

**2018 FLORIDA HEALTH INSURANCE MARKET
REPORT**

BY THE

FLORIDA HEALTH INSURANCE ADVISORY BOARD

Adopted October 4, 2018

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, 2017. Previous reports are available on the FHIAB section of the Office's website at:

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

Executive Summary

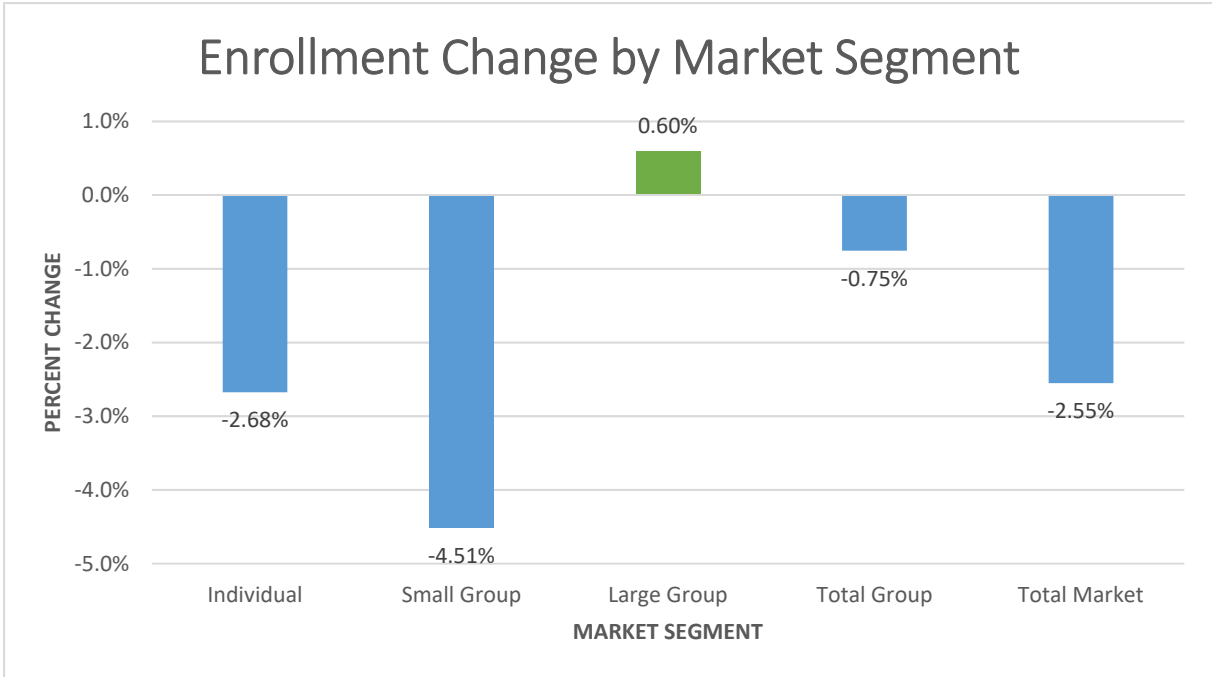
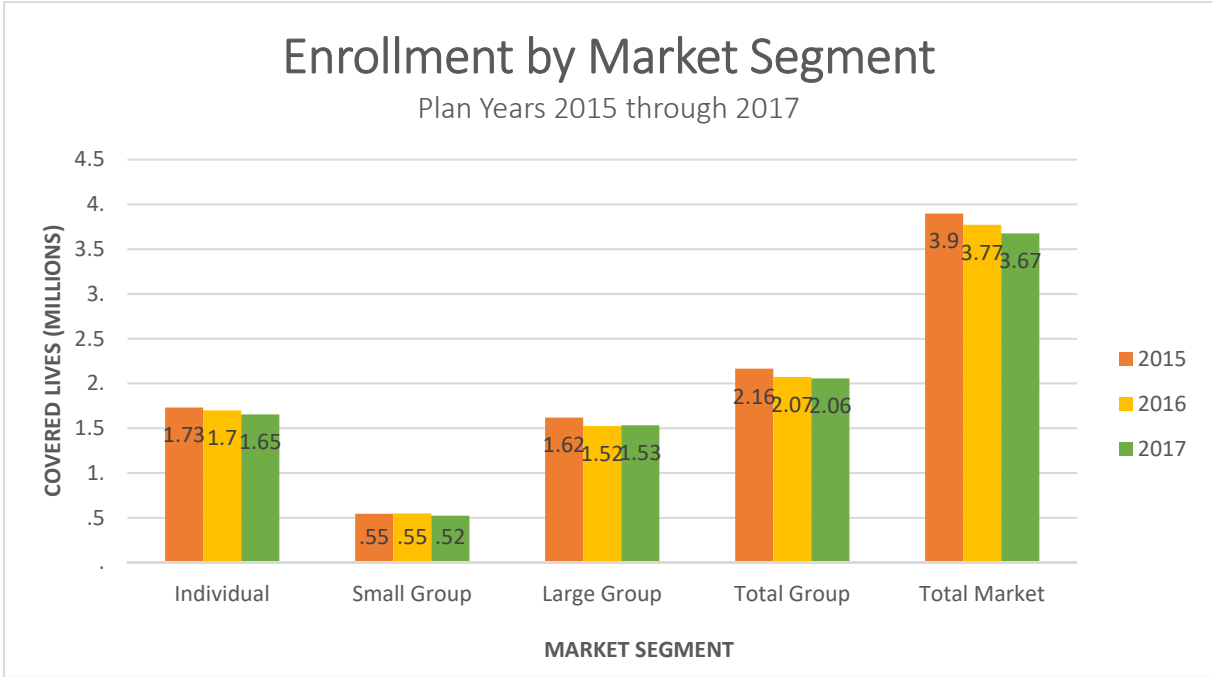
The commercial health insurance market remains in a state of flux due to the implementation of the Affordable Care Act (ACA). Many of the ACA's effects that were evident during 2016 continued in 2017.

