member Groups	1,239,299	1,051,412	991,867	1,033,666	1,060,562	1,124,909
Instate 51+ Member Groups	3,038,429	2,817,372	2,808,605	2,426,634	2,233,435	2,315,912
Out-of-State Group Guarantee Issue (HIPAA)	2,726	1,160	1,062	1,236	1,482	1,508
Out-of-State Group Individual Underwritten	155,340	206,921	196,313	195,938	223,236	241,259
Total Out-of-State Individual	158,066	208,081	197,375	197,174	224,718	242,767
Out-of-State Groups of One	3,876	4,207	2,264	1,648	1,155	-
Out-of-State 2-50 Member Groups	28,275	48,395	26,053	14,451	10,966	5,319
Total Out-of-State 1-50 Member Groups	32,151	52,602	28,317	16,099	12,121	5,319
Out-of-State 51+ Member Groups	226,698	249,517	212,303	215,703	234,621	221,624
Total	5,148,015	4,834,321	4,728,923	4,410,354	4,245,537	4,503,485

Note: This information is compiled from data filed with the Florida Office of Insurance Regulation by each Accident and/or Health Coverage provider. It has not been audited or independently verified.

When analyzing these changes in enrollment, it is important to consider Florida's population during the period. The United States Census Bureau estimates that Florida's population on July 1, 2001 was 16.4 million. By July 1, 2006, the state's population had increased to an estimated 18.1 million. This represents an increase of 10.4 percent for the period. The 2006 estimate represents an increase of 1.7 percent over the July 1, 2005 population of 17.8 million.

The increased enrollment in Florida's commercial health insurance market from 2005 to 2006 represents a potentially significant event. While estimates continue to show increases in the total number of uninsured in Florida, the increase of persons covered in the commercial health insurance market may represent a moderation in that trend. Should this trend continue it would certainly represent a welcome strengthening of Florida's commercial health insurance markets.

Enrollment increased in all market segments except the Out-of-State Group markets (both 1-50 members and 51+ members) where enrollment decreased from 246,742 covered lives in 2005 to 226,943 covered lives in 2006, a decrease of 19,799, or 8.0 percent.

The Instate 51+ Member Groups (commonly known as the large group market) increased by 82,477 covered lives, or 3.7 percent. This represents the first yearly increase in enrollment for that market during the reporting period (2001 through 2006).

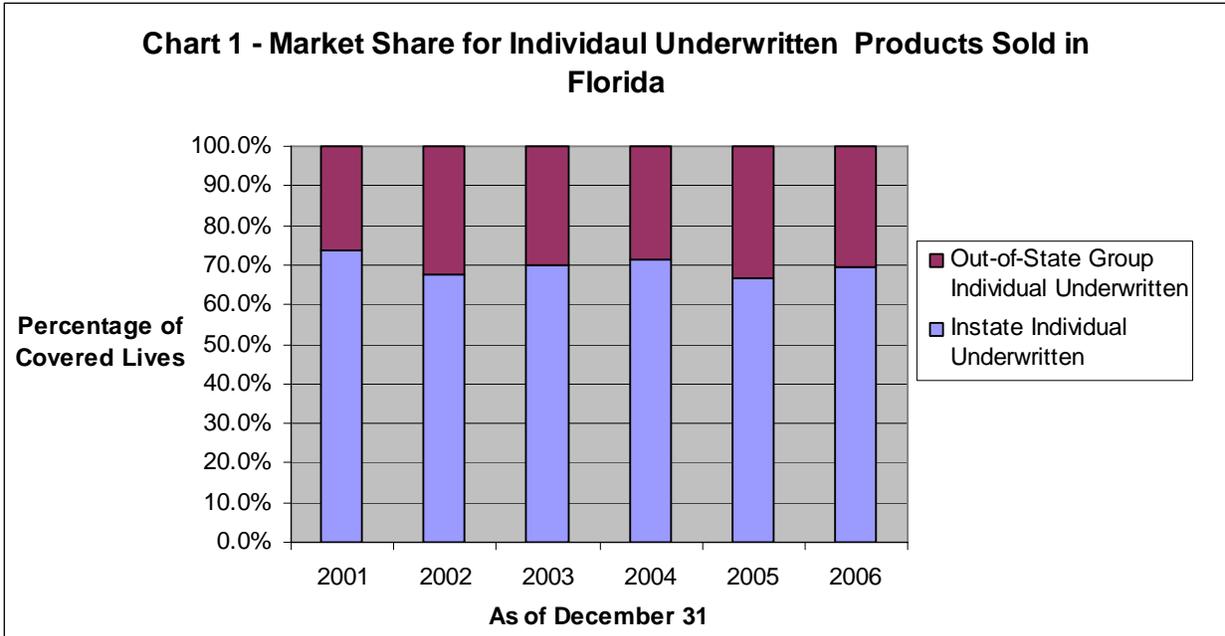
Enrollment in the 1-50 Instate Member Groups market (small group) increased again this year from 1,060,562 million covered lives in 2005 to 1,124,909 million covered lives in 2006, an increase of 6.1 percent. This market has shown increases every year since 2003 when it reached a low enrollment of 991,867 covered lives.

