

**2016 FLORIDA HEALTH INSURANCE MARKET
REPORT**

BY THE

FLORIDA HEALTH INSURANCE ADVISORY BOARD

Adopted October 19, 2016

Introduction

One of the responsibilities of the Florida Health Insurance Advisory Board (FHIAB) is to issue an annual report on the state of the health insurance market in Florida.

The following figures present enrollment, premium, and loss ratio 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. This report incorporates insurance company data submitted to the Office for the year ending December 31, 2015. Previous reports are available on the FHIAB section of the Office's website at:

<http://www.flor.com/Sections/LandH/FHIAB.aspx>.

Executive Summary

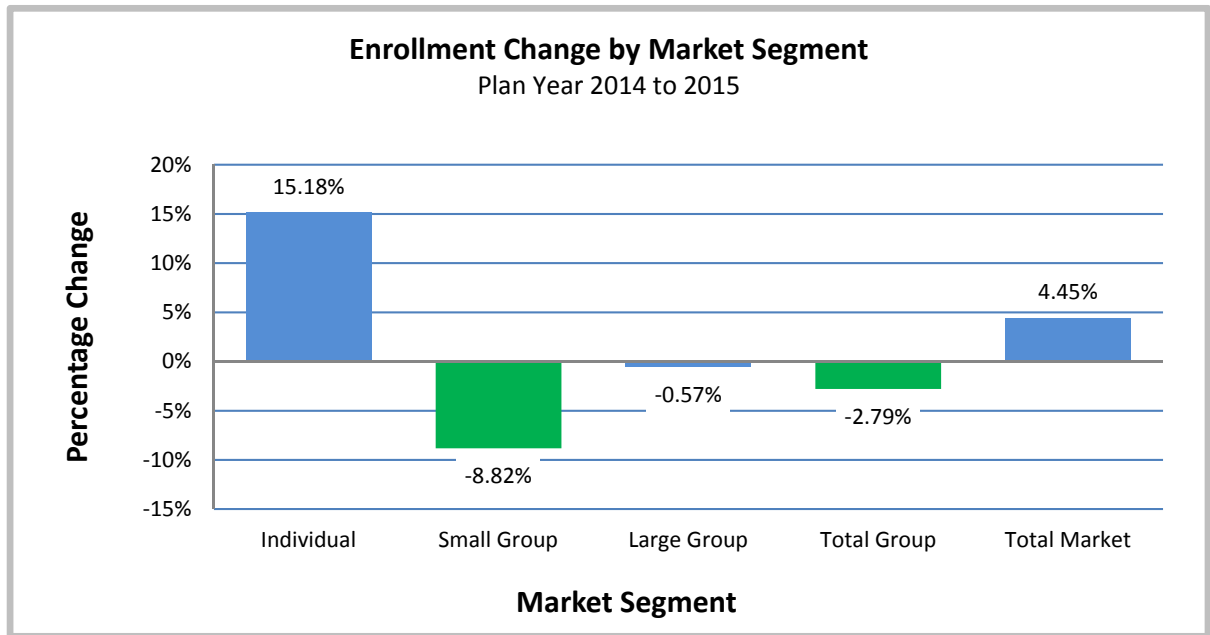
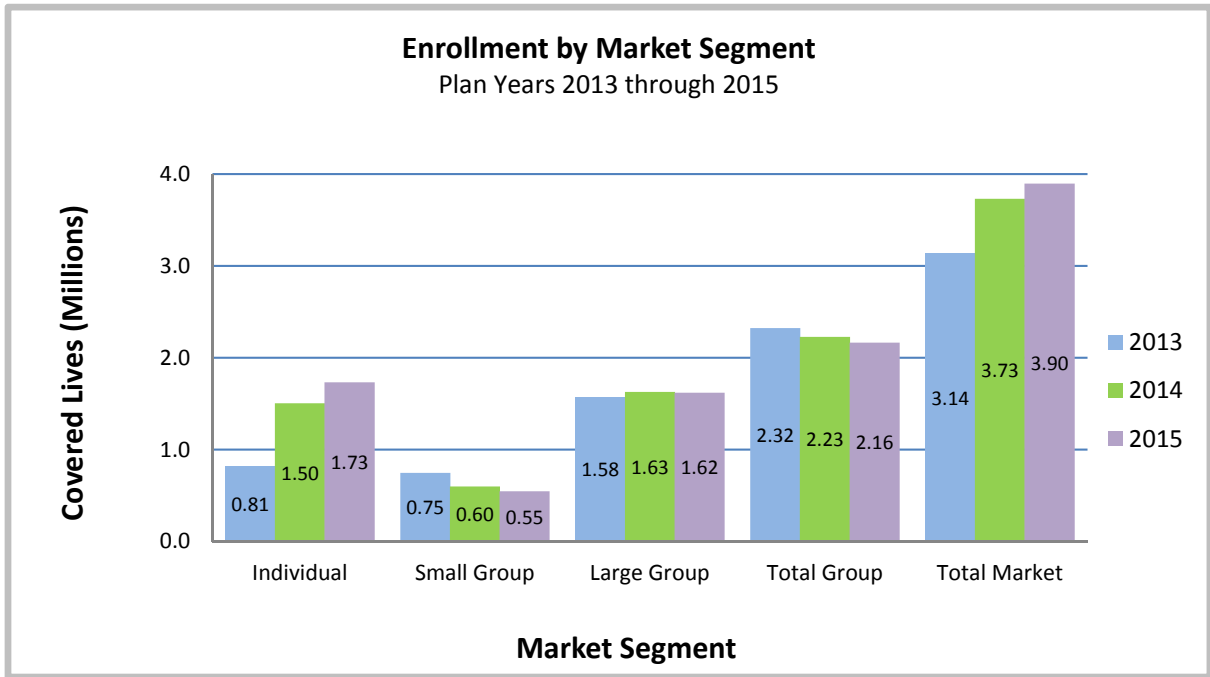
The commercial health insurance market remains in a state of flux due to the implementation of the Affordable Care Act (ACA). Many of the ACA's effects that were evident during 2014 continued in 2015.

