

**2015 FLORIDA HEALTH INSURANCE MARKET
REPORT**

BY THE

FLORIDA HEALTH INSURANCE ADVISORY BOARD

Adopted November 16, 2015

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 issues 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 2015 report incorporates insurance company data submitted to the Office for the year ending December 31, 2014. Previous reports are available on the FHIAB section of the Office's website at: <http://www.floir.com/Sections/LandH/FHIAB.aspx>.

Background

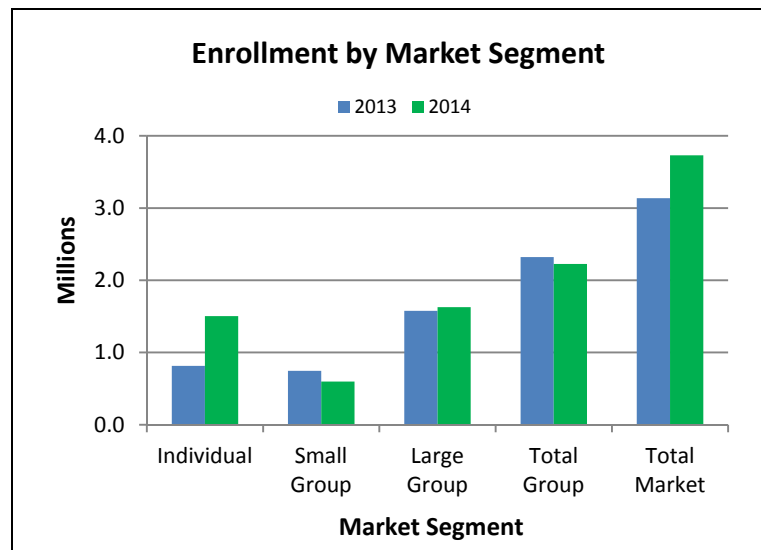
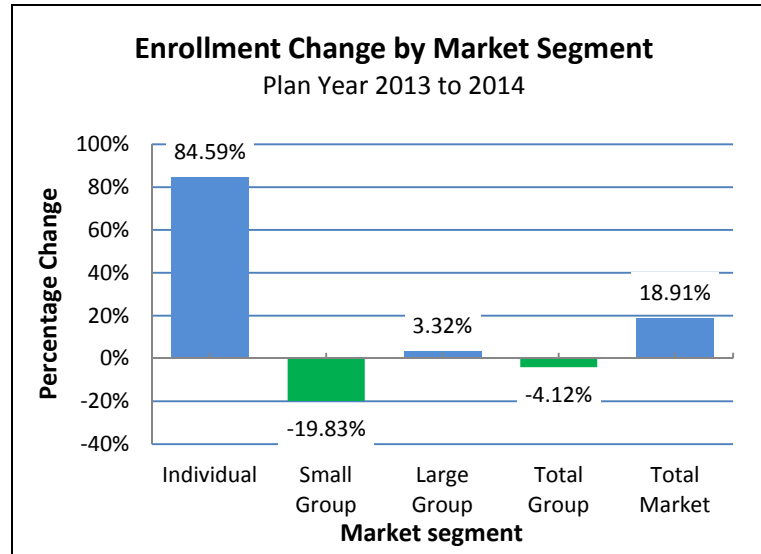
The FHIAB evolved from small group health insurance reform in Florida. Originally established in 1992 as the Florida Small Employer Health Reinsurance Program, it was expanded in 1997 to include the Florida Individual Health Reinsurance Program. Both Programs were governed by the same board of directors and operated as the Florida Health Reinsurance Program. Florida law changes in 2005 directed the Program to advise the Office, AHCA, DFS, other executive departments and the Legislature on health insurance issues. In light of these developments, the Board voted to change its name to the Florida Health Insurance Advisory Board, which better reflected 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 other stakeholders. There are 14 members of the Board as prescribed by statute. A listing of the FHIAB directors 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.

