

**2019 FLORIDA HEALTH INSURANCE MARKET  
REPORT**

**BY THE**

**FLORIDA HEALTH INSURANCE ADVISORY BOARD**

Adopted September 11, 2019

## **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, 2018. Previous reports are available on the FHIAB section of the Office's website at:

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

## **Executive Summary**

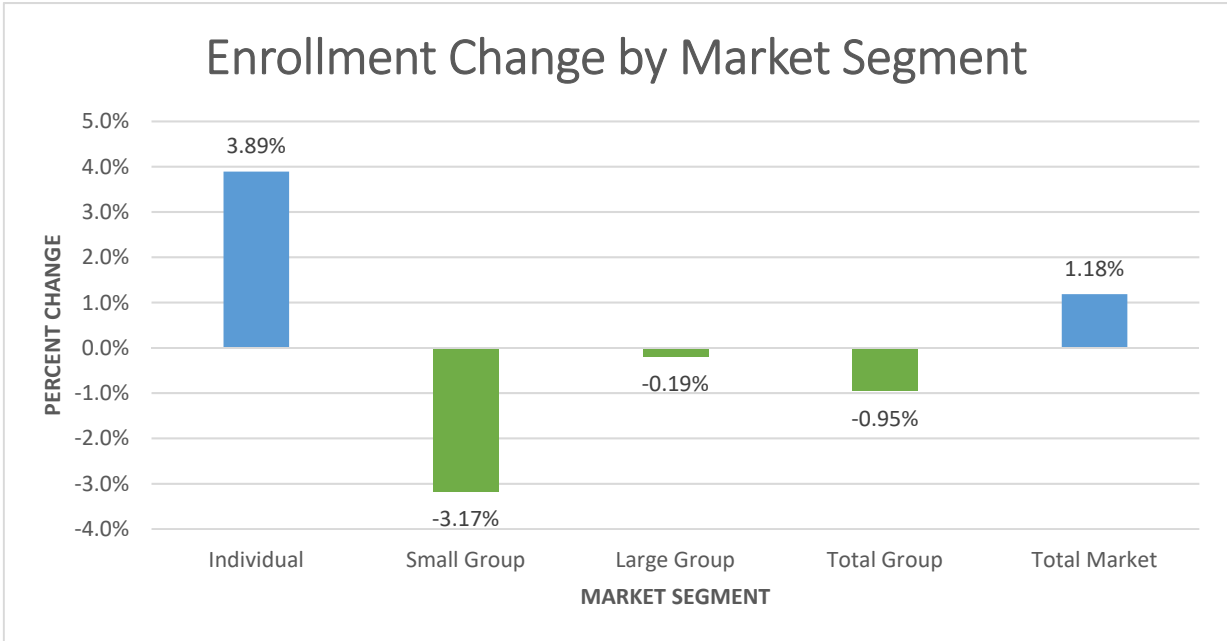
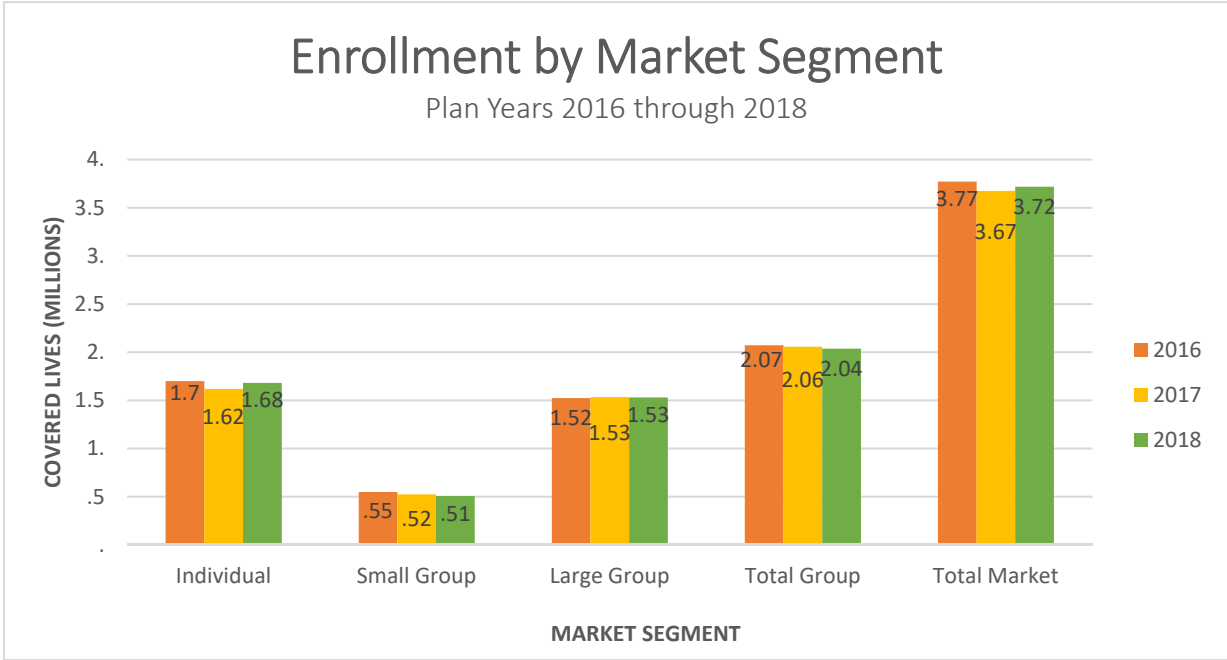
The commercial health insurance market remains in a state of flux due to the uncertainty surrounding the Affordable Care Act (ACA). Many of the ACA's effects that were evident during 2017 continued in 2018.

