

**2020 FLORIDA HEALTH INSURANCE MARKET
REPORT**

BY THE

FLORIDA HEALTH INSURANCE ADVISORY BOARD

Adopted December 18, 2020

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, 2019. Previous reports are available on the FHIAB section of the Office's website at:

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

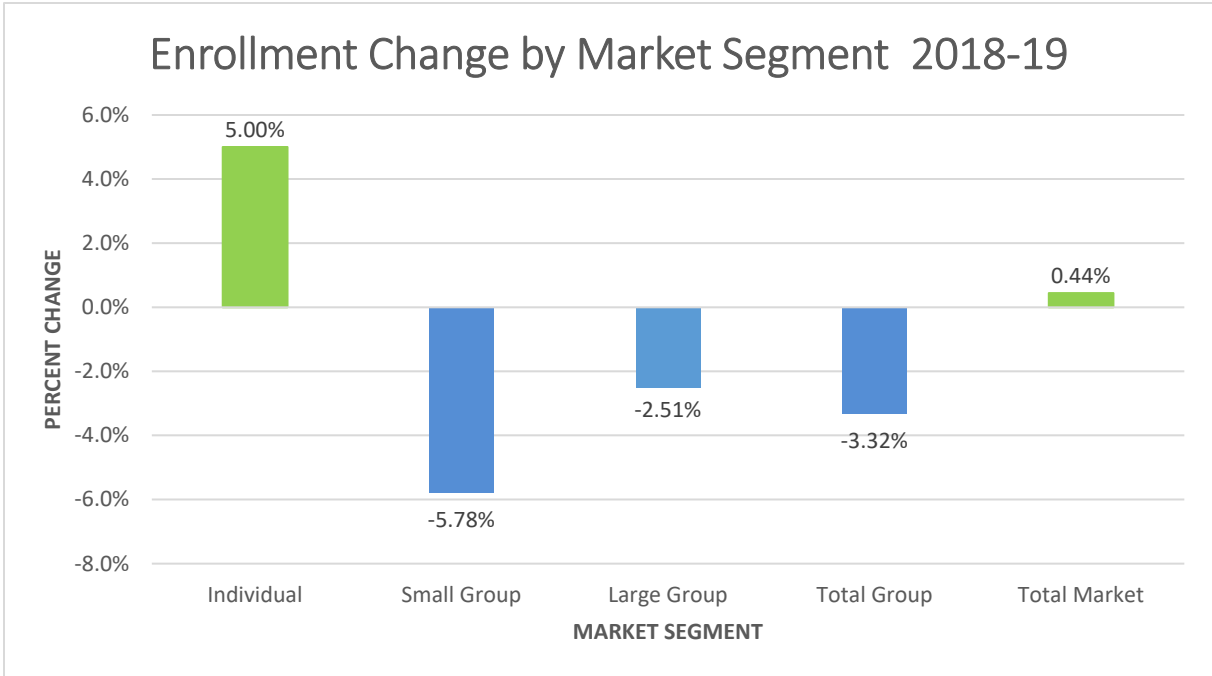
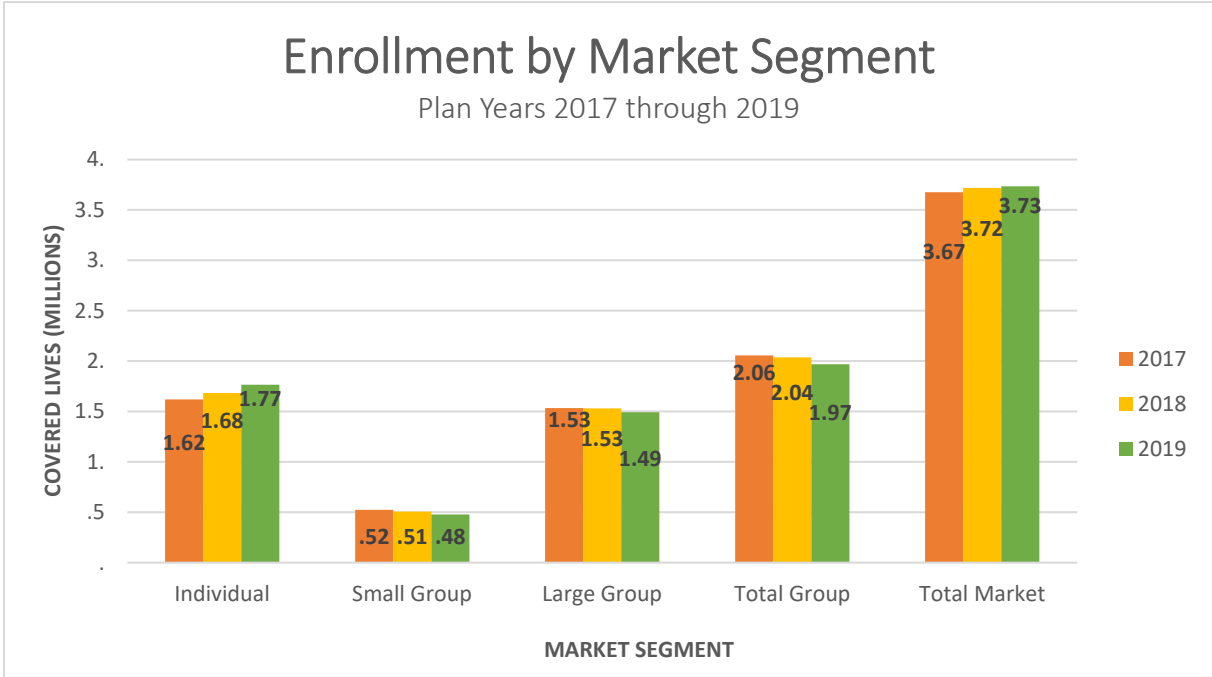
Executive Summary