Finally, last year's report noted that three new insurers had filed to sell Instate Individual health insurance. The impact of those new entrants are reflected in enrollment numbers in that market where covered lives have increased from 453,976 in 2005 to 547,241 in 2006, an increase of 93,265, or 20.5 percent.

Individual Market

The individual market is a key indicator of the vitality of a state's commercial health insurance market. In Florida the individual health insurance market is showing increasing vitality in recent years evidenced by new market entrants and an increasing number in covered lives as shown in Table 1. Combined enrollment in the Instate Individual and the Out-of-State Group markets now totals 790,008. This represents an increase of 193,214, or 32.4 percent since 2001.

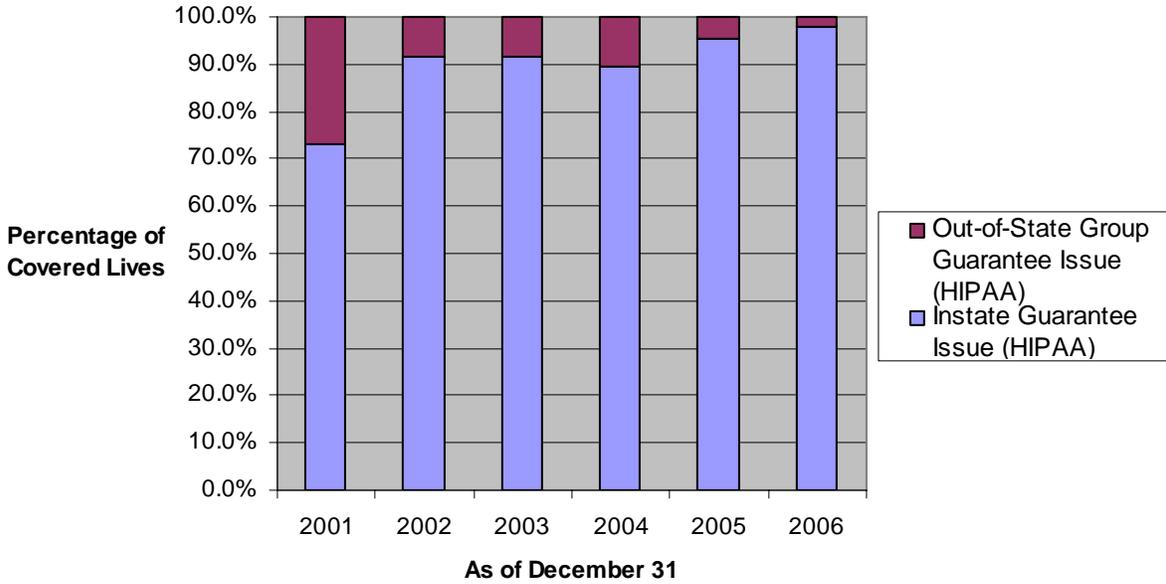
The individual market in Florida has long had a significant presence of Out-of-State Group or association group policies. The policies have increased from 158,066 covered lives in 2001 to 242,767 covered lives in 2006, an increase of 53.6 percent. These policies now represent 30.7 percent of the individual market as compared to 26.5 percent in 2001 as illustrated in Chart 1.



Companies writing individual coverage in Florida are required to provide individual coverage to certain persons who have guarantee issue coverage rights under the federal Health Insurance Portability and Accountability Act (HIPAA). For HIPAA purposes Florida Statutes require insurers issuing Out-of-State Group policies to issue this guarantee issue individual coverage to these individuals.

Chart 2 illustrates the market share for policies issued to persons with guarantee issue rights by instate and out-of state insurers.

Chart 2 - Market Share of Individual Guarantee Issue (HIPAA) Products Sold in Florida



Because these guarantee issue policies usually cover persons who are not able to obtain coverage through their employers or other alternatives, these persons are generally expected to have higher claims costs. This expectation is confirmed by the data in Table 3, which indicates a significantly higher direct incurred loss ratio for guarantee issue policies as compared to individual underwritten policies.