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 2017 and 2018 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 13.6% of the total market enrollment and 13.1% 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 increased in 2018 by 1.18% or 43,522 covered lives. This follows a decrease from the previous year of 2.55% or 96,188 covered lives. Added together, the number of covered lives has increased by 581,411 or 18.53% since December 31, 2013, the day before most provisions of the Affordable Care Act (ACA) went into effect.

As of year-end 2018, coverage by market segment consisted of:

- **Individual Coverage** – 1,681,710, an increase of 62,977 covered lives or 3.89%
- **Small Group** (1-50 members) – 506,462, a decrease of 16,572 covered lives or 3.17%
- **Large Group** (51+ members) – 1,530,037, a decrease of 2,883 covered lives or 0.19%
- **Total Market** – 3,718,209, an increase of 43,522 covered lives or 1.18%

The individual market has decreased by 1.04% 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.

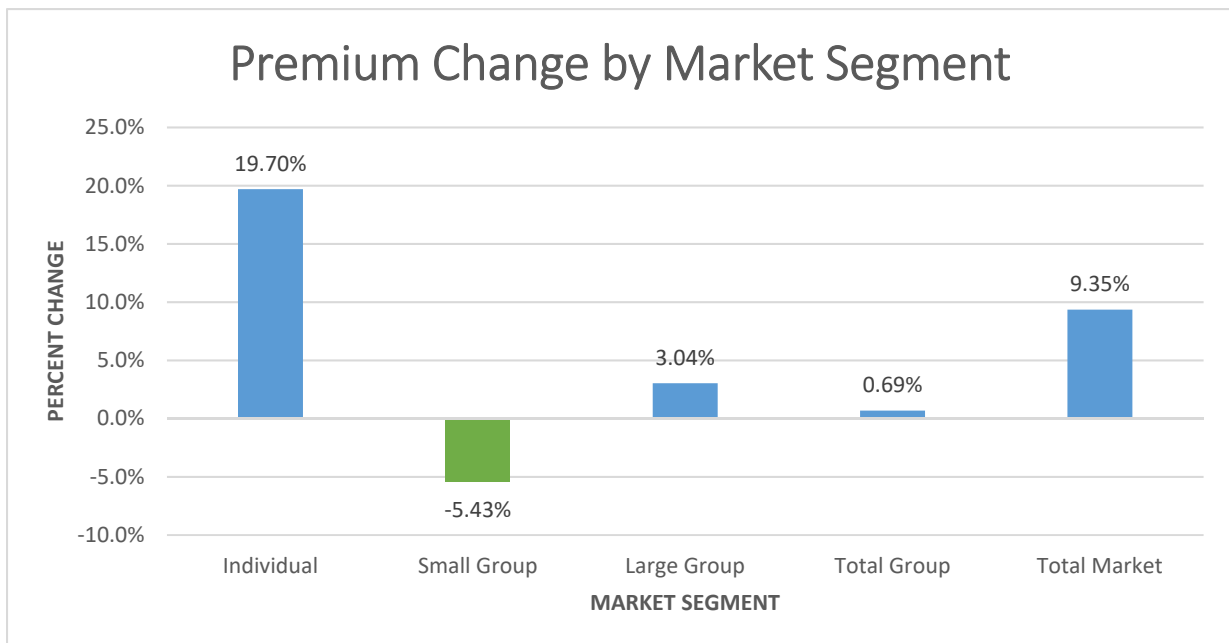
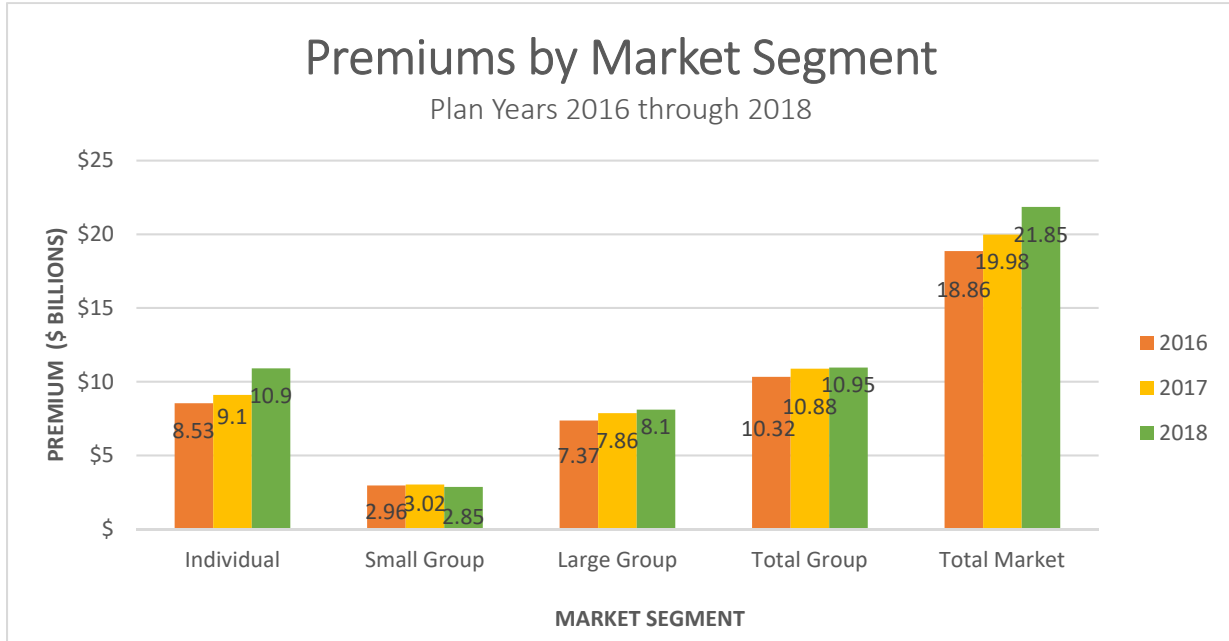
Similar to the individual market, the small group market has declined by 7.54% over the last two years. The declining trend in small group coverage was in effect prior to the implementation of the ACA as enrollment was 1,073,683 in 2005 but had dropped to 545,593 in 2015. However, the decline in enrollment has remained steady over the past two years as small group enrollment has declined by an additional 39,131 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 2016-2018**