Individual policies have grown to become a much greater share of the overall market enrollment and premium. This is primarily the result of the fact that under the ACA, all individual policies must be guaranteed issue; no application can be rejected based on the health status of the applicant. The individually underwritten policies reported herein for 2014 and 2015 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 must end coverage by December 31, 2017. It is thought that the end of the transitional policies will improve the risk pool for ACA policies as transitional policy members are assumed to be healthier as they were recently health underwritten. However, it should be noted that many individual policyholders have already moved to an ACA-compliant policy due to the subsidies available on the Federal Marketplace, the person's carrier leaving the non-ACA market, or to obtain more comprehensive coverage.

The small group market has continued to contract as enrollment shifts to other types of coverage. The small group market represents 14.0% of the total market enrollment and 16.1% of the total market premium. It is expected that this segment will continue to shrink as small employers either self-insure or cease offering coverage. Another concern ahead for this market segment is that it is likely to experience further disruptions as more than half of the enrollment in the small group market is enrolled in a transitional policy which must end coverage by December 31, 2017.

Enrollment has stabilized for large groups as the ACA appears to have had less impact on this market segment compared to the other segments.

Commercial Enrollment



As illustrated above and shown in Table 1 below, total enrollment in Florida's commercial health insurance markets increased in 2015 by 4.45% or 166,159 covered lives. This follows an increase from the previous year of 18.91% or 593,325 covered lives. Added together, the number of covered lives has increased by 759,484 or 24.21% since December 31, 2013, the day before most provisions of the Affordable Care Act (ACA) went into effect.