Despite the uncertainty surrounding the future of the Affordable Care Act (ACA), the health insurance market has largely stabilized. After several years of large premium increases, rates have largely stabilized leading to smaller shifts in enrollment although the long-term trend of increasing individual enrollment and decreasing group enrollment remains intact.

Individual policies continue to grow as a 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 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. Transitional policies must currently end coverage by December 31, 2021. However, the Center for Medicare & Medicaid Services has extended the deadline for transitional policies to end several times and is expected to allow transitional policies to remain in effect. Regardless, many individual policyholders have already moved to an ACA-compliant policy due to the subsidies available on the Federal Marketplace reducing the market share of grandfathered and transitional policies.

The small group market has continued to contract - particularly grandfathered and transitional policies - as enrollment shifts to other types of coverage. The small group market represents 12.8% of the total market enrollment and 13.3% of the total market premium. It is expected that this segment will continue to shrink as it has for over a decade. Enrollment in the large group market also continues to shrink. The reduction in group enrollment is partially due to carriers being active in developing products that help employers reduce costs by self-insuring.

Commercial Enrollment



As illustrated above and shown in Table 1 below, total enrollment in Florida's commercial health insurance markets had a modest increase in 2019 of 16,471 covered lives or 0.44%. This follows an increase from the previous year of 43,522 covered lives or 1.18%. While the overall market remains significantly larger than before the ACA, the number of covered lives has remained fairly stable over the last several years.

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 2.7 million (13.0% rate) at the end of 2018.

As of year-end 2019, coverage by market segment consisted of:

- **Individual Coverage** – 1,765,807, an increase of 84,097 covered lives or 5.00%
- **Small Group** (1-50 members) – 477,190, a decrease of 29,272 covered lives or 5.78%
- **Large Group** (51+ members) – 1,491,683, a decrease of 38,354 covered lives or 2.51%
- **Total Market** – 3,734,680, an increase of 16,471 covered lives or 0.44%

The individual market enrollment continues to grow despite the tax penalty (individual mandate) being set to \$0 and recent changes to federal and state law that encourage the growth of other products such as short-term limited duration policies and health care sharing ministries. In general, the individual market remains attractive for those with income levels that qualify for subsidies on the Marketplace but less attractive for those who do not qualify for subsidies. The individual market is larger than either the small group or large group market separately although it still lags total group enrollment.