<b>Market Segments</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Guaranteed Issue</b>			
ACA On-Exchange	1,236,621	1,229,207	1,366,560
ACA Off-Exchange	213,624	178,771	136,329
Grandfathered (In-State and Out-of-State)	3,727	564	524
Transitional (In-State and Out-of-State)	99	120	91
<b>Total Guaranteed Issue</b>	<b>1,454,071</b>	<b>1,408,662</b>	<b>1,503,504</b>
<b>Individually Underwritten</b>			
Grandfathered (In-State and Out-of-State)	68,167	58,192	47,943
Transitional (In-State and Out-of-State)	176,740	151,605	130,054
<b>Total Individually Underwritten</b>	<b>244,907</b>	<b>209,797</b>	<b>177,997</b>
<b>Conversion</b>			
<b>Total Conversion</b>	<b>328</b>	<b>274</b>	<b>209</b>
<b>Small Groups (1-50)</b>			
Self-Employed or Sole Proprietor	5,486	3,680	1,578
2 – 50 Member Groups	542,764	519,354	504,884
<b>Total Small Groups</b>	<b>547,764</b>	<b>523,034</b>	<b>506,462</b>
<b>Large Groups (51+)</b>			
<b>Total Large Groups</b>	<b>1,523,805</b>	<b>1,532,920</b>	<b>1,530,037</b>
<b>Market Totals</b>			
<b>Total Individual Market</b>	<b>1,699,306</b>	<b>1,618,733</b>	<b>1,681,710</b>
<b>Total Group Market</b>	<b>2,071,569</b>	<b>2,055,954</b>	<b>2,036,499</b>
<b>Total Commercial Market</b>	<b>3,770,875</b>	<b>3,674,687</b>	<b>3,718,209</b>

## Commercial Premium

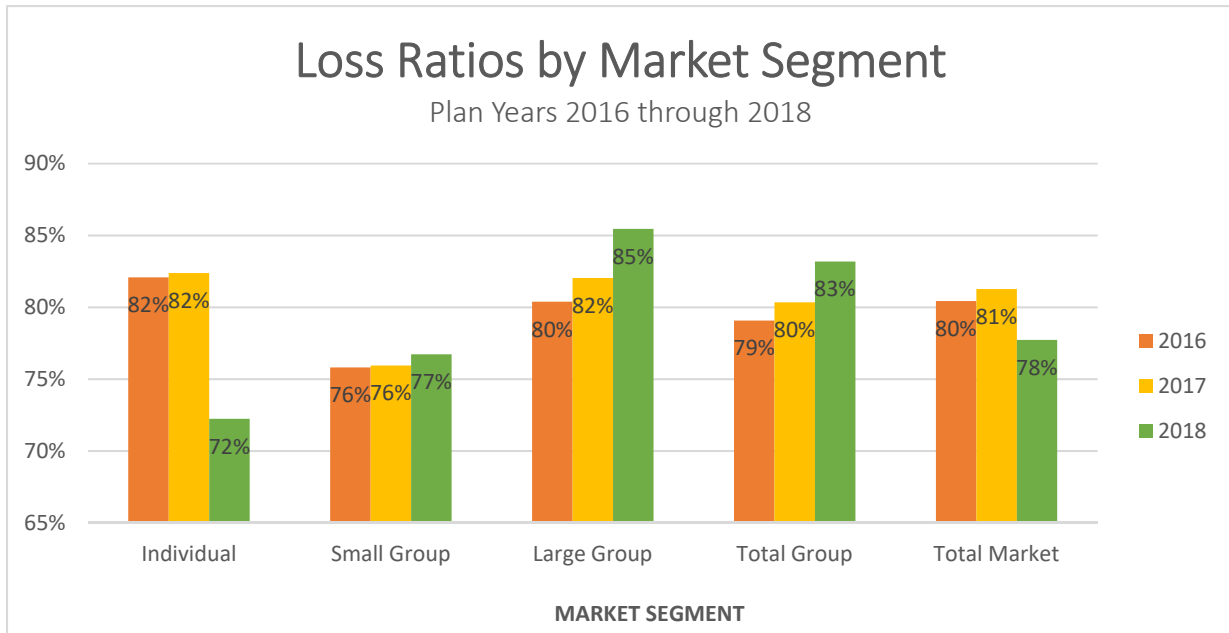


As illustrated above and shown in Table 2 below, the overall commercial market generated \$21,846,365,843 in premiums in 2018, a 9.35% increase from 2017. This follows a 5.96% increase last year. The increase is largely the result of the higher premiums in the individual market. Premium and enrollment changes in the small group and large group markets have had a much smaller effect on overall revenue.

