

**2017 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, 2016. Previous reports are available on the FHIAB section of the Office's website at:

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

## **Executive Summary**

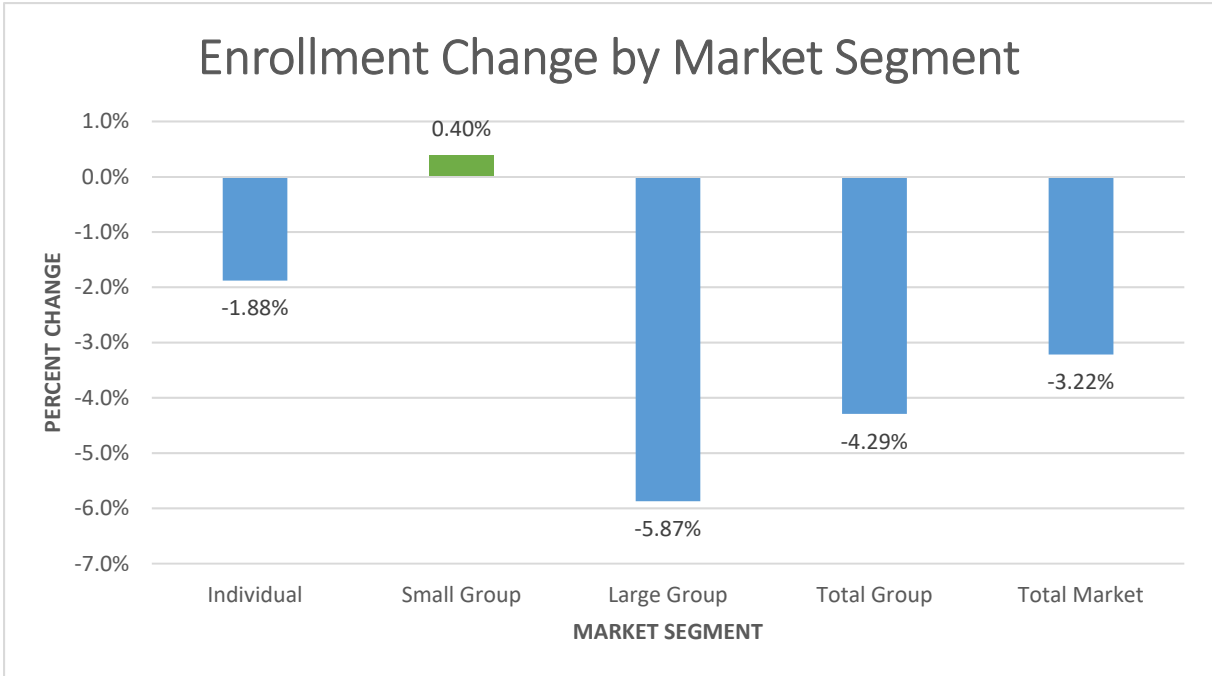
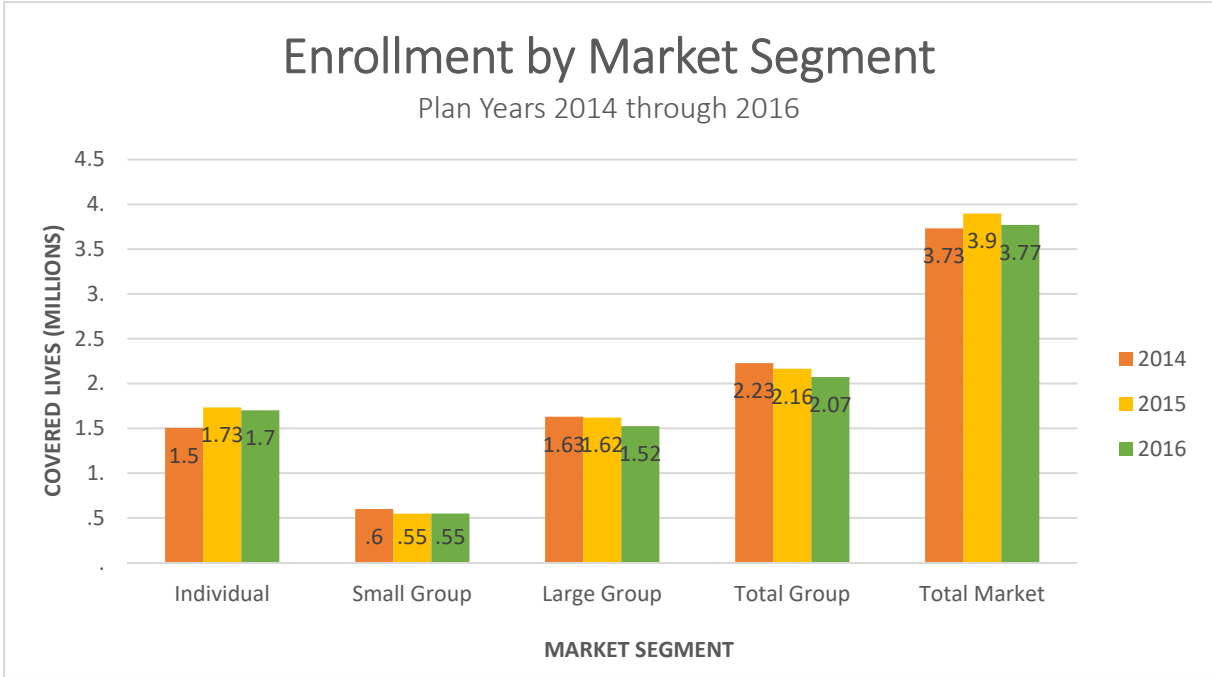
The commercial health insurance market remains in a state of flux due to the implementation of the Affordable Care Act (ACA). Many of the ACA's effects that were evident during 2015 continued in 2016.