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 2016 and 2017 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, 2019. 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 14.2% of the total market enrollment and 15.1% 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, 2019.

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 decreased in 2017 by 2.55% or 96,188 covered lives. This follows a decrease from the previous year of 3.22% or 125,407 covered lives. Added together, the number of covered lives has increased by 537,889 or 17.15% 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 2.6 million (13.3% rate) at the end of 2015 to 2.5 million (12.5% rate) at the end of 2016.

As of year-end 2017, coverage by market segment consisted of:

- **Individual Coverage** – 1,653,843, a decrease of 45,463 covered lives or 2.68%
- **Small Group** (1-50 members) – 523,034, a decrease of 24,730 covered lives or 4.51%
- **Large Group** (51+ members) – 1,532,920, an increase of 9,115 covered lives or 0.60%
- **Total Market** – 3,674,687, a decrease of 96,188 covered lives or 2.55%

The individual market has decreased by 4.50% over the past two years, exhibiting stability that contrasts with a previous period of sharp enrollment increase of 112.62%. Initially, the individual market enrollment exhibited significant growth attributable to the Federal tax penalties for those without coverage (the mandate) and the subsidies being offered on the Federal Exchange/Marketplace. The individual market remains larger than either the small group or large group market individually although it still lags total group enrollment.

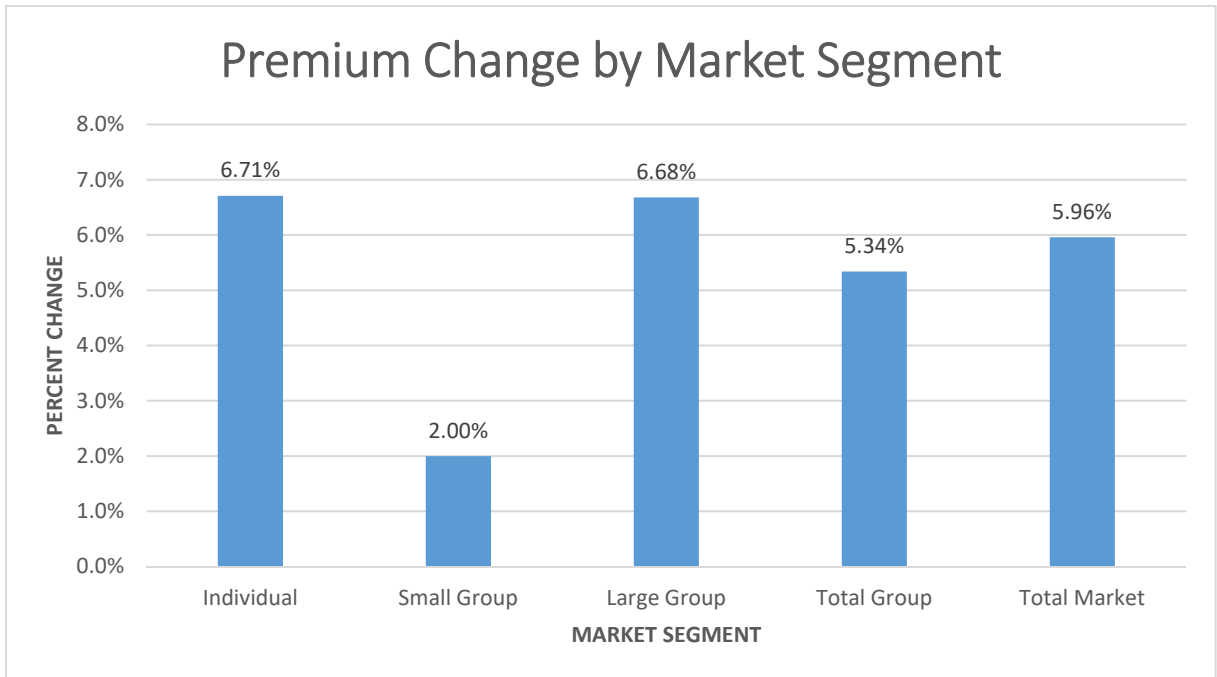
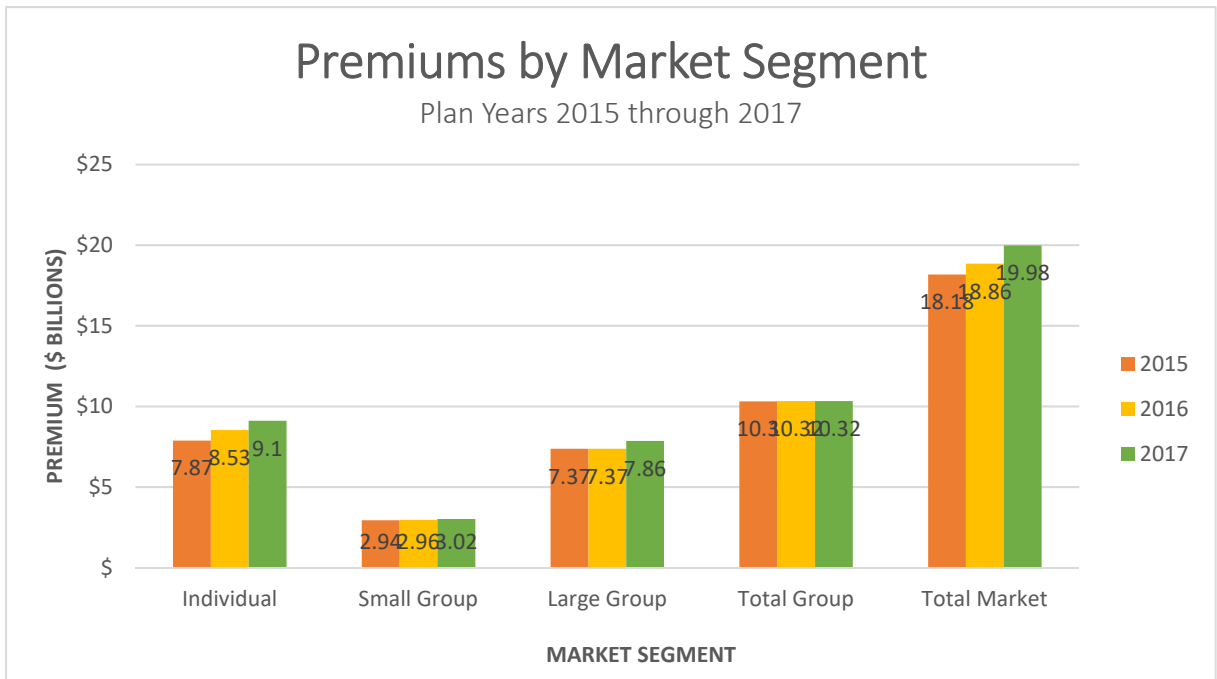
Similar to the individual market, the small group market has declined by 4.13% over the last two years. The declining trend in small group coverage was in effect prior to the implementation of the ACA as enrollment was 1,073,683 in 2005 but had dropped to 545,593 in 2015. However, the decline in enrollment has remained steady over the past two years as small group enrollment has declined by an additional 22,559 members since 2015. 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 1,618,849 in 2015), enrollment in the large group market appears to have stabilized since the implementation of the ACA.

