American Association for Medicare Supplement Insurance™

10th National Medicare Supplement Insurance Industry Summit

June 12-14, 2018
St. Louis, MO

2018 MEDICARE SUPPLEMENT INDUSTRY OVERVIEW: LATEST DATA, TRENDS & OUTLOOK

Jared Strock, Consulting Actuary, CSG Actuarial

&

Ryan Wolfe, General Manager, Mark Farrah Associates

Access conference recordings

www.medicaresupp.org / library

Med Supp Market Data Source

- **Key Data Sources**
  - NAIC
  - CA DMHC
  - CMS
  - Census

Take Note:

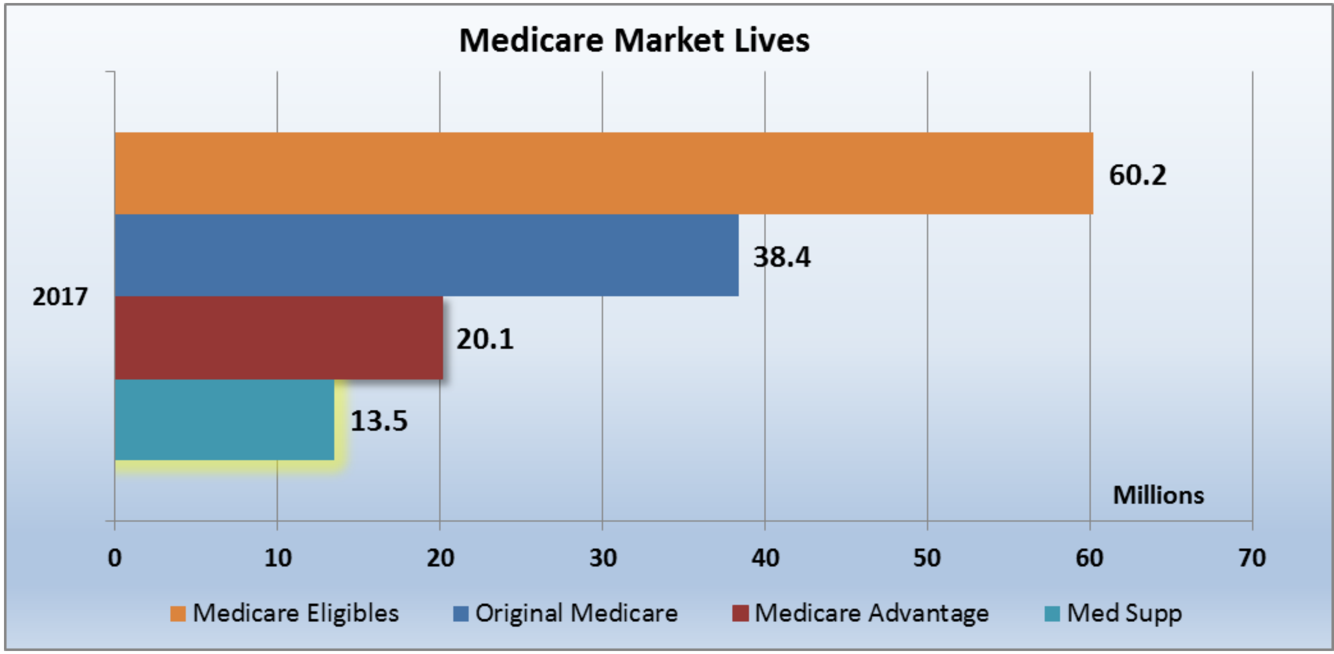
- Missing CA HMO plan enrollment for the standardized plan and segment level details

- Select group contracts exempt from reporting

Medicare Market Summary

Key Observations:

- Over 60 million eligible for Medicare
- 13.5 million purchase Med Supp
- 20.1 million purchase MA plans