Commercial Enrollment



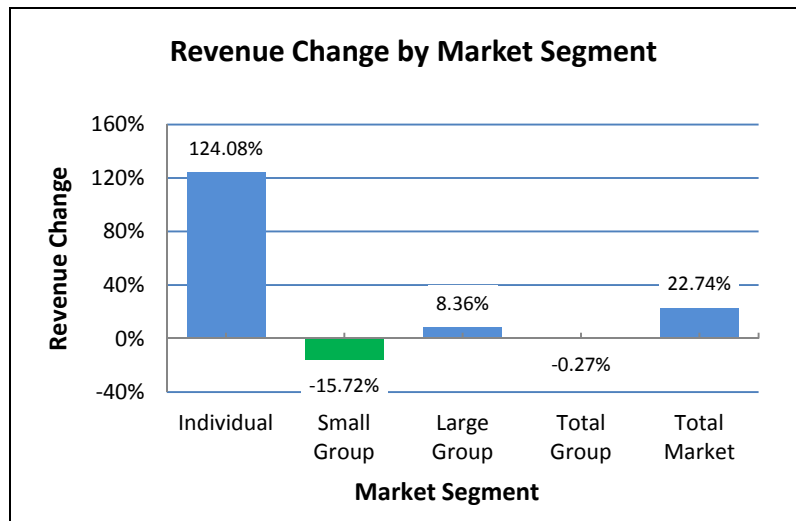
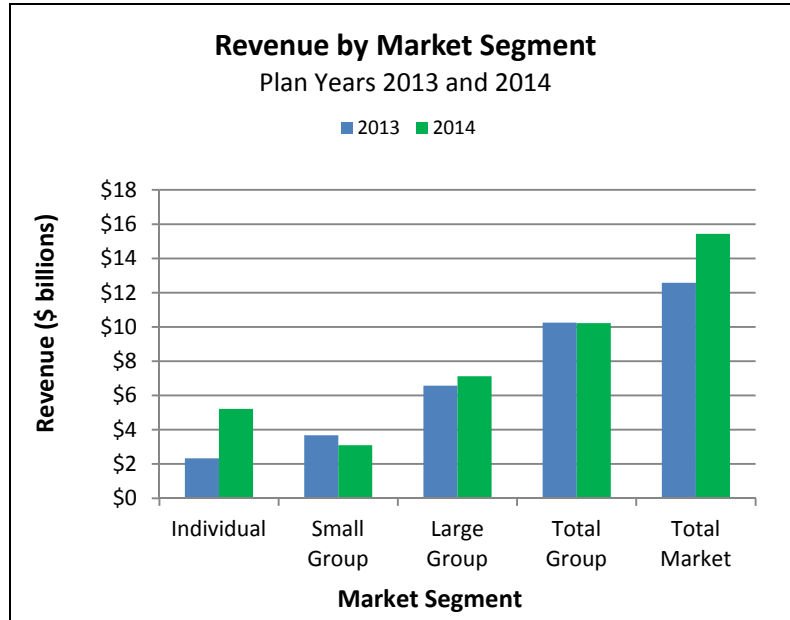
As illustrated above and shown in Table 1 below, total enrollment in Florida's commercial health insurance markets increased in 2014 by 18.91% or 593,325 covered lives. Total covered lives at year end 2014 were as follows:

- **Individual Coverage** - 1,503,564, an increase of 689,033 or 84.59%.
- **Small Group** - 598,361, a decrease of 148,047 or 19.83%.
- **Large Group** - 1,628,198, an increase of 52,339 lives or 3.32%.

Table 1
Commercial Insurance Enrollment 2013-2014

Market Segments	2013	2014
Guaranteed Issue		
ACA Compliant On Exchange	0	795,053
ACA Compliant Off Exchange	0	148,703
Grandfathered/Transitional	5,600	2,054
Out-of-State Grandfathered/Transitional	2,025	1,395
Total Guaranteed Issue	7,625	947,205
Individually Underwritten		
Grandfathered/Transitional	608,027	431,224
Out-of-State Grandfathered/Transitional	187,566	111,082
Total Individually Underwritten	795,593	542,306
Conversion		
Total Conversion	11,313	14,053
Small Groups (1-50)		
Self-Employed or Sole Proprietor	9,748	3,676
2 – 50 Member Groups	705,205	587,679
Out-of-State Self Employed or Sole Proprietor	1,208	662
Out-of-State 2 – 50 Member Groups	30,247	6,344
Total Small Groups	746,408	598,361
Large Groups (51+)		
51+ Member Groups	1,428,765	1,438,622
Out-of-State 51+ Member Groups	147,094	189,576
Total Large Groups	1,575,859	1,628,198
Total Individual Market	814,531	1,503,564
Total Group Market	2,322,267	2,226,559
Total Commercial Market	3,136,798	3,730,123