These data also indicate a significantly higher percentage of guarantee issue policies being issued by insurers issuing in-state policies as compared to insurers issuing out-of-state policies. Insurers issuing in-state policies cover 69.3 percent of covered lives in the individual market in 2006; however, these insurers issued policies covering 97.8 percent of the guarantee issue individual covered lives as compared to 2.2 percent of covered lives for insurers issuing out-of-state policies. Thus, in-state insurers bear a disproportionate share of the percentage of guarantee issue covered lives in Florida and, therefore, the resulting higher claims costs for these persons.

Premiums

Florida's commercial health insurance markets reported premiums for 2001 through 2006 as shown in Table 2:

Table 2 - Premium Dollars in Florida's Health Insurance Market

Market Segments	Direct Premiums Earned During Measurement Period					
	2001	2002	2003	2004	2005	2006
Instate Guarantee Issue (HIPAA)	\$ 15,740,423	\$ 12,851,314	\$ 12,951,899	\$ 48,445,137	\$ 81,286,431	\$ 113,512,136
Instate Individual Underwritten	\$ 654,490,599	\$ 691,569,288	\$ 743,356,152	\$ 828,279,051	\$ 962,816,696	\$ 971,267,393
Total Instate Individual	\$ 670,231,022	\$ 704,420,602	\$ 756,308,051	\$ 876,724,188	\$ 1,044,103,127	\$ 1,084,779,529
Conversion	\$ 36,345,337	\$ 59,134,324	\$ 122,330,067	\$ 115,961,444	\$ 130,609,710	\$ 179,510,321
Instate Groups of One	\$ 268,738,002	\$ 192,010,015	\$ 119,237,654	\$ 167,245,168	\$ 163,826,093	\$ 168,488,242
Instate 2-50 Member Groups	\$ 2,738,261,615	\$ 2,674,966,413	\$ 2,944,493,581	\$ 3,148,232,145	\$ 3,562,528,350	\$ 3,718,862,653
Total Instate 1-50 Member Groups	\$ 3,006,999,617	\$ 2,866,976,428	\$ 3,063,731,235	\$ 3,315,477,313	\$ 3,726,354,443	\$ 3,887,350,895
Instate 51+ Member Groups	\$ 6,031,328,343	\$ 6,601,359,748	\$ 7,401,537,475	\$ 8,161,459,254	\$ 8,482,142,528	\$ 7,746,351,263
Out-of-State Group Guarantee Issue (HIPAA)	\$ 7,497,385	\$ 6,547,837	\$ 8,144,268	\$ 10,136,853	\$ 12,295,544	\$ 13,030,832
Out-of-State Group Individual Underwritten	\$ 239,265,455	\$ 315,883,933	\$ 394,648,980	\$ 428,042,783	\$ 481,718,925	\$ 522,084,284
Total Out-of-State Individual	\$ 246,762,840	\$ 322,431,770	\$ 402,793,248	\$ 438,179,636	\$ 494,014,469	\$ 535,115,116
Out-of-State Groups of One	\$ 9,990,527	\$ 13,934,146	\$ 10,021,808	\$ 7,508,735	\$ 5,820,464	\$ 422,618
Out-of-State 2-50 Member Groups	\$ 46,571,175	\$ 128,818,101	\$ 120,087,311	\$ 81,533,772	\$ 49,823,238	\$ 26,668,601
Total Out-of-State 1-50 Member Group	\$ 56,561,702	\$ 142,752,247	\$ 130,109,119	\$ 89,042,507	\$ 55,643,702	\$ 27,091,219
Out-of-State 51+ Member Groups	\$ 94,999,943	\$ 540,802,698	\$ 554,388,060	\$ 609,153,631	\$ 737,092,634	\$ 764,197,745
Total	\$10,143,228,804	\$11,237,877,817	\$12,431,197,255	\$13,605,997,973	\$14,669,960,613	\$14,224,396,088

Note: This information is compiled from data filed with the Florida Office of Insurance Regulation by each Accident and/or Health Coverage Provider. It has not been audited or independently verified.

While total premium revenue increased 40.2 percent during the reporting period from \$10,143,228,804 in 2001 to \$14,224,396,088 in 2006, it showed a decrease from \$14,669,960,616 in 2005 to \$14,224,396,088 in 2006. This represents a decrease of 3.0 percent.