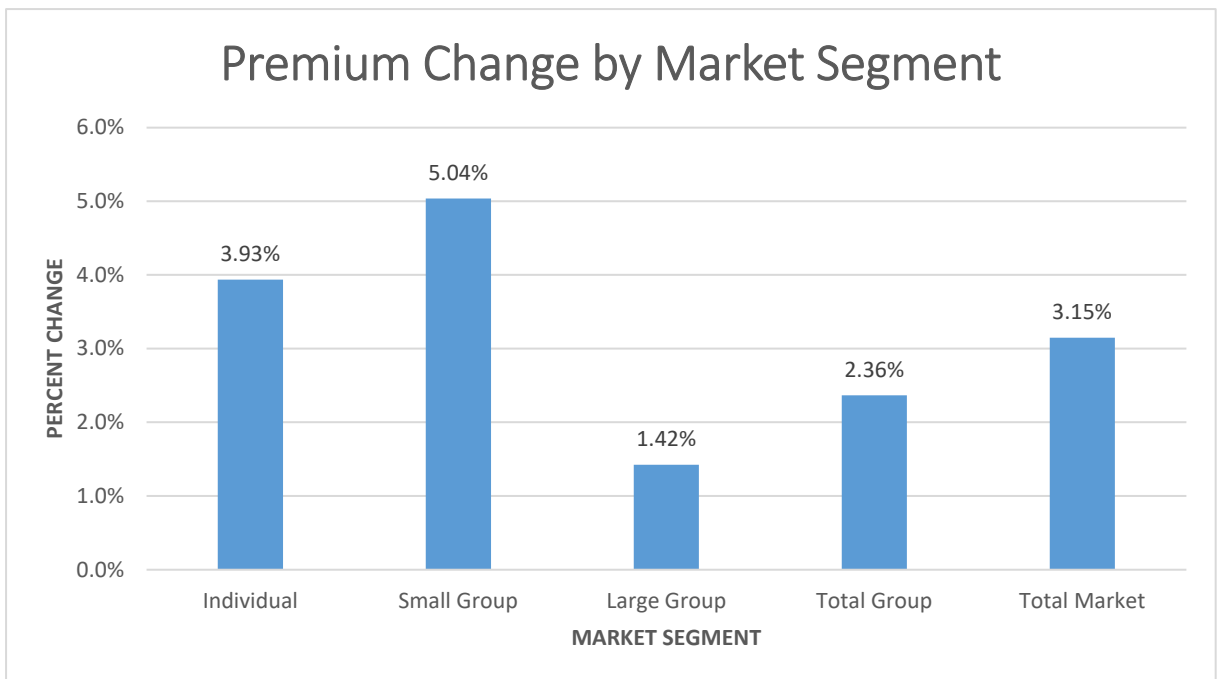
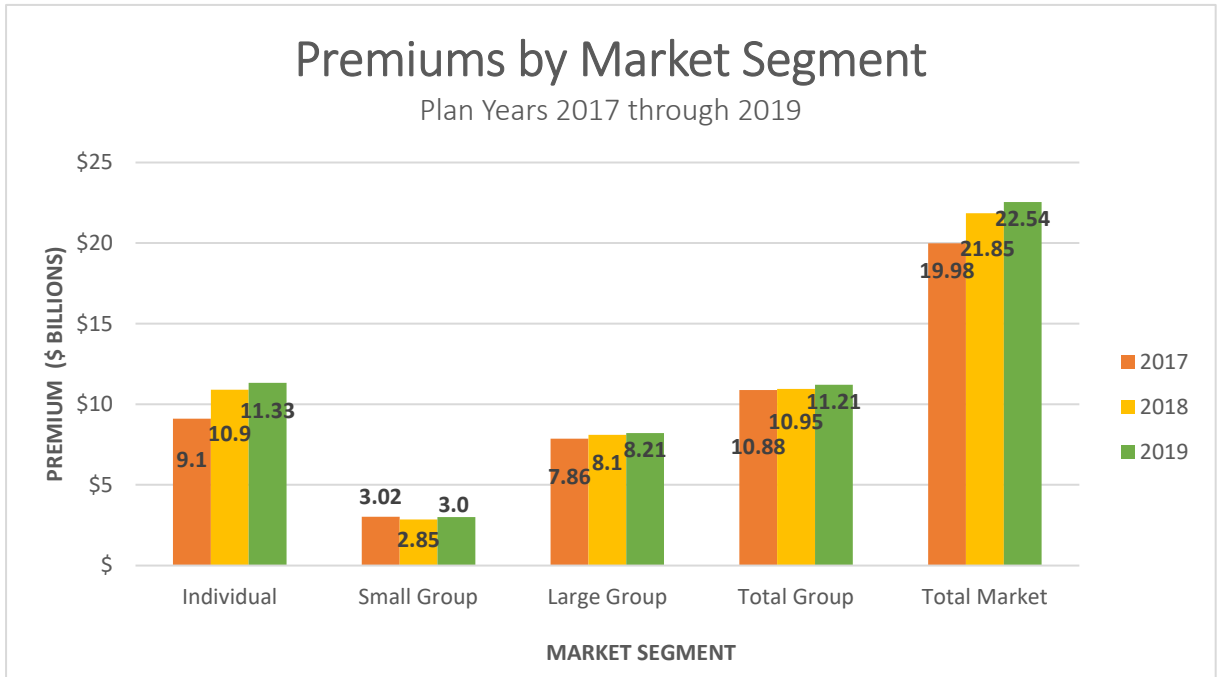
In contrast to the individual market, the small group market continues to decline. The declining trend in small group coverage was in effect prior to the implementation of the ACA as enrollment was 1,073,683 in 2005 but had dropped to 598,361 in 2014. Since the implementation of the ACA, enrollment has continued to decline but at a slower pace. 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 Marketplace if those employees qualify for a subsidy.