The increased number of covered lives has resulted in a significant corresponding decrease in the number of uninsured people in Florida. According to the United States Census Bureau, the uninsured population in Florida has declined from 3.9 million (20.0% rate) at the end of 2013 to 3.2 million (16.6% rate) at the end of 2014. According to a report issued by the Kaiser Family Foundation, Florida's uninsured population declined further in 2015 to 2.8 million.

As of year-end 2015, coverage by market segment consisted of:

- **Individual Coverage** – 1,731,840, an increase of 228,276 or 15.18%
- **Small Group** (1-50 members) – 545,593, a decrease of 52,768 or 8.82%
- **Large Group** (51+ members) – 1,618,849, a decrease of 9,349 lives or 0.57%
- **Total Market** – 3,896,282, an increase of 166,159 lives or 4.45%

Of particular note is the sharp increase in enrollment in the individual market. Enrollment for this market segment has increased by 112.62% over the past two years. Individual market enrollment has grown significantly due in large part to the Federal tax penalties for those without coverage (the mandate) and the subsidies being offered on the Federal Exchange/Marketplace. The individual market is now larger than either the small group or large group market individually although it still lags total group enrollment.

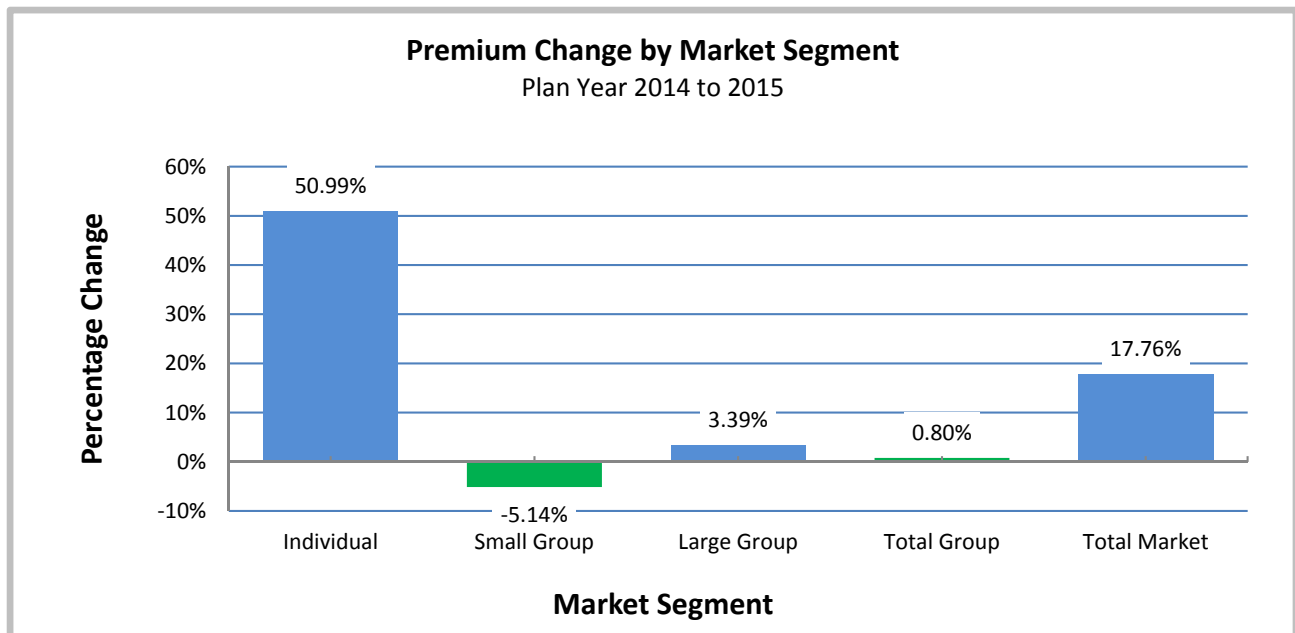
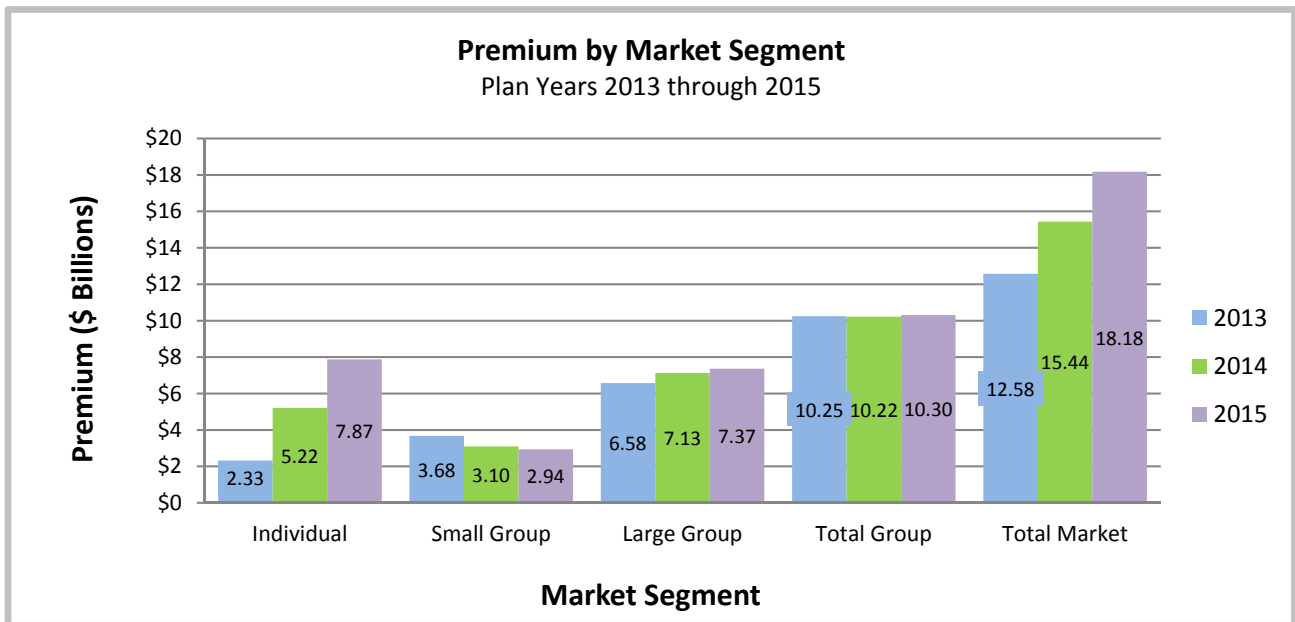
In contrast to the individual market, the small group market has declined by 26.90% over the last two years. The declining trend in small group coverage was in effect prior to the implementation of the ACA as enrollment was 1,073,683 in 2005 but had dropped to 746,408 in 2013. However, the decline in enrollment has greatly accelerated over the past two years as small group enrollment has declined by an additional 200,815 members since 2013. It is thought that small group employers are opting to self-insure or are no longer offering coverage for their employees and their dependents as their employees can often pay less by purchasing a policy through the Federal Exchange if those employees qualify for a subsidy and/or receive more comprehensive coverage.

In comparison, after many years of declines (2005 enrollment was 2,468,056 compared to 1,575,859 in 2013), enrollment in the large group market appears to have stabilized since the implementation of the ACA.