This decrease was primarily caused by a decrease in premium revenue for the Instate 51+ Member Group market where premium revenue decreased from \$8,482,142,528 in 2005 to \$7,746,351,263 in 2006, a decrease of \$735,791,265, or 8.7 percent. The decrease occurred despite an increase in enrollment of 82,477, or 3.7 percent of covered lives. Since the data for this report are summary data based on Gross Annual Premium reports submitted to the Office of Insurance Regulation, it is not possible to analyze these data to determine the factors that might have attributed to this result.

Premium Dollars and Direct Losses

The 2006 Gross Annual Premium reports also provide information on premium dollars compared to direct incurred losses for health care services provided to policyholders during the reporting period. These data were also provided in the 2005 reports and are presented here for 2005 and 2006. A direct incurred loss ratio is also calculated for each market for each year as shown in Table 3.

Table 3 - Premium Dollars and Direct Losses in Florida's Health Insurance Market

Market Segments	2005			2006			Rate of Change Direct Incurred Loss Ratio 2005 to 2006
	Direct Premiums Earned	Direct Incurred Losses	Direct Incurred Loss Ratio	Direct Premiums Earned	Direct Incurred Losses	Direct Incurred Loss Ratio	
Instate Guarantee Issue (HIPAA)	81,286,431	68,629,082	84.4%	113,512,136	97,305,537	85.7%	1.5%
Instate Individual Underwritten	962,816,696	643,463,407	66.8%	971,267,393	627,135,129	64.6%	-3.4%
Total Instate Individual	1,044,103,127	712,092,489	68.2%	1,084,779,529	724,440,666	66.8%	-2.1%
Conversion	130,609,710	176,485,998	135.1%	179,510,321	228,803,697	127.5%	-5.7%
Instate Groups of One	163,826,093	133,572,176	81.5%	168,488,242	144,585,527	85.8%	5.3%
Instate 2-50 Member Groups	3,562,528,350	2,556,631,360	71.8%	3,718,862,653	2,710,168,693	72.9%	1.5%
Total Instate 1-50 Member Groups	3,726,354,443	2,690,203,536	72.2%	3,887,350,895	2,854,754,220	73.4%	1.7%
Instate 51+ Member Groups	8,482,142,528	7,089,064,370	83.6%	7,746,351,263	6,413,829,718	82.8%	-0.9%
Out-of-State Group Guarantee Issue (HIPAA)	12,295,544	13,046,342	106.1%	13,030,832	12,729,030	97.7%	-7.9%
Out-of-State Group Individual Underwritten	481,718,925	270,691,466	56.2%	522,084,284	284,148,623	54.4%	-3.1%
Total Out-of-State Individual	494,014,469	283,737,808	57.4%	535,115,116	296,877,653	55.5%	-3.4%
Out-of-State Groups of One	5,820,464	5,209,311	89.5%	422,618	835,396	197.7%	120.9%
Out-of-State 2-50 Member Groups	49,823,238	36,658,305	73.6%	26,668,601	20,307,123	76.1%	3.5%
Total Out-of-State 1-50 Member Groups	55,643,702	41,867,616	75.2%	27,091,219	21,142,519	78.0%	3.7%
Out-of-State 51+ Member Groups	737,092,634	567,219,518	77.0%	764,197,745	618,170,780	80.9%	5.1%
Total	14,669,960,613	11,560,671,335	78.8%	14,224,396,088	11,158,019,253	78.4%	-0.5%

Note: This information is compiled from data filed with the Florida Office of Insurance Regulation by each Accident and/or Health Coverage Provider. It has not been audited or independently verified

The direct incurred loss ratio (direct incurred losses as a percent of direct earned premium) for the various market segments generally declined from 2005 to 2006, with the percentage for all insured declining from 78.8 percent to 78.4 percent. The market segments that had an increasing direct incurred loss ratio were the Instate 1-50 Member Groups (small group) where the direct incurred loss ratio increased from 72.2 percent to 73.4 percent and the Out-of-State Group markets where the direct incurred loss ratio increased from 76.8 percent to 80.8 percent.

With three exceptions, all markets reported direct incurred loss ratios of less than 86 percent for the 2006 reporting year. Two of these exceptions (Conversion and Out-of-State Guarantee Issue for HIPAA eligibles) are for markets where high losses are expected.

The third is the Out-of-State Groups of One market. The premium and loss data for Out-of-State Groups of One market segment in 2006 represents the experience of one company that is in process of exiting the market. That company had earned premiums and incurred losses in calendar year 2006.

However, since enrollment numbers are based on enrollment as of December 31 of the reporting year, there were no covered lives in this market segment as of December 31, 2006.

Florida Business by Number of Employees

As noted in 2006 Health Insurance Market Report, Florida is a state of small businesses as shown in Table 4.