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 2015 and 2016 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 14.5% of the total market enrollment and 15.7% 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 2016 by 3.22% or 125,407 covered lives. This follows an increase from the previous year of 4.45% or 166,159 covered lives. Added together, the number of covered lives has increased by 634,077 or 20.21% 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 3.2 million (16.6% rate) at the end of 2014 to 2.6 million (13.3% rate) at the end of 2015. According to a report issued by the Kaiser Family Foundation, Florida's uninsured population declined further in 2016 to 2.4 million.

As of year-end 2016, coverage by market segment consisted of:

- **Individual Coverage** – 1,699,306, a decrease of 32,534 covered lives or 1.88%
- **Small Group** (1-50 members) – 547,764, an increase of 2,171 covered lives or 0.40%
- **Large Group** (51+ members) – 1,523,805, a decrease of 95,044 covered lives or 4.29%
- **Total Market** – 3,770,875, a decrease of 125,407 covered lives or 3.22%

The individual market has increased 13.02% 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.

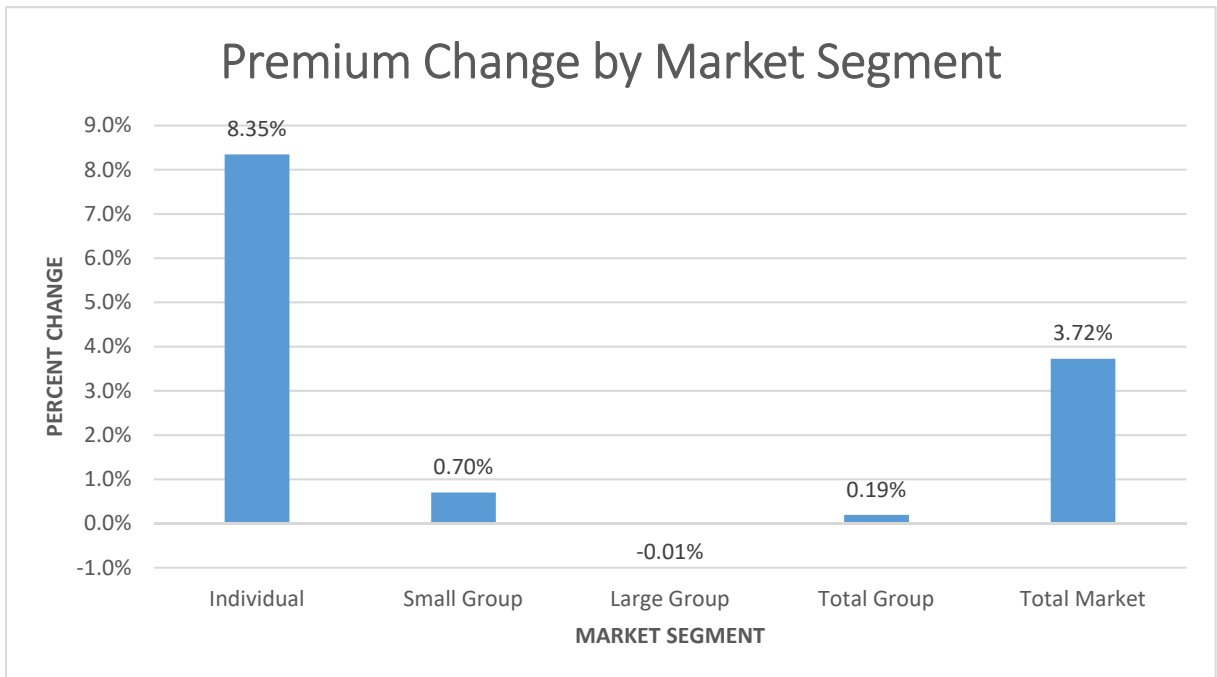
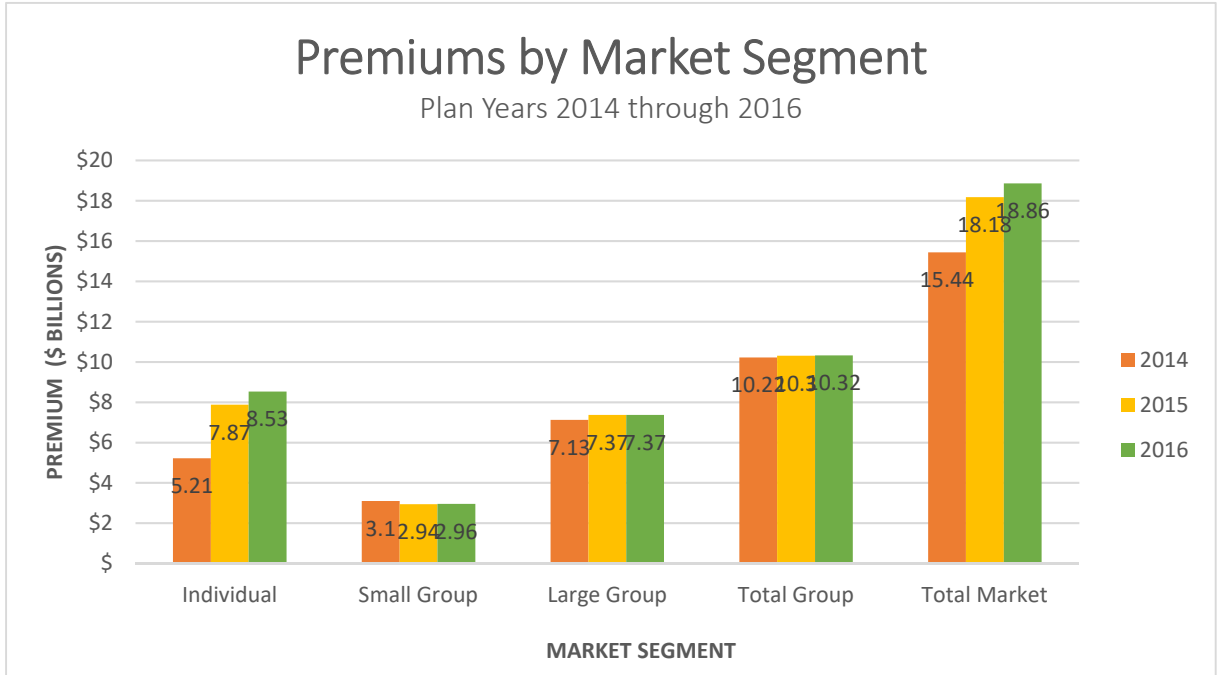
In contrast to the individual market, the small group market has declined by 8.46% over the last two years. The declining trend in small group coverage was in effect prior to the implementation of the ACA as enrollment was 1,073,683 in 2005 but had dropped to 598,361 in 2014. However, the decline in enrollment has remained steady over the past two years as small group enrollment has declined by an additional 50,597 members since 2014. 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 1,628,198 in 2014), enrollment in the large group market appears to have stabilized since the implementation of the ACA.