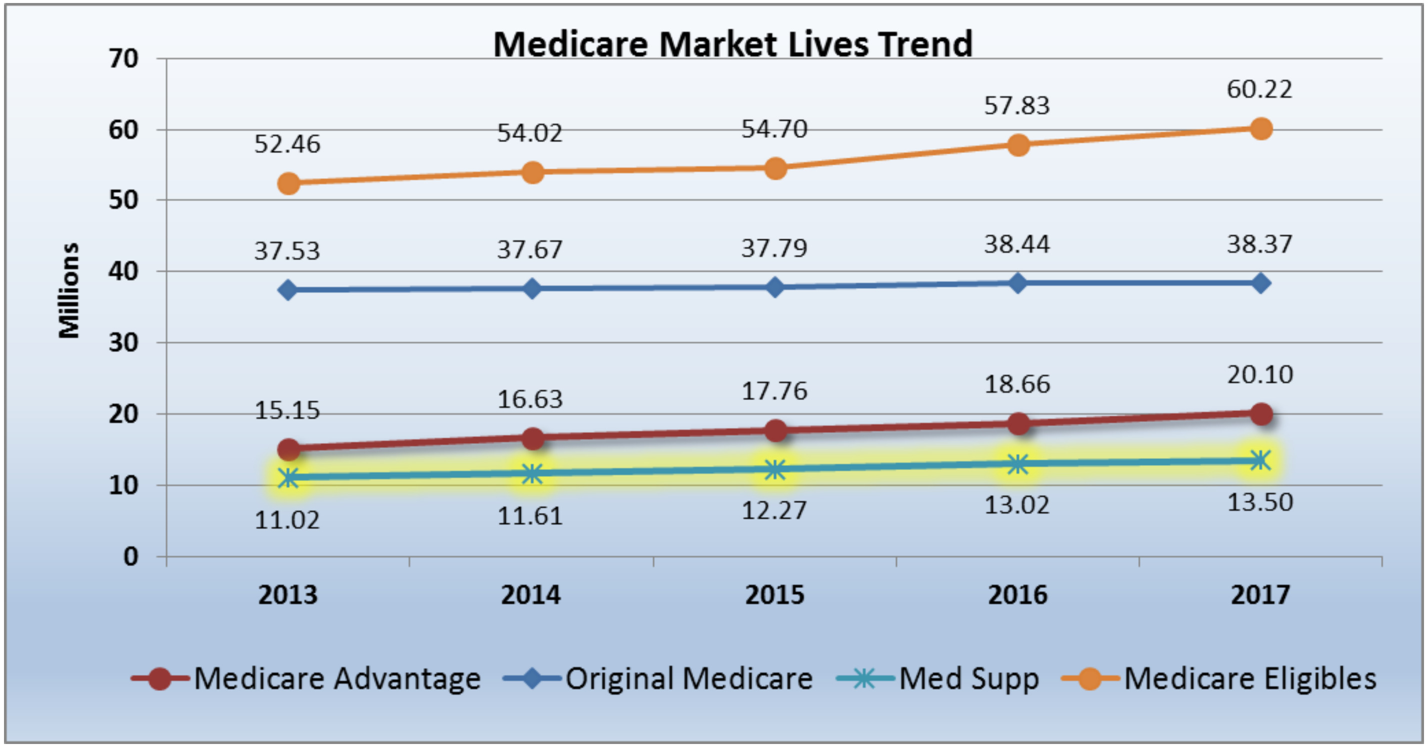


Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Medicare Market Lives Trend

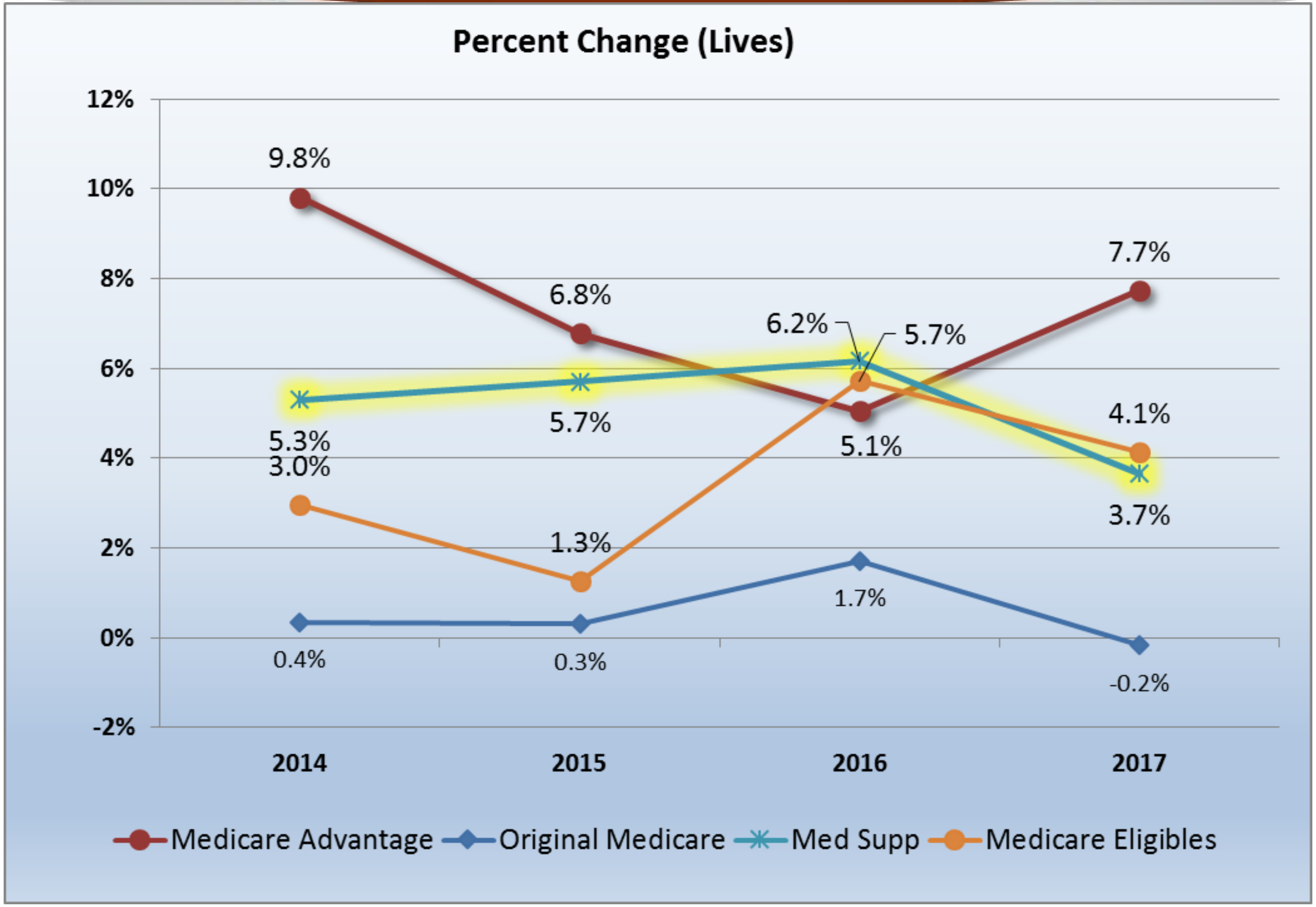
Key Observations:

- 14.8% increase in Medicare Eligibles
- 22.5% increase in Med Supp lives
- 32.7% increase in MA lives