Commercial Revenue



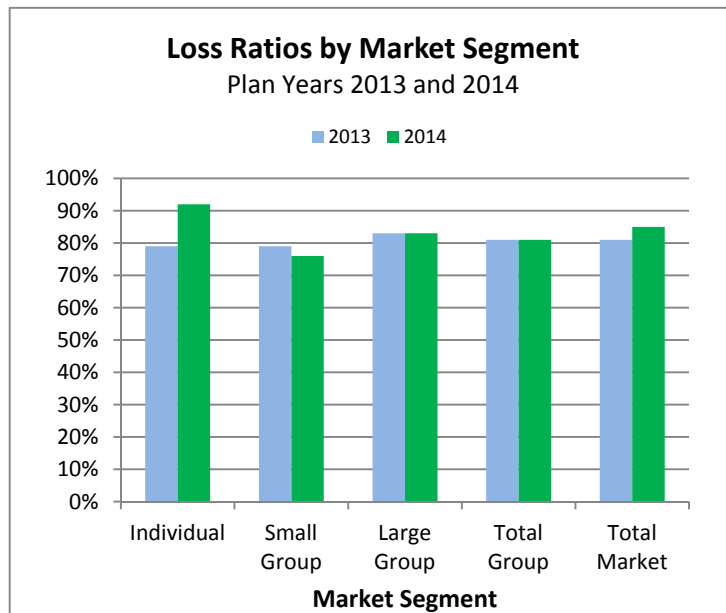
As illustrated above and shown in Table 2 below, the overall commercial market generated \$15,437,010,742 in premiums in 2014, a 22.74% increase from 2013.

Table 2
Commercial Insurance Premium 2013-2014

Market Segments	2013	2014
Guaranteed Issue		
Grandfathered/Transitional Guaranteed Issue	\$46,058,218	\$11,066,953
Out-of-State Guaranteed Issue	\$17,360,280	\$24,211,090
ACA On Exchange	N/A	\$2,711,578,704
ACA Off Exchange	N/A	\$641,948,059
Total Guaranteed Issue	\$63,418,498	\$3,388,804,806
Individually Underwritten		
Individually Underwritten	\$1,678,536,461	\$1,474,041,370
Out-of-State Individually Underwritten	\$471,673,583	\$319,755,393
Total Individually Underwritten	\$2,150,210,044	\$1,793,796,766
Conversion		
Conversion	\$98,888,407	\$30,723,890
Out-of-State Conversion	\$14,716,145	\$1,520,086
Total Conversion	\$113,604,552	\$32,243,976
Small Groups (1 – 50)		
Self-Employed or Sole Proprietor	\$82,496,172	\$46,607,230
2 – 50 Member Groups	\$3,405,315,940	\$3,007,409,154
Out-of-State Self Employed or Sole Proprietor	\$8,373,521	\$3,448,864
Out-of-State 2 – 50 Member Groups	\$178,533,665	\$39,695,557
Total Small Groups	\$3,674,719,298	\$3,097,160,805
Large Groups (51+)		
51+ Member Groups	\$6,074,079,498	\$6,349,062,518
Out-of-State 51+ Member Groups	\$501,036,179	\$775,941,871
Total Large Groups	\$6,575,115,677	\$7,125,004,389
Total Individual Market	\$2,327,233,094	\$5,214,845,548
Total Group Market	\$10,249,834,975	\$10,222,165,194
Total Commercial Market	\$12,577,068,069	\$15,437,010,742

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. However, when comparing 2014 to 2013 overall, there was a decrease in the small group market loss ratio, an increase in the individual market loss ratio and a very slight increase in the large group market loss ratio.



Loss ratios increased significantly in the individual market as increased premiums did not offset the rise in medical expenditures.

Large group (51+ members) experienced a loss ratio of 83.09% in 2014. This market segment has a higher volume and lower administrative cost environment; consequently, higher loss ratios are generally expected in this market segment relative to other markets. This loss ratio was nearly unchanged from the 2013 loss ratio of 82.81%. The small group (1-50 members) loss ratio decreased from 78.63% in 2013 to 76.02% in 2014.