**Table 1**  
**Commercial Insurance Enrollment 2014-2016**

Market Segments	2014	2015	2016
<b>Guaranteed Issue</b>			
ACA On-Exchange	795,053	1,179,549	1,236,621
ACA Off-Exchange	148,703	214,843	213,624
Grandfathered (In-State and Out-of-State)	1,564	785	3,727
Transitional (In-State and Out-of-State)	1,885	191	99
<b>Total Guaranteed Issue</b>	<b>947,205</b>	<b>1,395,371</b>	<b>1,454,071</b>
<b>Individually Underwritten</b>			
Grandfathered (In-State and Out-of-State)	142,313	84,149	68,167
Transitional (In-State and Out-of-State)	399,993	236,701	176,740
<b>Total Individually Underwritten</b>	<b>542,306</b>	<b>320,850</b>	<b>244,907</b>
<b>Conversion</b>			
<b>Total Conversion</b>	<b>14,053</b>	<b>15,619</b>	<b>328</b>
<b>Small Groups (1-50)</b>			
Self-Employed or Sole Proprietor	4,338	5,063	5,486
2 – 50 Member Groups	594,023	540,530	542,278
<b>Total Small Groups</b>	<b>598,361</b>	<b>545,593</b>	<b>547,764</b>
<b>Large Groups (51+)</b>			
<b>Total Large Groups</b>	<b>1,628,198</b>	<b>1,618,849</b>	<b>1,523,805</b>
<b>Market Totals</b>			
<b>Total Individual Market</b>	<b>1,503,564</b>	<b>1,731,840</b>	<b>1,699,306</b>
<b>Total Group Market</b>	<b>2,226,559</b>	<b>2,164,442</b>	<b>2,071,569</b>
<b>Total Commercial Market</b>	<b>3,730,123</b>	<b>3,896,282</b>	<b>3,770,875</b>