Table 1
Commercial Insurance Enrollment 2013-2015

Market Segments	2013	2014	2015
Guaranteed Issue			
ACA On-Exchange	0	795,053	1,179,549
ACA Off-Exchange	0	148,703	214,843
Grandfathered/Transitional	5,600	2,054	701
Out-of-State Grandfathered/Transitional	2,025	1,395	278
Total Guaranteed Issue	7,625	947,205	1,395,371
Individually Underwritten			
Grandfathered/Transitional	608,027	431,224	247,365
Out-of-State Grandfathered/Transitional	187,566	111,082	73,485
Total Individually Underwritten	795,593	542,306	320,850
Conversion			
Total Conversion	11,313	14,053	15,619
Small Groups (1-50)			
Self-Employed or Sole Proprietor	9,748	3,676	4,864
2 – 50 Member Groups	705,205	587,679	532,450
Out-of-State Self Employed or Sole Proprietor	1,208	662	199
Out-of-State 2 – 50 Member Groups	30,247	6,344	8,080
Total Small Groups	746,408	598,361	545,593
Large Groups (51+)			
51+ Member Groups	1,428,765	1,438,622	1,485,774
Out-of-State 51+ Member Groups	147,094	189,576	133,075
Total Large Groups	1,575,859	1,628,198	1,618,849
Market Totals			
Total Individual Market	814,531	1,503,564	1,731,840
Total Group Market	2,322,267	2,226,559	2,164,442
Total Commercial Market	3,136,798	3,730,123	3,896,282

Commercial Premium

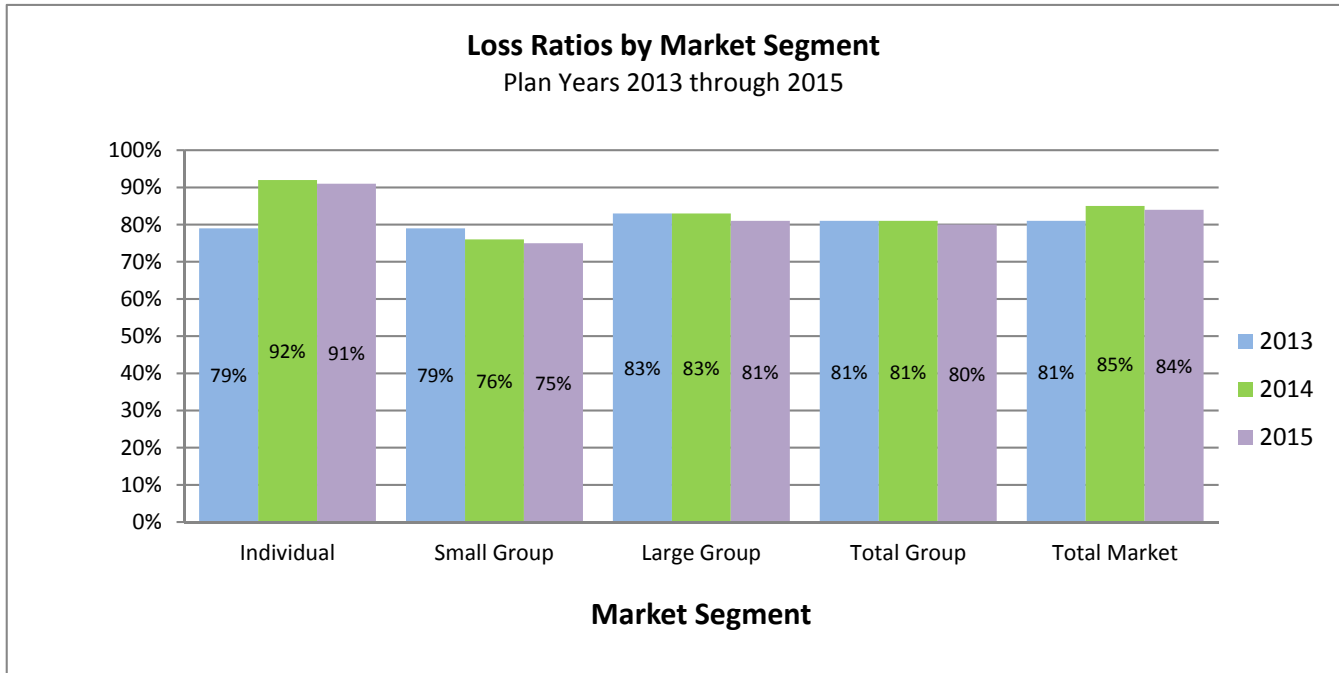


As illustrated above and shown in Table 2 below, the overall commercial market generated \$18,178,160,270 in premiums in 2015, a 17.76% increase from 2014. This follows a 22.74% increase last year. The increase is largely the result of the growth in the individual market and is due to both increased enrollment and higher premiums. Premium and enrollment changes in the small group and large group markets have had a much smaller effect on overall revenue.