The large group market has also experienced many years of declines (2005 enrollment was 2,468,056 compared to 1,628,198 in 2014), but its declining trend has been at a slower pace since the implementation of the ACA. It is thought that large employers are opting to self-insure in order to save money as the administrative costs and costs for stop loss insurance have become more affordable.

Table 1
Commercial Insurance Enrollment 2017-2019

Market Segments	2017	2018	2019
Individual Guaranteed Issue			
ACA On-Exchange	1,229,207	1,366,560	1,480,060
ACA Off-Exchange	178,771	136,329	128,162
Grandfathered (In-State and Out-of-State)	564	524	339
Transitional (In-State and Out-of-State)	120	91	75
Total Guaranteed Issue	1,408,662	1,454,071	1,608,636
Individually Underwritten			
Grandfathered (In-State and Out-of-State)	58,192	47,943	41,278
Transitional (In-State and Out-of-State)	151,605	130,054	115,703
Total Individually Underwritten	209,797	177,997	156,981
Conversion			
Total Conversion	274	209	190
Small Groups (1-50)			
Self-Employed or Sole Proprietor	3,680	1,578	110
2 – 50 Member Groups	519,354	504,884	476,080
Total Small Groups	523,034	506,462	477,190
Large Groups (51+)			
Total Large Groups	1,532,920	1,530,037	1,491,683
Market Totals			
Total Individual Market	1,618,733	1,681,710	1,765,807
Total Group Market	2,055,954	2,036,499	1,968,873
Total Commercial Market	3,674,687	3,718,209	3,734,680