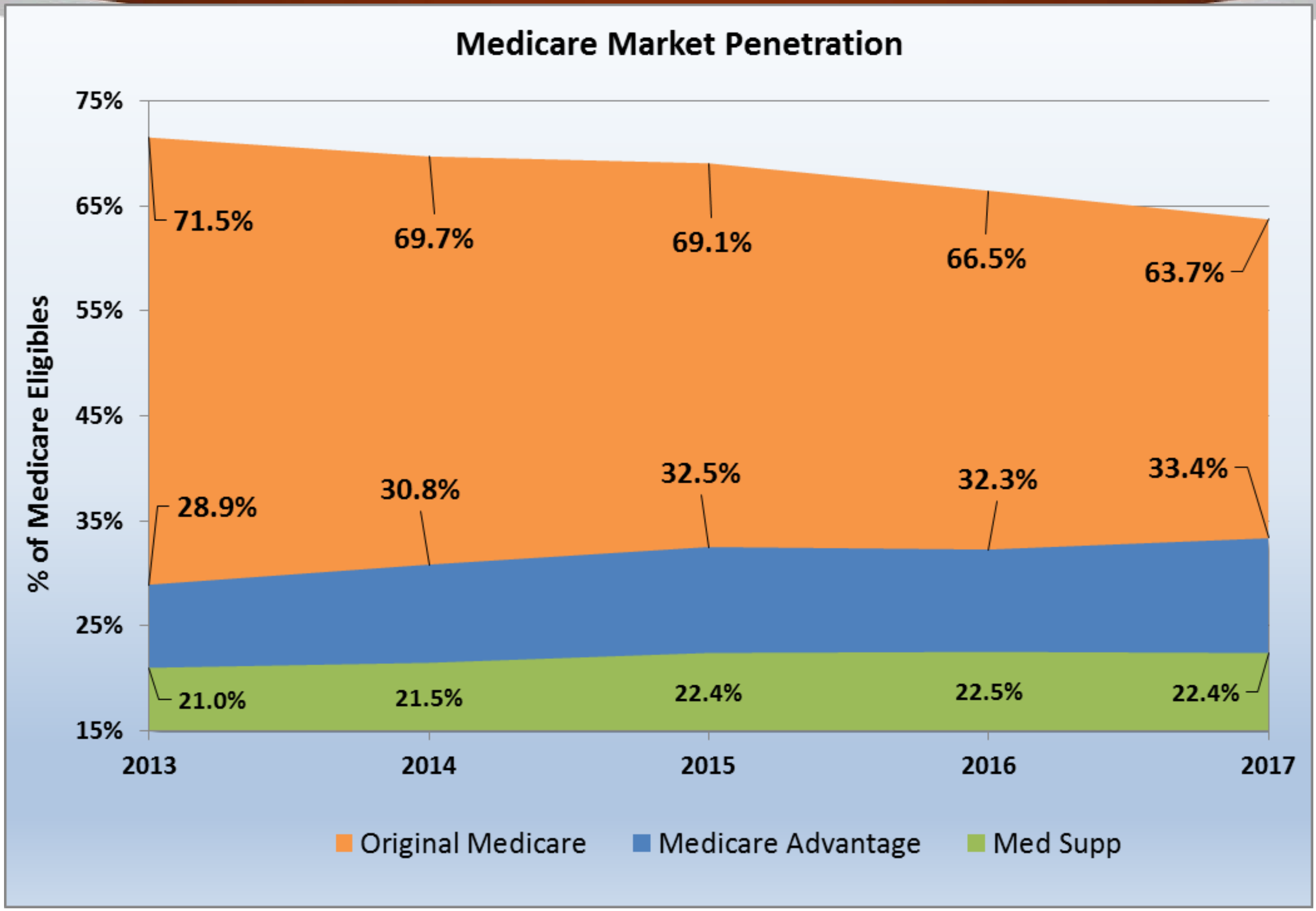
Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Medicare Market Shifts



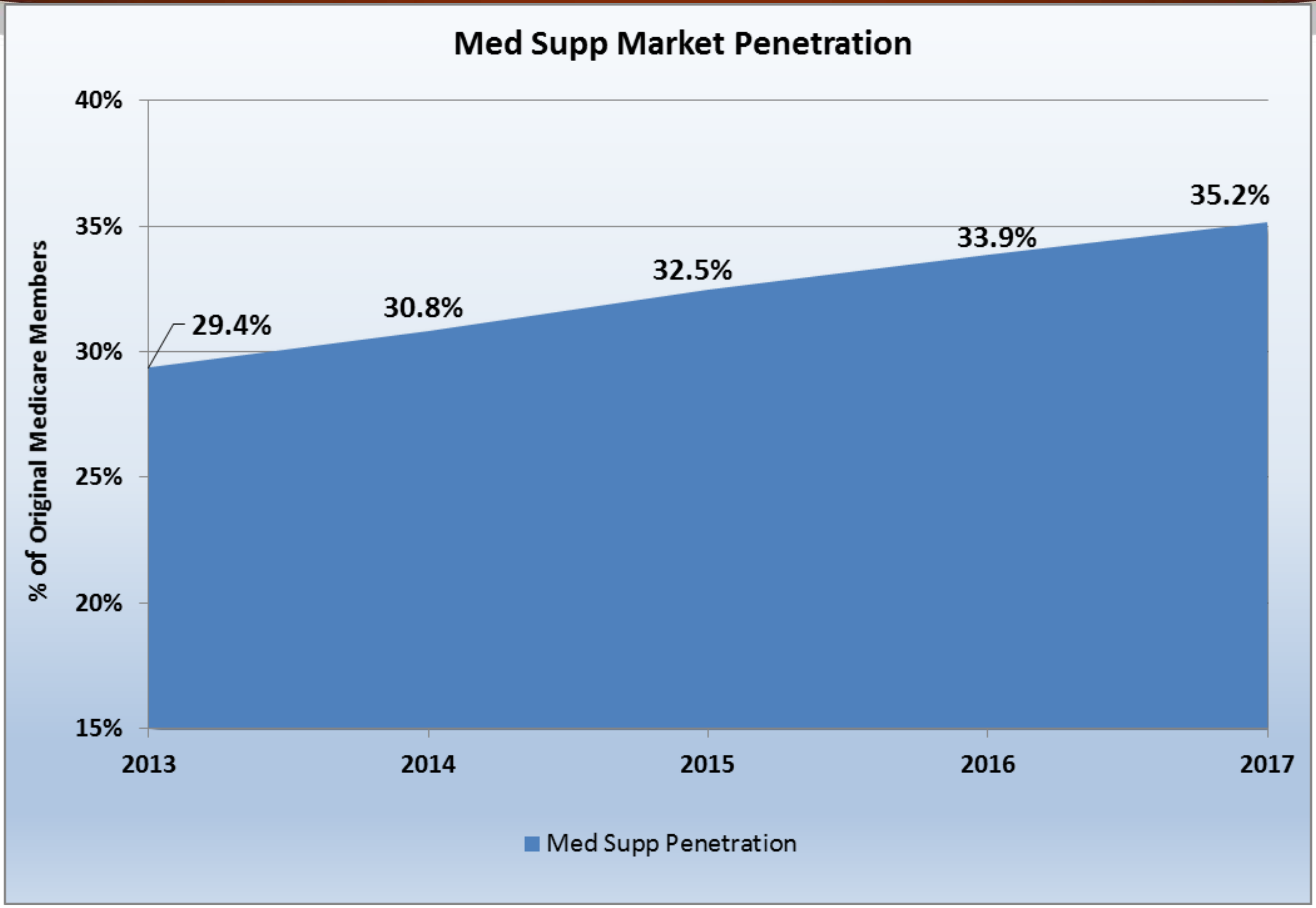
Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Medicare Market Penetration