Table 1
Commercial Insurance Enrollment 2015-2017

Market Segments	2015	2016	2017
Guaranteed Issue			
ACA On-Exchange	1,179,549	1,236,621	1,229,207
ACA Off-Exchange	214,843	213,624	178,771
Grandfathered (In-State and Out-of-State)	785	3,727	564
Transitional (In-State and Out-of-State)	191	99	120
Total Guaranteed Issue	1,395,371	1,454,071	1,408,662
Individually Underwritten			
Grandfathered (In-State and Out-of-State)	84,149	68,167	58,192
Transitional (In-State and Out-of-State)	236,701	176,740	151,605
Total Individually Underwritten	320,850	244,907	209,797
Conversion			
Total Conversion	15,619	328	274
Small Groups (1-50)			
Self-Employed or Sole Proprietor	5,063	5,486	3,680
2 – 50 Member Groups	540,530	542,278	519,354
Total Small Groups	545,593	547,764	523,034
Large Groups (51+)			
Total Large Groups	1,618,849	1,523,805	1,532,920
Market Totals			
Total Individual Market	1,731,840	1,699,306	1,618,733
Total Group Market	2,164,442	2,071,569	2,055,954
Total Commercial Market	3,896,282	3,770,875	3,674,687

Commercial Premium

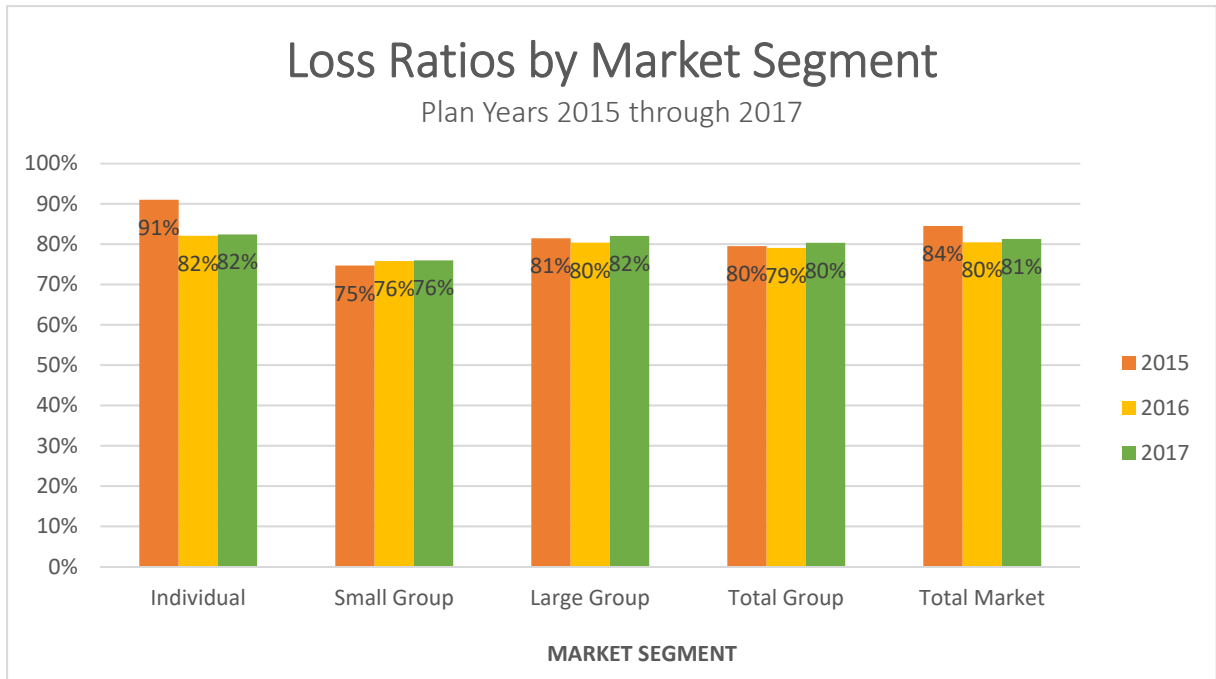


As illustrated above and shown in Table 2 below, the overall commercial market generated \$19,978,525,938 in premiums in 2017, a 5.96% increase from 2016. This follows a 3.72% increase last year. The increase is largely the result of the higher premiums in the individual market. Premium and enrollment changes in the small group and large group markets have had a much smaller effect on overall revenue.