Commercial Premium

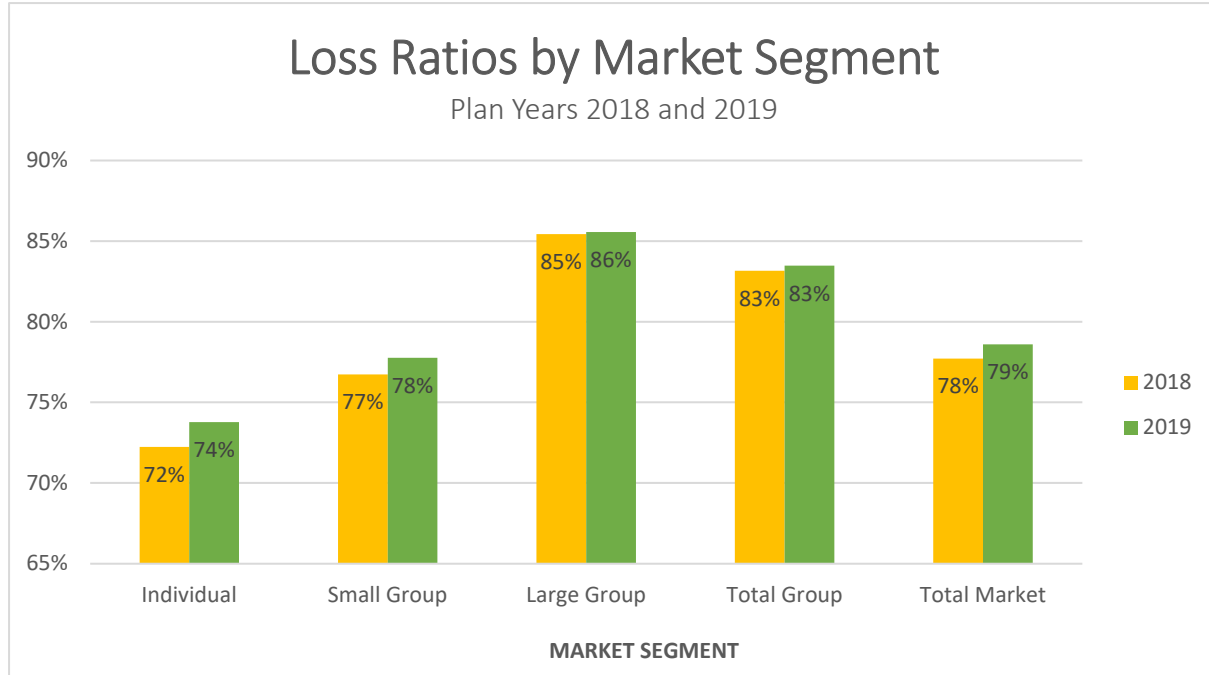


As illustrated above and shown in Table 2 below, the overall commercial market generated \$22,536,261,610 in premiums in 2019, a 3.15% increase from 2018. This follows a 9.36% increase the prior year. The increase is largely the result of the higher enrollment in the individual market and higher premiums in the group market. As enrollment growth exceeded premium growth in the individual market, average premium per enrollee decreased by approximately 1%.

Table 2
Commercial Insurance Premium 2017-2019

Market Segments	2017	2018	2019
Individual Guaranteed Issue			
Grandfathered (In-State and Out-of-State)	\$1,482,351	\$1,303,471	\$1,106,010
Transitional (In-State and Out-of-State)	\$988,739	\$821,365	\$724,462
ACA On-Exchange	\$7,113,254,073	\$8,872,098,668	\$9,455,661,811
ACA Off-Exchange	\$1,123,749,202	\$1,220,961,890	\$1,157,720,398
Total Guaranteed Issue	\$8,239,474,365	\$10,095,185,394	\$10,615,212,681
Individually Underwritten			
Grandfathered (In-State and Out-of-State)	\$293,757,097	\$261,971,038	\$230,156,312
Transitional (In-State and Out-of-State)	\$568,521,050	\$537,363,981	\$478,854,011
Total Individually Underwritten	\$862,278,147	\$799,335,019	\$709,010,323
Conversion			
Total Conversion	\$1,713,525	\$2,043,382	\$1,071,231
Small Groups (1 – 50)			
Self-Employed or Sole Proprietor	\$27,296,586	\$15,869,872	\$855,637
2 – 50 Member Groups	\$2,990,108,758	\$2,837,618,918	\$2,996,318,490
Total Small Groups	\$3,017,405,344	\$2,853,488,790	\$2,997,174,127
Large Groups (51+)			
Total Large Groups	\$7,857,654,557	\$8,098,489,292	\$8,213,793,248
Market Totals			
Total Individual Market	\$9,103,466,037	\$10,896,563,795	\$11,325,294,235
Total Group Market	\$10,875,059,901	\$10,951,978,082	\$11,210,967,375
Total Commercial Market	\$19,978,525,938	\$21,848,541,877	\$22,536,261,610

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 2019 than in 2018.