Source: *Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™*

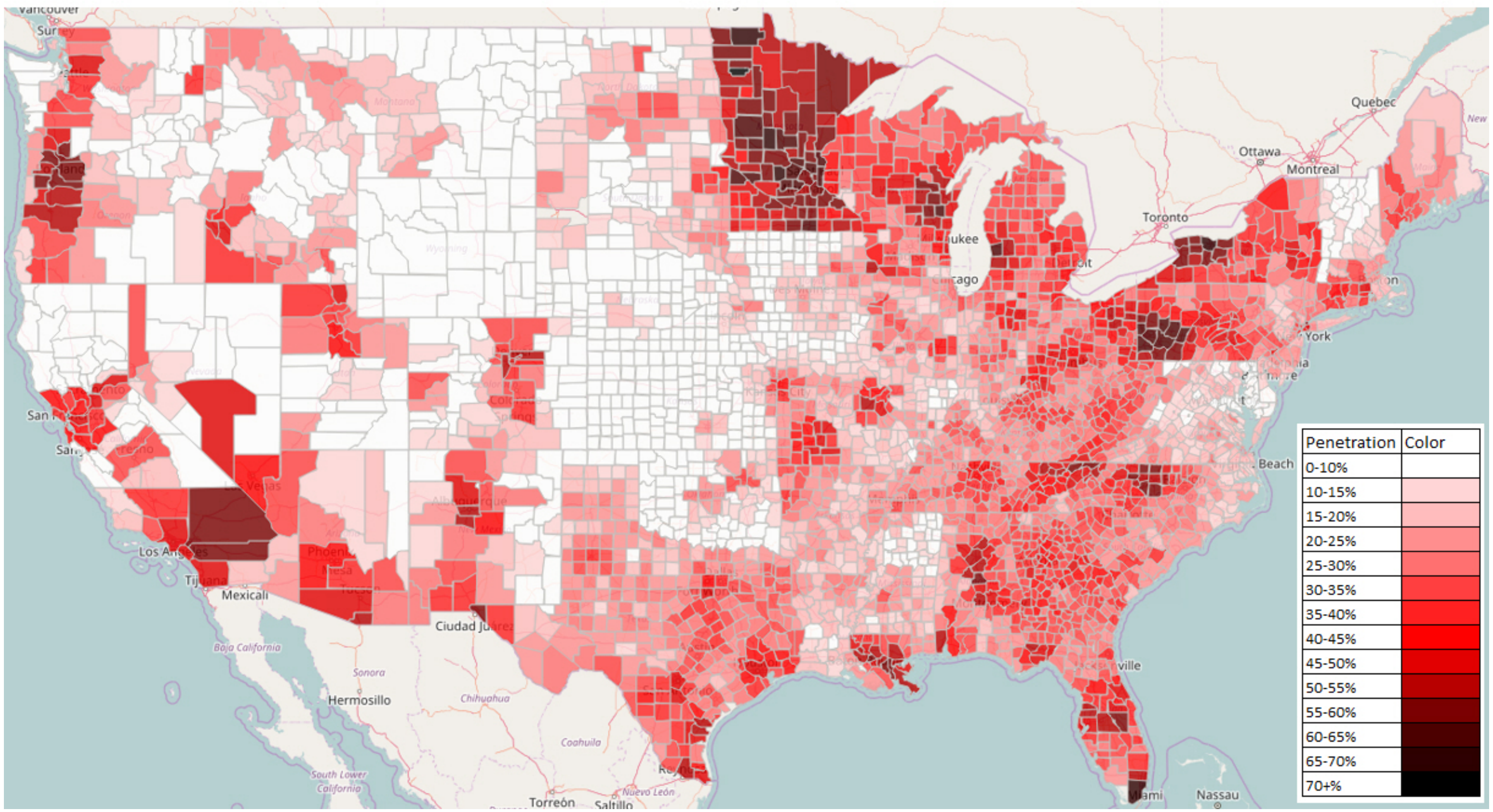
Med Supp Market Penetration



Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