Table 2
Commercial Insurance Premium 2013-2015

Market Segments	2013	2014	2015
Guaranteed Issue			
Grandfathered/Transitional Guaranteed Issue	\$46,058,218	\$11,066,953	\$3,275,795
Out-of-State Guaranteed Issue	\$17,360,280	\$24,211,090	\$3,987,854
ACA On-Exchange	N/A	\$2,711,578,704	\$5,369,191,514
ACA Off-Exchange	N/A	\$641,948,059	\$1,211,778,093
Total Guaranteed Issue	\$63,418,498	\$3,388,804,806	\$6,588,233,256
Individually Underwritten			
Individually Underwritten	\$1,678,536,461	\$1,474,041,370	\$945,245,386
Out-of-State Individually Underwritten	\$471,673,583	\$319,755,393	\$267,555,521
Total Individually Underwritten	\$2,150,210,044	\$1,793,796,766	\$1,221,800,907
Conversion			
Total Conversion	\$113,604,552	\$32,243,976	\$63,908,288
Small Groups (1 – 50)			
Self-Employed or Sole Proprietor	\$82,496,172	\$46,607,230	\$45,003,565
2 – 50 Member Groups	\$3,405,315,940	\$3,007,409,154	\$2,850,375,801
Out-of-State Self Employed or Sole Proprietor	\$8,373,521	\$3,448,864	\$1,190,735
Out-of-State 2 – 50 Member Groups	\$178,533,665	\$39,695,557	\$41,255,209
Total Small Groups	\$3,674,719,298	\$3,097,160,805	\$2,937,825,310
Large Groups (51+)			
51+ Member Groups	\$6,074,079,498	\$6,349,062,518	\$6,761,756,138
Out-of-State 51+ Member Groups	\$501,036,179	\$775,941,871	\$604,636,371
Total Large Groups	\$6,575,115,677	\$7,125,004,389	\$7,366,392,509
Market Totals			
Total Individual Market	\$2,327,233,094	\$5,214,845,548	\$7,873,942,451
Total Group Market	\$10,249,834,975	\$10,222,165,194	\$10,304,217,819
Total Commercial Market	\$12,577,068,069	\$15,437,010,742	\$18,178,160,270

Loss Ratios



The loss ratios provided above are calculated by dividing the losses associated with various market segments by the amount of premiums collected. As expected, each market demonstrates a different loss ratio profile. However, each market segment produced a lower loss ratio in 2015 than in 2014 although some individual categories did show increases.

In the individual market, the overall loss ratio decreased from 92.32% in 2014 to 90.99% in 2015 after a significant increase from 2013 to 2014.

Of note is that, although both declined in 2015, the loss ratio for ACA and other guaranteed issue individual policies for 2015 was 94.25%, while the ratio for health underwritten policies was 72.88%. Given the growth in individual ACA policies and the news headlines, it is significant that loss ratios for these types of policies, both on- and off-exchange, decreased. However, loss ratios in the individual ACA market still remain higher than is customary in the commercial market and remain much higher than those in the individually underwritten market segment and the group markets.

The large group market experienced an overall loss ratio of 81.44% in 2015 which is lower than the 83.09% ratio reported 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.

The small group overall loss ratio decreased from 76.02% in 2014 to 74.67% in 2015.