Table 4 - STATE OF FLORIDA
 EMPLOYMENT AND WAGES COVERED BY UNEMPLOYMENT COMPENSATION
 FOURTH QUARTER 2005 AND 2006
 SIZE OF FIRM = ALL OWNERSHIP

Employment Range	Reporting Units				Employment			
	Number		Total (Percent)		Number		Total (Percent)	
	2005	2006	2005	2006	2005	2006	2005	2006
0	79,010	85,796	13.9	14.6	-	-	0.0	0.0
1-4	288,824	298,420	50.8	50.6	551,363	565,187	6.9	7.0
5-9	87,290	88,505	15.3	15	575,604	584,733	7.2	7.2
10-19	52,826	54,217	9.3	9.2	714,799	733,284	8.9	9.0
20-49	36,117	37,276	6.3	6.3	1,094,699	1,129,889	13.7	13.9
50-99	13,055	13,349	2.3	2.3	899,402	921,753	11.2	11.3
100-249	8,183	8,444	1.4	1.4	1,230,374	1,275,686	15.4	15.7
250-499	2,111	2,128	0.4	0.4	720,068	731,683	9.0	9.0
500-999	863	830	0.2	0.1	587,134	565,419	7.3	7.0
1000 PLUS	514	510	0.1	0.1	1,627,359	1,617,912	20.4	19.9
Total	568,793	589,475	100.0	100.0	8,000,802	8,125,546	100.0	100.0

Source: Agency for Workforce Innovation, Labor Market Statistics, Quarterly Census of Employment and Wages Program.

Note: A reporting unit is the economic unit for which data is submitted on the employer's contribution report or on a multiple worksite report. Employment for a given month is the number of covered workers who earned wages during the pay period which included the 12th of the month. Size of firm data is always based on third month employment.

While these data report an increase in total employment of 125,000, or 1.6 percent, employment in reporting firms with more than 500 employees declined in both absolute number of firms and in percentage of total employment, decreasing from 27.7 percent of total employment to 26.9 percent. Reporting firms with four or fewer employees increased from 64.7 percent to 65.2 percent of all firms.

As the number of small businesses increase, Florida's uninsured population is also likely to increase. Studies have repeatedly shown that the smaller the business as measured by number of employees, the less likely that the business will offer health insurance. This finding was reconfirmed by A Profile of Uninsured Floridians: Findings from the 2004 Florida Health Insurance Study that found the following in Table 5:

Table 5 - Uninsured by Firm Size

Firm Size	Percent of Employees Without Health Insurance
1-4	36.3
5-9	35.2
10-24	31.8
25-49	22.7
50-99	16.0
100-249	14.0
250-499	10.1
500-999	6.4
1,000 or more	5.2

Rates of Insurance Coverage in Florida

While the number of persons in Florida with commercial health insurance showed an increase from 2005 to 2006, the percentage of Florida’s population without health insurance continues to climb. A Profile of Uninsured Floridians: Findings from the 2004 Florida Health Insurance Study reported that the percentage of persons under 65 without health insurance increased from 16.8 percent in 1999 to 19.2 percent in 2004.

Recently the U.S. Census Bureau released its Current Population Survey, 2007 Annual Social and Economic Supplement. This report contains state estimates of health insurance for persons under 65 of age. While these estimates consistently show a higher percentage of persons under 65 without health insurance coverage than the 2004 Florida study, the trend is the same. An increasing percentage of Florida’s under 65 population is without health insurance coverage as shown in Table 6:

Table 6 - Health Insurance Coverage Status – Florida
Percent of Persons Under 65 Not Covered by Year

<u>Year</u>	<u>Percent</u>
2006	25.0
2005	23.8
2004	22.9
2003	20.9
2002	19.8
2001	20.1
2000	20.3
1999	21.3

Based on population estimates contained in the U.S. Census Bureau report, the number of uninsured Floridians of all ages has risen from 2.779 million in 1999 to 3.828 million in 2006, an increase of 37.7 percent over the seven year period.

Summary

FHIAB is pleased to present this report on Florida's commercial health insurance markets. It plans to use these data to assist it in carrying out its responsibilities and it hopes others will also find this report useful as they seek to improve Florida's commercial health insurance markets.

FHIAB is currently preparing legislative recommendations to present to the Office of Insurance Regulation. It is also preparing recommendations to address problems in Florida's health insurance market to present to other executive agencies and the Legislature.

FHIAB looks forward to working with these groups and others to improve Florida's commercial health insurance market and to increase the number of Floridians with health insurance coverage.

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