Medicare Market Penetration

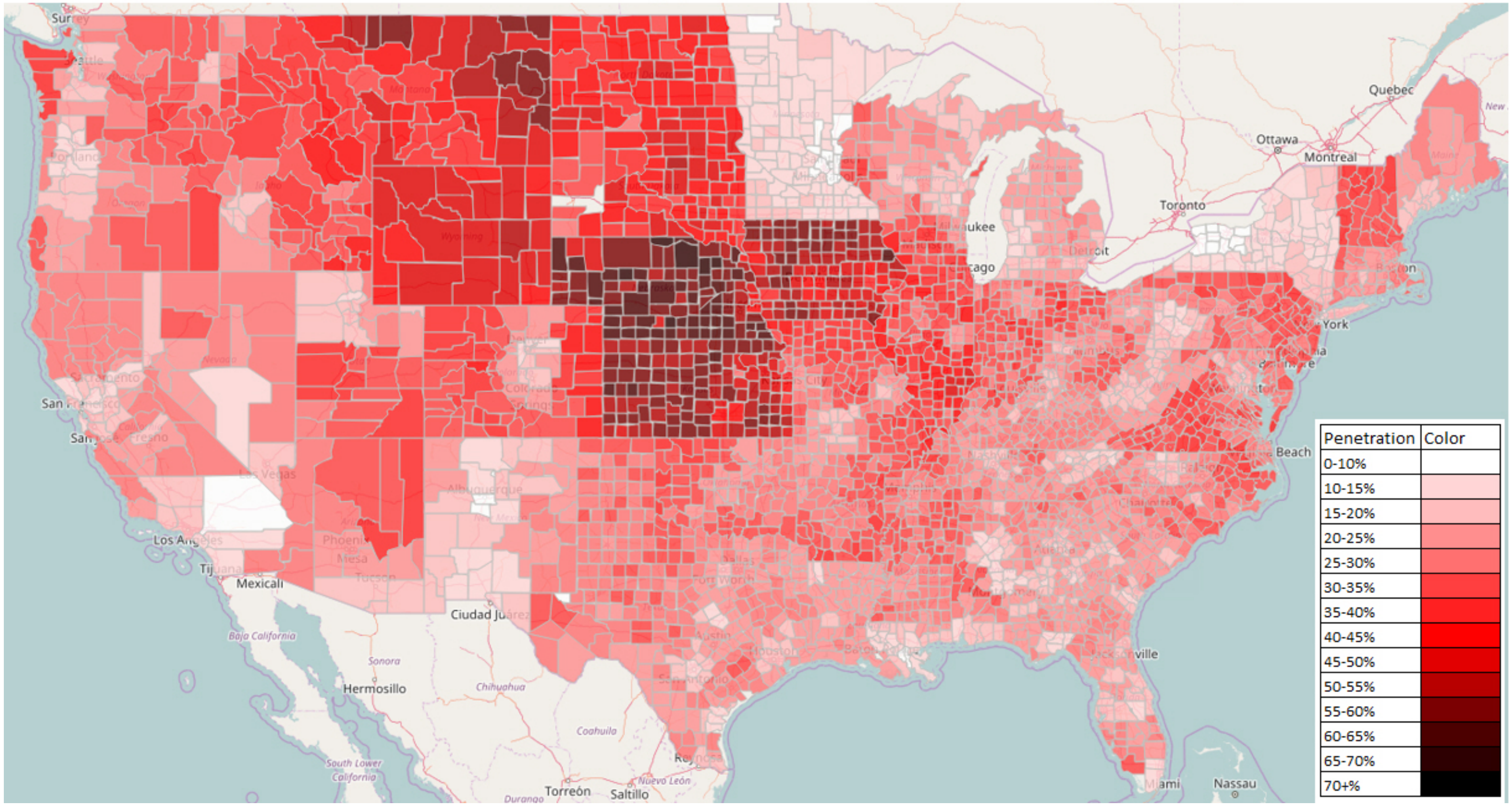
Jan 2018 Medicare Advantage (incl other Part C) Penetration by County