## Commercial Premium

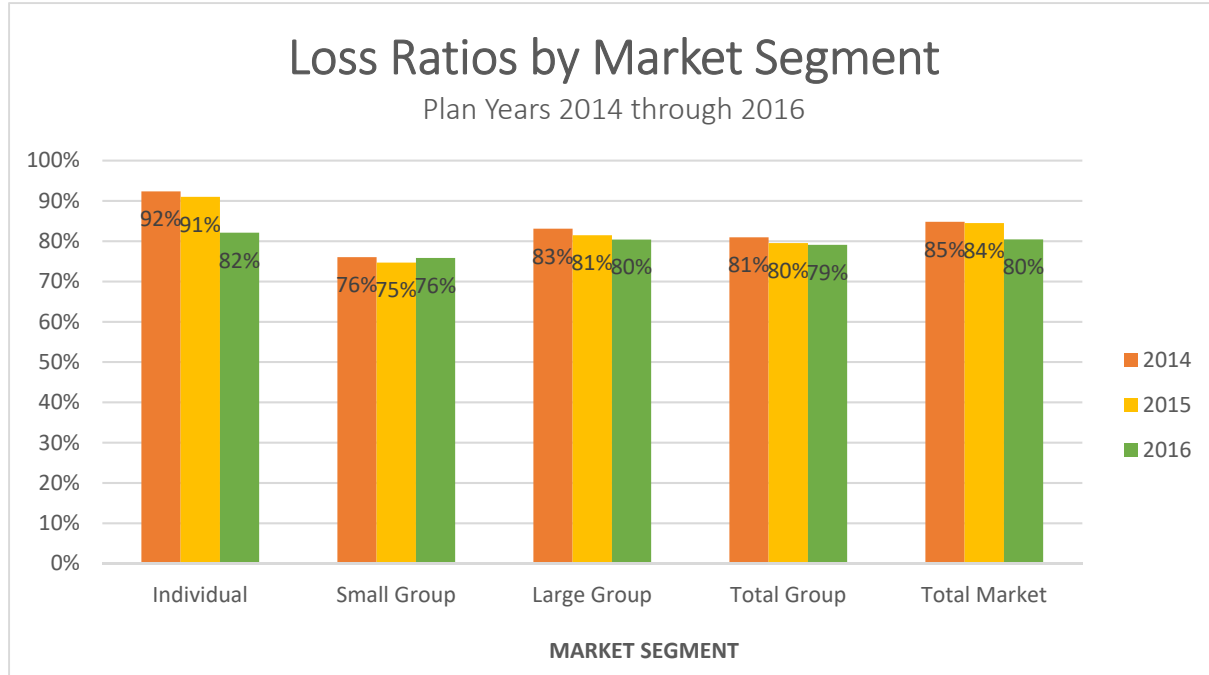


As illustrated above and shown in Table 2 below, the overall commercial market generated \$18,855,241,578 in premiums in 2016, a 3.72% increase from 2015. This follows a 17.76% increase last year. The increase is largely the result of the higher premiums in the individual market. Premium and enrollment changes in the small group and large group markets have had a much smaller effect on overall revenue.

**Table 2**  
**Commercial Insurance Premium 2014-2016**

Market Segments	2014	2015	2016
<b>Guaranteed Issue</b>			
Grandfathered (In-State and Out-of-State)	\$11,509,310	\$4,184,883	\$30,912,264
Transitional (In-State and Out-of-State)	\$23,768,733	\$3,078,766	\$1,318,768
ACA On-Exchange	\$2,711,578,704	\$5,369,191,514	\$6,024,165,547
ACA Off-Exchange	\$641,948,059	\$1,211,778,093	\$1,493,684,058
<b>Total Guaranteed Issue</b>	<b>\$3,388,804,806</b>	<b>\$6,588,233,256</b>	<b>\$7,550,080,637</b>
<b>Individually Underwritten</b>			
Grandfathered (In-State and Out-of-State)	\$555,735,250	\$398,421,541	\$331,406,571
Transitional (In-State and Out-of-State)	\$1,238,061,516	\$823,379,366	\$648,146,358
<b>Total Individually Underwritten</b>	<b>\$1,793,796,766</b>	<b>\$1,221,800,907</b>	<b>\$979,552,929</b>
<b>Conversion</b>			
<b>Total Conversion</b>	<b>\$32,243,976</b>	<b>\$63,908,288</b>	<b>\$1,540,732</b>
<b>Small Groups (1 – 50)</b>			
Self-Employed or Sole Proprietor	\$50,056,094	\$46,194,300	\$42,536,138
2 – 50 Member Groups	\$3,047,104,711	\$2,891,631,010	\$2,915,811,427
<b>Total Small Groups</b>	<b>\$3,097,160,805</b>	<b>\$2,937,825,310</b>	<b>\$2,958,347,565</b>
<b>Large Groups (51+)</b>			
<b>Total Large Groups</b>	<b>\$7,125,004,389</b>	<b>\$7,366,392,509</b>	<b>\$7,365,719,715</b>
<b>Market Totals</b>			
<b>Total Individual Market</b>	<b>\$5,214,845,548</b>	<b>\$7,873,942,451</b>	<b>\$8,531,174,298</b>
<b>Total Group Market</b>	<b>\$10,222,165,194</b>	<b>\$10,304,217,819</b>	<b>\$10,324,067,280</b>
<b>Total Commercial Market</b>	<b>\$15,437,010,742</b>	<b>\$18,178,160,270</b>	<b>\$18,855,241,578</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 lower loss ratio in 2016 than in 2015 although some individual categories did show increases.