**Table 2**  
**Commercial Insurance Premium 2016-2018**

<b>Market Segments</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Guaranteed Issue</b>			
Grandfathered (In-State and Out-of-State)	\$30,912,264	\$1,482,351	\$1,303,471
Transitional (In-State and Out-of-State)	\$1,318,768	\$988,739	\$821,365
ACA On-Exchange	\$6,024,165,547	\$7,113,254,073	\$8,872,098,668
ACA Off-Exchange	\$1,493,684,058	\$1,123,749,202	\$1,220,961,890
<b>Total Guaranteed Issue</b>	<b>\$7,550,080,637</b>	<b>\$8,239,474,365</b>	<b>\$10,095,185,394</b>
<b>Individually Underwritten</b>			
Grandfathered (In-State and Out-of-State)	\$331,406,571	\$293,757,097	\$261,971,038
Transitional (In-State and Out-of-State)	\$648,146,358	\$568,521,050	\$537,363,981
<b>Total Individually Underwritten</b>	<b>\$979,552,929</b>	<b>\$862,278,147</b>	<b>\$799,335,019</b>
<b>Conversion</b>			
<b>Total Conversion</b>	<b>\$1,540,732</b>	<b>\$1,713,525</b>	<b>\$2,043,382</b>
<b>Small Groups (1 – 50)</b>			
Self-Employed or Sole Proprietor	\$42,536,138	\$27,296,586	\$15,869,872
2 – 50 Member Groups	\$2,915,811,427	\$2,990,108,758	\$2,837,618,918
<b>Total Small Groups</b>	<b>\$2,958,347,565</b>	<b>\$3,017,405,344</b>	<b>\$2,853,488,790</b>
<b>Large Groups (51+)</b>			
<b>Total Large Groups</b>	<b>\$7,365,719,715</b>	<b>\$7,857,654,557</b>	<b>\$8,096,313,258</b>
<b>Market Totals</b>			
<b>Total Individual Market</b>	<b>\$8,531,174,298</b>	<b>\$9,103,466,037</b>	<b>\$10,896,563,795</b>
<b>Total Group Market</b>	<b>\$10,324,067,280</b>	<b>\$10,875,059,901</b>	<b>\$10,949,802,048</b>
<b>Total Commercial Market</b>	<b>\$18,855,241,578</b>	<b>\$19,978,525,938</b>	<b>\$21,846,365,843</b>

## 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 2018 than in 2017 with the exception of the individual market.

In the individual market, the overall loss ratio decreased from 82.38% in 2017 to 72.24% in 2018, reversing a marginal upward trend from 82.08% in 2016.

The large group market experienced an overall loss ratio of 85.45% in 2018 which is higher than the 82.03% ratio reported in 2017. 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 75.94% in 2017 to 76.73% in 2018.