Source: CMS Medicare Advantage enrollment reporting

Medicare Market Penetration

Jan 2018 Medicare Supplement Penetration by County

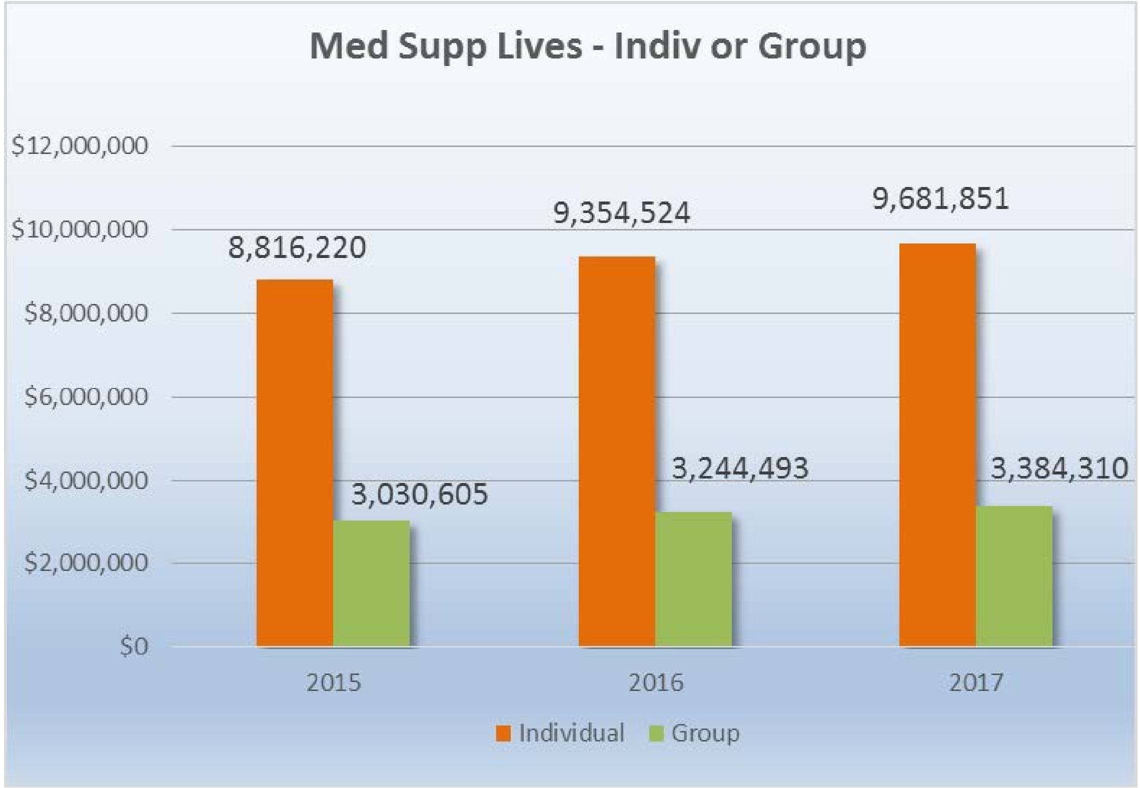


Source: CSG Actuarial estimated Medicare Supplement enrollment

Med Supp – Key Segments

Key Observations:

- Individual lives grew 8.9% since 2015
- Group lives grew 11.7% since 2015
- 3 million lives in United's AARP plans included in Group segment

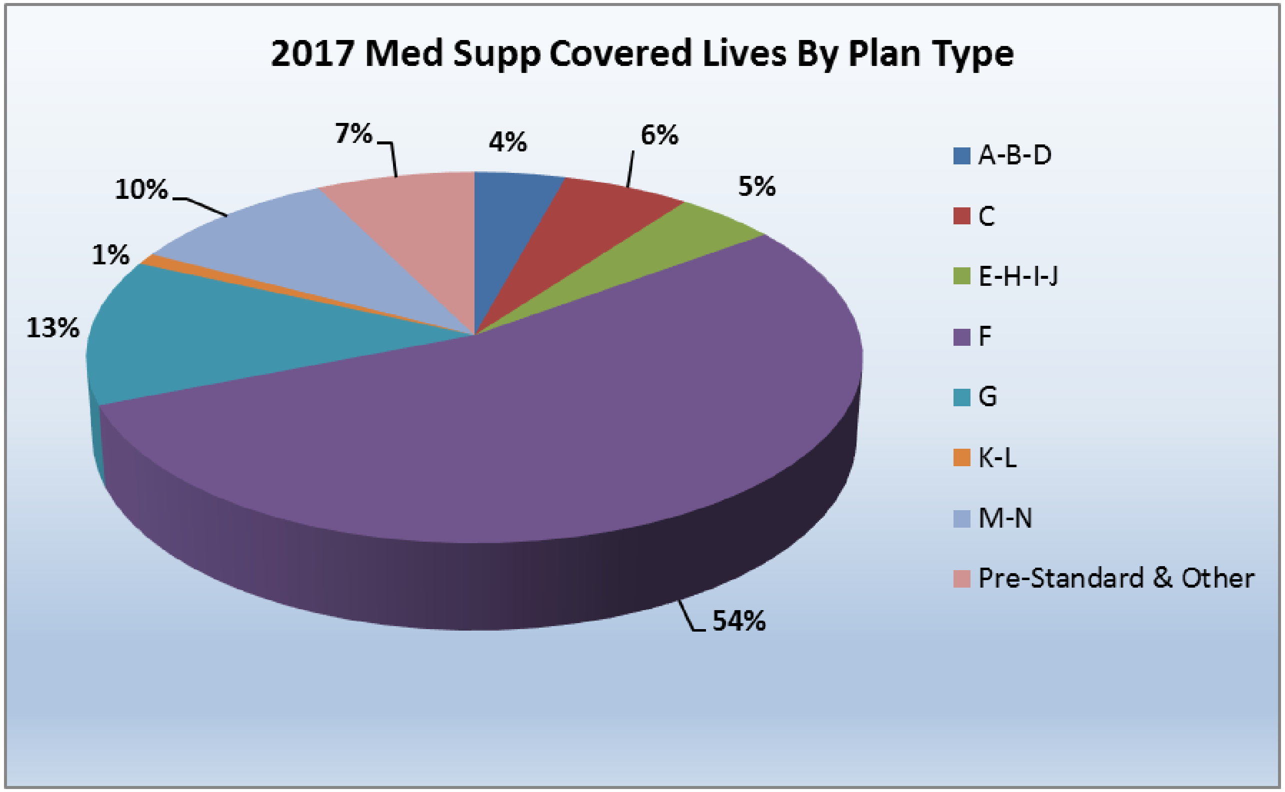


Source: *Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal*[TM]

Med Supp – Plan Type Share

Key Observations:

- Over 7 million lives in Type F
- Plan G, second largest with 1.7 million lives
- Plan C lost 115 thousand lives between 2016 and 2017