Table 3
Direct Premium/Losses & Loss Ratios 2014-2015

Market Segments	2014			2015		
	Direct Premium Earned	Direct Losses Incurred	Loss Ratio	Direct Premium Earned	Direct Losses Incurred	Loss Ratio
Guaranteed Issue						
Grandfathered/Transitional Guaranteed Issue	\$11,066,953	\$13,745,385	124.20%	\$3,275,795	\$5,554,377	169.56%
Out-of-State Guaranteed Issue	\$24,211,090	\$25,019,589	103.34%	\$3,987,854	\$5,264,086	132.00%
ACA On-Exchange	\$2,711,578,704	\$2,602,505,639	95.98%	\$5,369,191,514	\$4,924,551,983	91.72%
ACA Off-Exchange	\$641,948,059	\$791,219,481	123.25%	\$1,211,778,093	\$1,274,060,971	105.14%
Total Guaranteed Issue	\$3,388,804,806	\$3,432,490,094	101.29%	\$6,588,233,256	\$6,209,431,417	94.25%
Individually Underwritten						
Individually Underwritten	\$1,474,041,370	\$1,092,096,608	74.09%	\$954,245,386	\$702,216,732	73.59%
Out-of-State Individually Underwritten	\$319,755,396	\$224,362,582	70.17%	\$267,555,521	\$188,282,484	70.37%
Total Individually Underwritten	\$1,793,796,766	\$1,316,459,190	73.39%	\$1,221,800,907	\$890,499,216	72.88%
Conversion						
Total Conversion	\$32,243,976	\$65,312,329	202.56%	\$63,908,288	\$64,550,659	101.01%
Small Groups (1 – 50)						
Self-Employed or Sole Proprietor	\$46,607,230	\$44,841,960	96.21%	\$45,003,565	\$44,927,187	99.83%
2 – 50 Member Groups	\$3,007,409,154	\$2,275,274,748	75.66%	\$2,850,375,801	\$2,116,885,095	74.27%
Out-of-State Self Employed or Sole Proprietor	\$3,448,864	\$2,541,242	73.68%	\$1,190,735	\$559,808	47.01%
Out-of-State 2 – 50 Member Groups	\$39,695,557	\$31,824,815	80.17%	\$41,255,209	\$31,379,820	76.06%
Total Small Groups	\$3,097,160,805	\$2,354,482,765	76.02%	\$2,937,825,310	\$2,193,751,910	74.67%
Large Groups (51+)						
51+ Member Groups	\$6,349,062,518	\$5,270,997,220	83.02%	\$6,761,756,138	\$5,507,629,302	81.45%
Out-of-State 51+ Member Groups	\$775,941,871	\$649,097,777	83.65%	\$604,636,371	\$491,815,662	81.34%
Total Large Groups	\$7,125,004,389	\$5,920,094,997	83.09%	\$7,366,392,509	\$5,999,444,964	81.44%
Market Totals						
Total Individual Market	\$5,214,845,548	\$4,814,261,613	92.32%	\$7,873,942,451	\$7,164,481,292	90.99%
Total Group Market	\$10,222,165,194	\$8,274,577,762	80.95%	\$10,304,217,819	\$8,193,196,874	79.51%
Total Commercial Market	\$15,437,010,742	\$13,088,839,375	84.79%	\$18,178,160,270	\$15,357,678,166	84.48%

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 of Insurance Regulation, the Agency for Health Care Administration, the Department of Financial Services, other executive departments, and the Legislature on health insurance issues. Specifically, the board shall:

1. Provide a forum for stakeholders, consisting of insurers, employers, agents, consumers, and regulators, in the private health insurance market in this state.
2. Review and recommend strategies to improve the functioning of the health insurance markets in this state with a specific focus on market stability, access, and pricing.
3. Make recommendations to the office for legislation addressing health insurance market issues and provide comments on health insurance legislation proposed by the office.
4. Meet at least three times each year. One meeting shall be held to hear reports and to secure public comment on the health insurance market, to develop any legislation needed to address health insurance market issues, and to provide comments on health insurance legislation proposed by the office.
5. Issue a report to the office on the state of the health insurance market by September 1 each year. The report shall include recommendations for changes in the health insurance market, results from implementation of previous recommendations, and information on health insurance markets.

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 current listing of the FHIAB directors follows.

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