**Table 3**  
**Direct Premium/Losses & Loss Ratios 2017-2018**

Market Segments	2017			2018		
	Direct Premium Earned	Direct Losses Incurred	Loss Ratio	Direct Premium Earned	Direct Losses Incurred	Loss Ratio
<b>Guaranteed Issue</b>						
Grandfathered (In-State and Out-of-State)	\$1,482,351	\$2,578,647	173.96%	\$1,303,471	\$2,027,463	155.54%
Transitional (In-State and Out-of-State)	\$988,739	\$1,243,394	125.76%	\$821,365	\$1,052,367	128.12%
ACA On-Exchange	\$7,113,254,073	\$5,720,515,059	80.42%	\$8,872,098,668	\$6,311,181,891	71.14%
ACA Off-Exchange	\$1,123,749,202	\$1,082,870,044	96.36%	\$1,220,961,890	\$880,665,026	72.13%
<b>Total Guaranteed Issue</b>	<b>\$8,239,474,365</b>	<b>\$6,807,207,144</b>	<b>82.62%</b>	<b>\$10,095,185,394</b>	<b>\$7,194,926,747</b>	<b>71.27%</b>
<b>Individually Underwritten</b>						
Grandfathered (In-State and Out-of-State)	\$293,757,097	\$221,163,710	75.29%	\$261,971,038	\$212,937,733	81.28%
Transitional (In-State and Out-of-State)	\$568,521,050	\$467,048,883	82.15%	\$537,363,981	\$457,203,929	85.08%
<b>Total Individually Underwritten</b>	<b>\$862,278,147</b>	<b>\$688,212,593</b>	<b>79.81%</b>	<b>\$799,335,019</b>	<b>\$670,141,662</b>	<b>83.84%</b>
<b>Conversion</b>						
Total Conversion	\$1,713,525	\$3,692,304	215.48%	\$2,043,382	\$6,156,213	301.28%
<b>Small Groups (1 – 50)</b>						
Self-Employed or Sole Proprietor	\$27,302,586	\$27,194,496	99.60%	\$15,869,872	\$15,104,430	95.18%
2 – 50 Member Groups	\$2,990,108,758	\$2,264,260,541	75.73%	\$2,837,618,918	\$2,174,285,002	76.62%
<b>Total Small Groups</b>	<b>\$3,017,411,344</b>	<b>\$2,291,455,037</b>	<b>75.94%</b>	<b>\$2,853,488,790</b>	<b>\$2,189,389,432</b>	<b>76.73%</b>
<b>Large Groups (51+)</b>						
Total Large Groups	\$7,857,654,557	\$6,445,783,949	82.03%	\$8,096,313,258	\$6,918,565,139	85.45%
<b>Market Totals</b>						
Total Individual Market	\$9,103,466,037	\$7,499,112,041	82.38%	\$10,896,563,795	\$7,871,224,622	72.24%
Total Group Market	\$10,875,059,901	\$8,737,238,986	80.34%	\$10,949,802,048	\$9,107,954,571	83.18%
<b>Total Commercial Market</b>	<b>\$19,978,525,938</b>	<b>\$16,236,351,027</b>	<b>81.27%</b>	<b>\$21,846,365,843</b>	<b>\$16,979,179,193</b>	<b>77.72%</b>

## **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**

**David Altmaier, Chair**

Commissioner  
Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, FL 32399

**Vice Chair**

*The Vice Chair position is currently vacant  
with the recent passing of Adam Clatsoff.*

**Molly McKinstry**

Deputy Secretary  
Division of Health Quality Assurance  
Florida Agency for Health Care Admin.  
2727 Mahan Drive, Mailstop #2  
Tallahassee, FL 32308

**Louisa McQueeney**

Communications Director  
Florida Voices for Health  
9653 El Clair Ranch Road  
Boynton Beach, FL 33437  
Term Ending: 12/31/2019

**Ken Stevenson**

Vice President, Employee Benefits  
Earl Bacon Agency  
3131 Lonnbladh Road  
Tallahassee, FL 32308  
Term Ending: 12/31/2022

**Christina Lake**

Executive Vice President  
Datamaxx Group, Inc.  
2001 Drayton Drive  
Tallahassee, FL 32311  
Term Ending: 12/31/2019

**William "Bill" Herrle**

Executive Director  
NFIB  
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Tallahassee, FL 32301  
Term Ending: 12/31/2022

**Brad Bentley**

Senior Vice President  
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Gainesville, FL 32606  
Term Ending: 12/31/2022

**Richard B. Weiss, CPA**

President, Florida Market  
Aetna  
1340 Concord Terrace  
Sunrise, FL 33323  
Term Ending: 12/31/2020

**John J. Matthews**

Regional General Counsel, Southeast  
UnitedHealthcare  
4560 Grove Park Drive  
Tallahassee, FL 32311  
Term Ending: 12/31/2022

**Seth M. Phelps**

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Term Ending: 12/31/2022

**Rick Wallace**

President/CEO  
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Term Ending: 12/31/2020

**Robert Muszynski**

Vice President – Finance  
Orlando Regional Realtor Association  
1330 Lee Road  
Orlando, FL 32810  
Term Ending: 12/31/2020

**Chris Coffey**

President & CEO  
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Term Ending: 12/31/2019