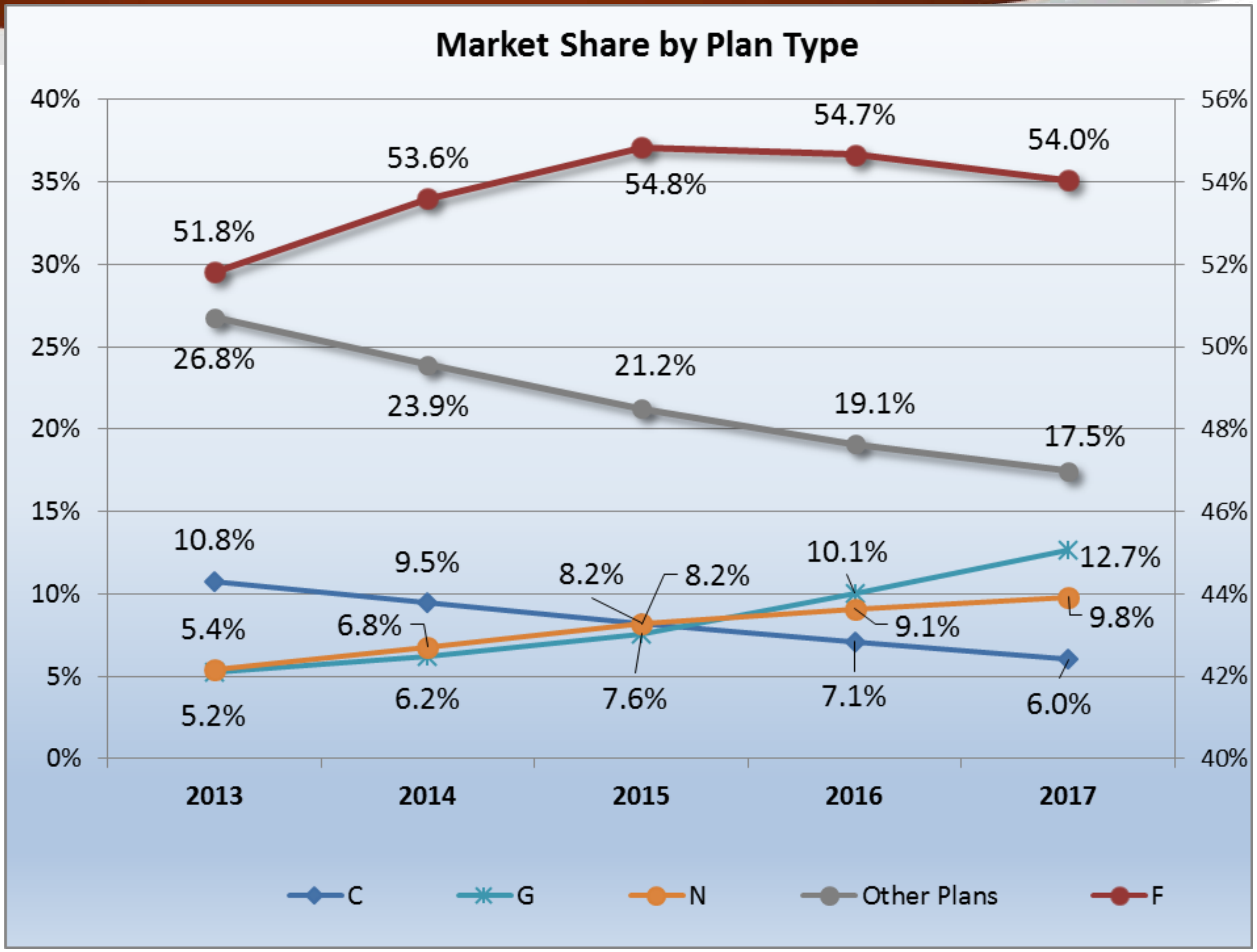


Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Med Supp – Plan Type Trends

5 Year Trend:

- Plan G +198%
- Plan N +123%
- Plan F +28%
- Plan C -32%
- All Others -20%



Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Med Supp – Plan Type Trends

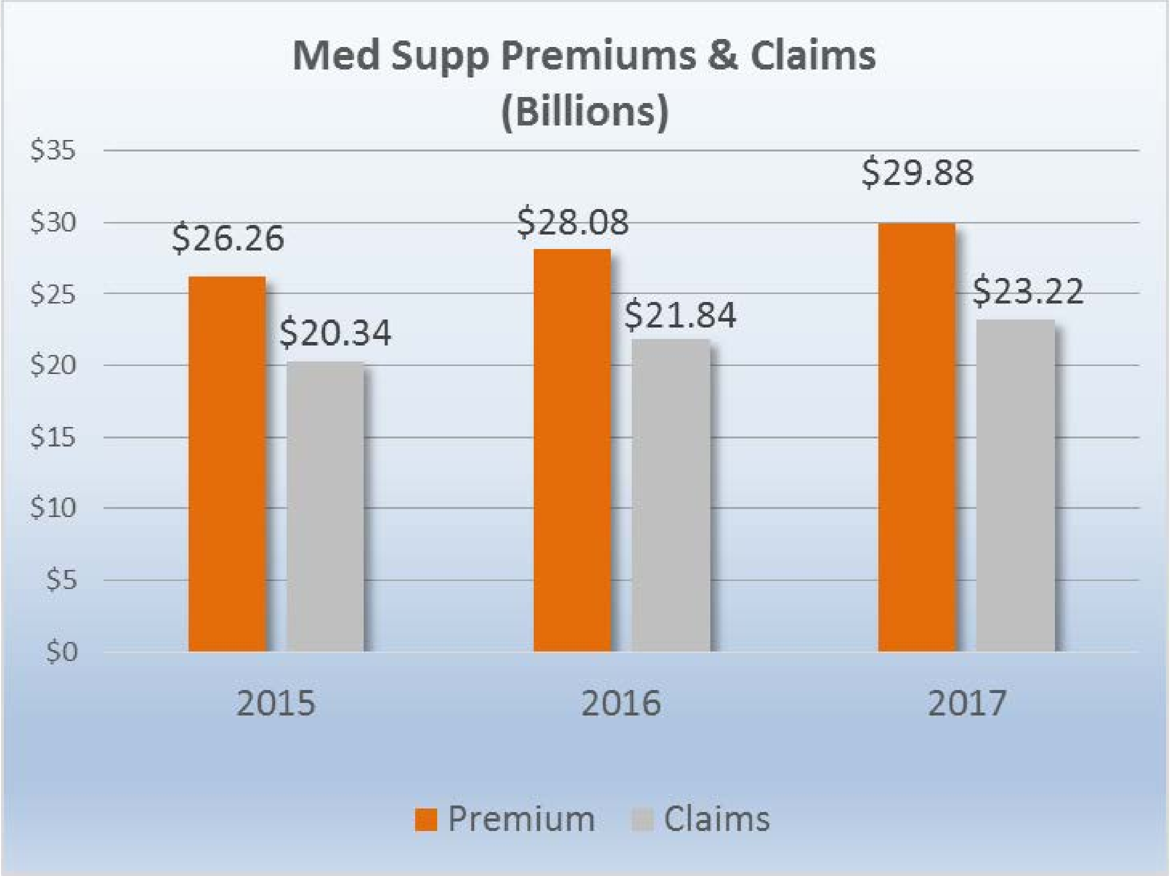
- Current Plan G vs. Plan F
  - Current Benefit difference is $183 (part B deductible)
  - For companies offering both, Plan G premium rates average $506 less than Plan F premium rates, $452 if extreme differences are excluded
  - Current Plan G experience and pricing reflects both benefit differences and plan G positive selection (healthier individuals)
  - Pricing for 2020 will need to change