Table 2
Commercial Insurance Premium 2015-2017

Market Segments	2015	2016	2017
Guaranteed Issue			
Grandfathered (In-State and Out-of-State)	\$4,184,883	\$30,912,264	\$1,482,351
Transitional (In-State and Out-of-State)	\$3,078,766	\$1,318,768	\$988,739
ACA On-Exchange	\$5,369,191,514	\$6,024,165,547	\$7,113,254,073
ACA Off-Exchange	\$1,211,778,093	\$1,493,684,058	\$1,123,749,202
Total Guaranteed Issue	\$6,588,233,256	\$7,550,080,637	\$8,239,474,365
Individually Underwritten			
Grandfathered (In-State and Out-of-State)	\$398,421,541	\$331,406,571	\$293,757,097
Transitional (In-State and Out-of-State)	\$823,379,366	\$648,146,358	\$568,521,050
Total Individually Underwritten	\$1,221,800,907	\$979,552,929	\$862,278,147
Conversion			
Total Conversion	\$63,908,288	\$1,540,732	\$1,713,525
Small Groups (1 – 50)			
Self-Employed or Sole Proprietor	\$46,194,300	\$42,536,138	\$27,296,586
2 – 50 Member Groups	\$2,891,631,010	\$2,915,811,427	\$2,990,108,758
Total Small Groups	\$2,937,825,310	\$2,958,347,565	\$3,017,405,344
Large Groups (51+)			
Total Large Groups	\$7,366,392,509	\$7,365,719,715	\$7,857,654,557
Market Totals			
Total Individual Market	\$7,873,942,451	\$8,531,174,298	\$9,103,466,037
Total Group Market	\$10,304,217,819	\$10,324,067,280	\$10,875,059,901
Total Commercial Market	\$18,178,160,270	\$18,855,241,578	\$19,978,525,938

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 higher loss ratio in 2017 than in 2016 although some individual categories did show increases.

In the individual market, the overall loss ratio increased from 82.08% in 2016 to 82.38% in 2017, reversing a declining trend from 90.99% in 2015.

Of note is that, although both increased in 2017, the loss ratio for ACA and other guaranteed issue individual policies for 2017 was 82.62%, while the ratio for health underwritten policies was 79.81%. 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, increased. 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 82.03% in 2017 which is higher than the 80.38% ratio reported in 2016. 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 increased from 75.81% in 2016 to 75.94% in 2017.

Table 3
Direct Premium/Losses & Loss Ratios 2016-2017

Market Segments	2016			2017		
	Direct Premium Earned	Direct Losses Incurred	Loss Ratio	Direct Premium Earned	Direct Losses Incurred	Loss Ratio
Guaranteed Issue						
Grandfathered (In-State and Out-of-State)	\$30,912,264	\$22,123,338	71.57%	\$1,482,351	\$2,578,647	173.96%
Transitional (In-State and Out-of-State)	\$1,318,768	\$1,859,727	141.02%	\$988,739	\$1,243,394	125.76%
ACA On-Exchange	\$6,024,165,547	\$4,992,301,844	82.87%	\$7,113,254,073	\$5,720,515,059	80.42%
ACA Off-Exchange	\$1,493,684,058	\$1,270,573,849	85.06%	\$1,123,749,202	\$1,082,870,044	96.36%
Total Guaranteed Issue	\$7,550,080,637	\$6,286,858,758	83.27%	\$8,239,474,365	\$6,807,207,144	82.62%
Individually Underwritten						
Grandfathered (In-State and Out-of-State)	\$331,406,571	\$246,403,331	74.35%	\$293,757,097	\$221,163,710	75.29%
Transitional (In-State and Out-of-State)	\$648,146,358	\$465,801,153	71.87%	\$568,521,050	\$467,048,883	82.15%
Total Individually Underwritten	\$979,552,929	\$712,204,484	72.71%	\$862,278,147	\$688,212,593	79.81%
Conversion						
Total Conversion	\$1,540,732	\$3,585,686	232.73%	\$1,713,525	\$3,692,304	215.48%
Small Groups (1 – 50)						
Self-Employed or Sole Proprietor	\$42,536,138	\$51,753,369	121.67%	\$27,302,586	\$27,194,496	99.60%
2 – 50 Member Groups	\$2,915,811,427	\$2,191,093,891	75.15%	\$2,990,108,758	\$2,264,260,541	75.73%
Total Small Groups	\$2,958,347,565	\$2,242,847,260	75.81%	\$3,017,411,344	\$2,291,455,037	75.94%
Large Groups (51+)						
Total Large Groups	\$7,365,719,715	\$5,920,824,435	80.38%	\$7,857,654,557	\$6,445,783,949	82.03%
Market Totals						
Total Individual Market	\$8,531,174,298	\$7,002,648,928	82.08%	\$9,103,466,037	\$7,499,112,041	82.38%
Total Group Market	\$10,324,067,280	\$8,163,671,695	79.07%	\$10,875,059,901	\$8,737,238,986	80.34%
Total Commercial Market	\$18,855,241,578	\$15,166,320,623	80.44%	\$19,978,525,938	\$16,236,351,027	81.27%

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.

**FLORIDA HEALTH INSURANCE ADVISORY BOARD
BOARD OF DIRECTORS**

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