Table 3
Direct Premiums/Losses & Loss Ratios 2013-2014

Market Segments	2013			2014		
	Direct Premiums Earned	Direct Losses Incurred	Loss Ratio	Direct Premiums Earned	Direct Losses Incurred	Loss Ratio
Guaranteed Issue						
Grandfathered/Transitional Guaranteed Issue	\$46,058,218	\$47,366,632	102.84%	\$11,066,953	\$13,745,385	124.20%
Out-of-State Guaranteed Issue	\$17,360,280	\$18,385,035	105.90%	\$24,211,090	\$25,019,589	103.34%
ACA On Exchange	\$0	\$0	0.00%	\$2,711,578,704	\$2,602,505,639	95.98%
ACA Off Exchange	\$0	\$0	0.00%	\$641,948,059	\$791,219,481	123.25%
Total Guaranteed Issue	\$63,418,498	\$65,751,667	103.68%	\$3,388,804,806	\$3,432,490,094	101.29%
Individually Underwritten						
Individually Underwritten	\$1,678,536,461	\$1,275,442,203	75.99%	\$1,474,041,370	\$1,092,096,608	74.09%
Out-of-State Individually Underwritten	\$471,673,583	\$325,405,779	68.99%	\$319,755,396	\$224,362,582	70.17%
Total Individually Underwritten	\$2,150,210,044	\$1,600,847,982	74.45%	\$1,793,796,766	\$1,316,459,190	73.39%
Conversion						
Conversion	\$98,888,407	\$133,786,777	135.29%	\$30,723,890	\$62,312,346	202.81%
Out-of-State Conversion	\$14,716,145	\$30,182,417	205.10%	\$1,520,086	\$2,999,983	197.36%
Total Conversion	\$113,604,552	\$163,969,194	144.33%	\$32,243,976	\$65,312,329	202.56%
Small Groups (1 – 50)						
Self-Employed or Sole Proprietor	\$82,496,172	\$118,534,875	143.69%	\$46,607,230	\$44,841,960	96.21%
2 – 50 Member Groups	\$3,405,315,940	\$2,587,825,277	75.99%	\$3,007,409,154	\$2,275,274,748	75.66%
Out-of-State Self Employed or Sole Proprietor	\$8,373,521	\$10,397,659	124.17%	\$3,448,864	\$2,541,242	73.68%
Out-of-State 2 – 50 Member Groups	\$178,533,665	\$172,810,051	96.79%	\$39,695,557	\$31,824,815	80.17%
Total Small Groups	\$3,674,719,298	\$2,889,567,862	78.63%	\$3,097,160,805	\$2,354,482,765	76.02%
Large Groups (51+)						
51+ Member Groups	\$6,074,079,498	\$5,006,747,077	82.43%	\$6,349,062,518	\$5,270,997,220	83.02%
Out-of-State 51+ Member Groups	\$501,036,179	\$438,167,788	87.45%	\$775,941,871	\$649,097,777	83.65%
Total Large Groups	\$6,575,115,677	\$5,444,914,865	82.81%	\$7,125,004,389	\$5,920,094,997	83.09%
Total Individual Market	\$2,327,233,094	\$1,830,568,843	78.66%	\$5,214,845,548	\$4,814,261,613	92.32%
Total Group Market	\$10,249,834,975	\$8,334,485,727	81.31%	\$10,222,165,194	\$8,274,577,762	80.95%
Total Commercial Market	\$12,577,068,069	\$10,165,054,570	80.82%	\$15,437,010,742	\$13,088,839,375	84.79%

Conclusions

The year 2013 marks the last year that most individual health care coverage in Florida was issued requiring evidence of insurability. Beginning in 2014, all new individual health insurance policies were issued on a guaranteed issue basis meaning applicants no longer had to undergo medical underwriting to determine eligibility for coverage. The Affordable Care Act (ACA) also encouraged the purchase of insurance coverage by providing premium and cost sharing subsidies for low-to-moderate income individuals and families, as well as, by instituting tax penalties for those without health insurance. This had a significant impact on Florida's 2014 commercial health insurance market as enrollment increased in 2014 by 593,325 covered lives or 18.91% and premium revenue increased by \$15,437,010,742 or 22.74%.

Because all new individual policies are guaranteed issue, the market for underwritten policies has decreased significantly and should continue to decrease. The individually underwritten policies reported herein for 2014 are either grandfathered policies, which means they were issued before the passage of the ACA and can be renewed indefinitely, or transitional policies, which means they were issued after passage of the ACA but can be renewed through 2016. Guaranteed issuance of individual policies, along with the existence of premium subsidies on the Federal exchange, also contributed to a decrease in the number of conversion and out-of-state policies.

The small group enrollment for 2014 showed a decrease compared to 2013, but this decrease is not necessarily indicative of changes in the small business community. Some decrease was expected as employers eliminated group coverage and provided their employees access to subsidies and cost sharing reductions available through the ACA. In addition, since the ACA requirement of essential health benefits does not apply to self-insured groups, the trend of employers moving to self-insured coverage was expected to continue and possibly increase.

Enrollment and revenue increased for large groups. However, the increases were relatively less significant compared to other market segments as the ACA had less of an impact on this market segment.

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