In the individual market, the overall loss ratio increased from 72.24% in 2018 to 73.77% in 2019 while the small group overall loss ratio increased from 76.73% in 2018 to 77.76% in 2019.

The large group market experienced an overall loss ratio of 85.56% in 2019 which is higher than the 83.16% ratio reported in 2018. 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.

Table 3
Direct Premium/Losses & Loss Ratios 2018-2019

Market Segments	2018			2019		
	Direct Premium Earned	Direct Losses Incurred	Loss Ratio	Direct Premium Earned	Direct Losses Incurred	Loss Ratio
Individual Guaranteed Issue						
Grandfathered (In-State and Out-of-State)	\$1,303,471	\$2,027,463	155.54%	\$1,106,010	\$1,684,453	152.30%
Transitional (In-State and Out-of-State)	\$821,365	\$1,052,367	128.12%	\$724,462	\$695,391	95.99%
ACA On-Exchange	\$8,872,098,668	\$6,311,181,891	71.14%	\$9,455,661,811	\$6,896,407,809	72.93%
ACA Off-Exchange	\$1,220,961,890	\$880,665,026	72.13%	\$1,151,934,109	\$833,733,582	72.38%
Total Guaranteed Issue	\$10,095,185,394	\$7,194,926,746	71.27%	\$10,615,212,681	\$7,736,810,174	72.88%
Individually Underwritten						
Grandfathered (In-State and Out-of-State)	\$261,971,038	\$212,937,733	81.28%	\$230,156,312	\$176,180,006	76.55%
Transitional (In-State and Out-of-State)	\$537,363,981	\$457,203,929	85.08%	\$478,854,011	\$439,154,143	91.71%
Total Individually Underwritten	\$799,335,019	\$670,141,662	83.84%	\$709,010,323	\$615,334,149	86.79%
Conversion						
Total Conversion	\$2,043,382	\$6,156,213	301.28%	\$1,071,231	\$1,996,518	186.38%
Small Groups (1 – 50)						
Self-Employed or Sole Proprietor	\$15,869,872	\$15,104,430	95.18%	\$855,637	\$1,719,042	200.91%
2 – 50 Member Groups	\$2,837,618,918	\$2,174,285,002	76.62%	\$2,996,318,490	\$2,329,014,037	77.73%
Total Small Groups	\$2,853,488,790	\$2,189,389,432	76.73%	\$2,997,174,127	\$2,330,733,079	77.76%
Large Groups (51+)						
Total Large Groups	\$8,098,489,292	\$6,918,565,139	85.43%	\$8,213,793,248	\$7,028,085,883	85.56%
Market Totals						
Total Individual Market	\$10,896,563,795	\$7,871,224,621	72.24%	\$11,325,294,235	\$8,354,140,842	73.77%
Total Group Market	\$10,951,978,082	\$9,107,954,571	83.16%	\$11,210,967,375	\$9,358,818,962	83.48%
Total Commercial Market	\$21,848,541,877	\$16,979,179,192	77.71%	\$22,536,261,610	\$17,712,959,804	78.60%

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

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

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
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Term Ending: 12/31/2023

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Tallahassee, FL 32311
Term Ending: 12/31/2023

William "Bill" Herrle
Executive Director
NFIB
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Tallahassee, FL 32301
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Term Ending: 12/31/2022

Eric Johnson, PhD, ASA
Chief Actuary & VP of Analytics
& Business Intelligence
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Term Ending: 12/31/2022

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4560 Grove Park Drive
Tallahassee, FL 32311
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Jacksonville, FL 32246
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Orlando Regional Realtor Association
1330 Lee Road
Orlando, FL 32810
Term Ending: 12/31/2024

Liz Miller
President and CEO, Florida
Sunshine Health and WellCare
107 N Burlingame Avenue
Temple Terrace, FL 33617
Term Ending: 12/31/2023

A Director position designated
for an agent representative is
vacant.