In the individual market, the overall loss ratio decreased from 90.99% in 2015 to 82.08% in 2016, continuing a declining trend from 92.32% in 2014

Of note is that, although both declined in 2016, the loss ratio for ACA and other guaranteed issue individual policies for 2016 was 83.27%, while the ratio for health underwritten policies was 72.71%. 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 80.38% in 2016 which is lower than the 81.44% ratio reported in 2015. 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 74.67% in 2015 to 75.81% in 2016.



**Table 3**  
**Direct Premium/Losses & Loss Ratios 2015-2016**

Market Segments	2015			2016		
	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)	\$4,184,883	\$6,608,618	157.92%	\$30,912,264	\$22,123,338	71.57%
Transitional (In-State and Out-of-State)	\$3,078,766	\$4,209,845	136.74%	\$1,318,768	\$1,859,727	141.02%
ACA On-Exchange	\$5,369,191,514	\$4,924,551,983	91.72%	\$6,024,165,547	\$4,992,301,844	82.87%
ACA Off-Exchange	\$1,211,778,093	\$1,274,060,971	105.14%	\$1,493,684,058	\$1,270,573,849	85.06%
<b>Total Guaranteed Issue</b>	<b>\$6,588,233,256</b>	<b>\$6,209,431,417</b>	<b>94.25%</b>	<b>\$7,550,080,637</b>	<b>\$6,286,858,758</b>	<b>83.27%</b>
<b>Individually Underwritten</b>						
Grandfathered (In-State and Out-of-State)	\$398,421,541	\$314,282,808	78.88%	\$331,406,571	\$246,403,331	74.35%
Transitional (In-State and Out-of-State)	\$823,379,366	\$576,216,408	69.98%	\$648,146,358	\$465,801,153	71.87%
<b>Total Individually Underwritten</b>	<b>\$1,221,800,907</b>	<b>\$890,499,216</b>	<b>72.88%</b>	<b>\$979,552,929</b>	<b>\$712,204,484</b>	<b>72.71%</b>
<b>Conversion</b>						
<b>Total Conversion</b>	<b>\$63,908,288</b>	<b>\$64,550,659</b>	<b>101.01%</b>	<b>\$1,540,732</b>	<b>\$3,585,686</b>	<b>232.73%</b>
<b>Small Groups (1 – 50)</b>						
Self-Employed or Sole Proprietor	\$46,194,300	\$45,486,995	98.47%	\$42,536,138	\$51,753,369	121.67%
2 – 50 Member Groups	\$2,891,631,010	\$2,148,264,915	74.29%	\$2,915,811,427	\$2,191,093,891	75.15%
<b>Total Small Groups</b>	<b>\$2,937,825,310</b>	<b>\$2,193,751,910</b>	<b>74.67%</b>	<b>\$2,958,347,565</b>	<b>\$2,242,847,260</b>	<b>75.81%</b>
<b>Large Groups (51+)</b>						
<b>Total Large Groups</b>	<b>\$7,366,392,509</b>	<b>\$5,999,444,964</b>	<b>81.44%</b>	<b>\$7,365,719,715</b>	<b>\$5,920,824,435</b>	<b>80.38%</b>
<b>Market Totals</b>						
<b>Total Individual Market</b>	<b>\$7,873,942,451</b>	<b>\$7,164,481,292</b>	<b>90.99%</b>	<b>\$8,531,174,298</b>	<b>\$7,002,648,928</b>	<b>82.08%</b>
<b>Total Group Market</b>	<b>\$10,304,217,819</b>	<b>\$8,193,196,874</b>	<b>79.51%</b>	<b>\$10,324,067,280</b>	<b>\$8,163,671,695</b>	<b>79.07%</b>
<b>Total Commercial Market</b>	<b>\$18,178,160,270</b>	<b>\$15,357,678,166</b>	<b>84.48%</b>	<b>\$18,855,241,578</b>	<b>\$15,166,320,623</b>	<b>80.44%</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  
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**W. Adam Clatsoff, Vice Chair**

President/CEO  
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Term Ending: 12/31/2020

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Florida Voices for Health  
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Term Ending: 12/31/2019

**Ken Stevenson**

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Earl Bacon Agency  
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Term Ending: 12/31/2018

**Christina Lake**

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Term Ending: 12/31/2019

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**Chris Paterson**

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