Source: CSG Actuarial Competitive Intelligence Database

Med Supp Financials

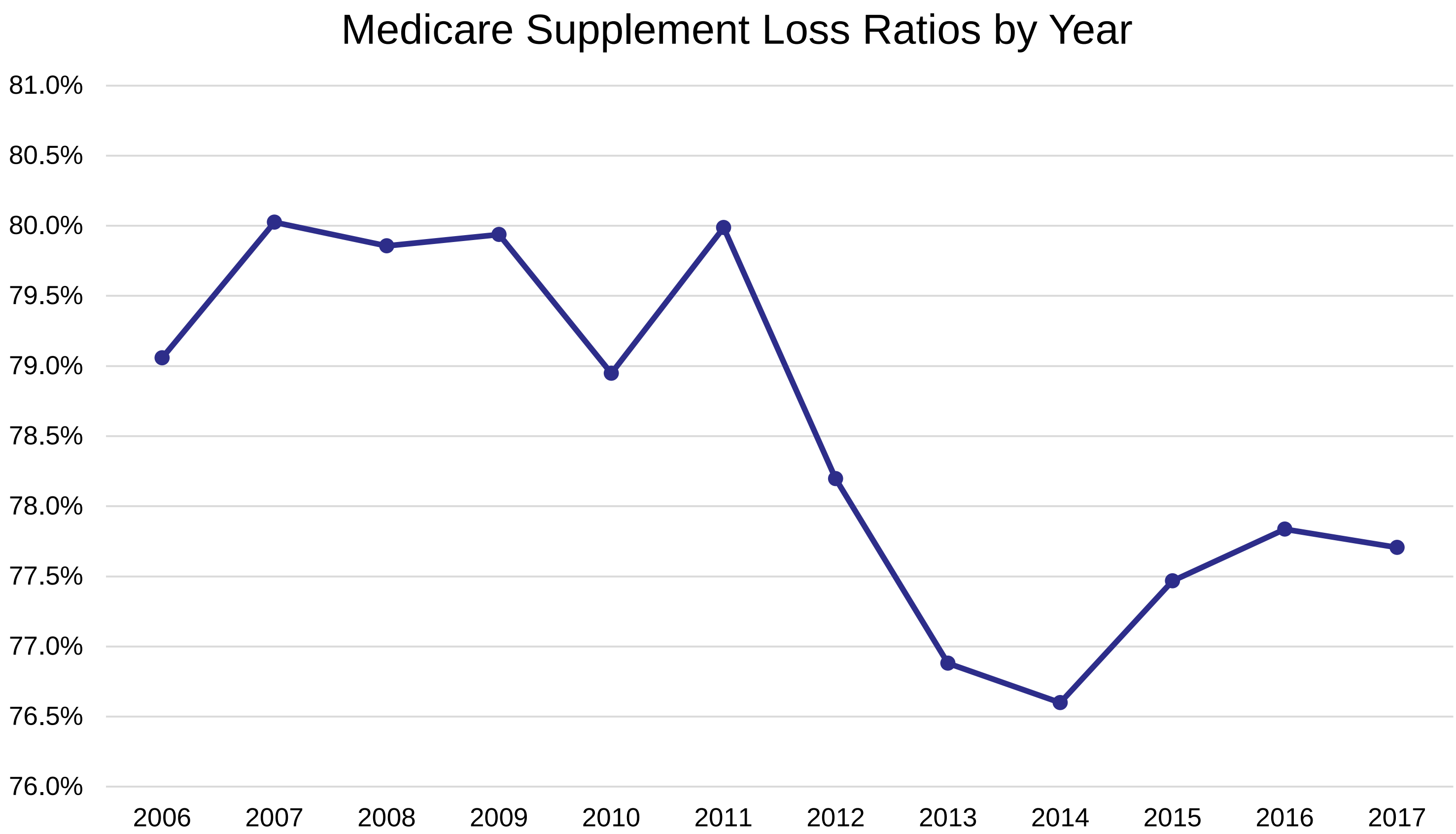
Key Observations:

- The average loss ratio over the past three years was 77.6%
- Med Supp business generated nearly $30 billion in premium revenue for 2017
- Claims incurred were over $23 billion for 2017



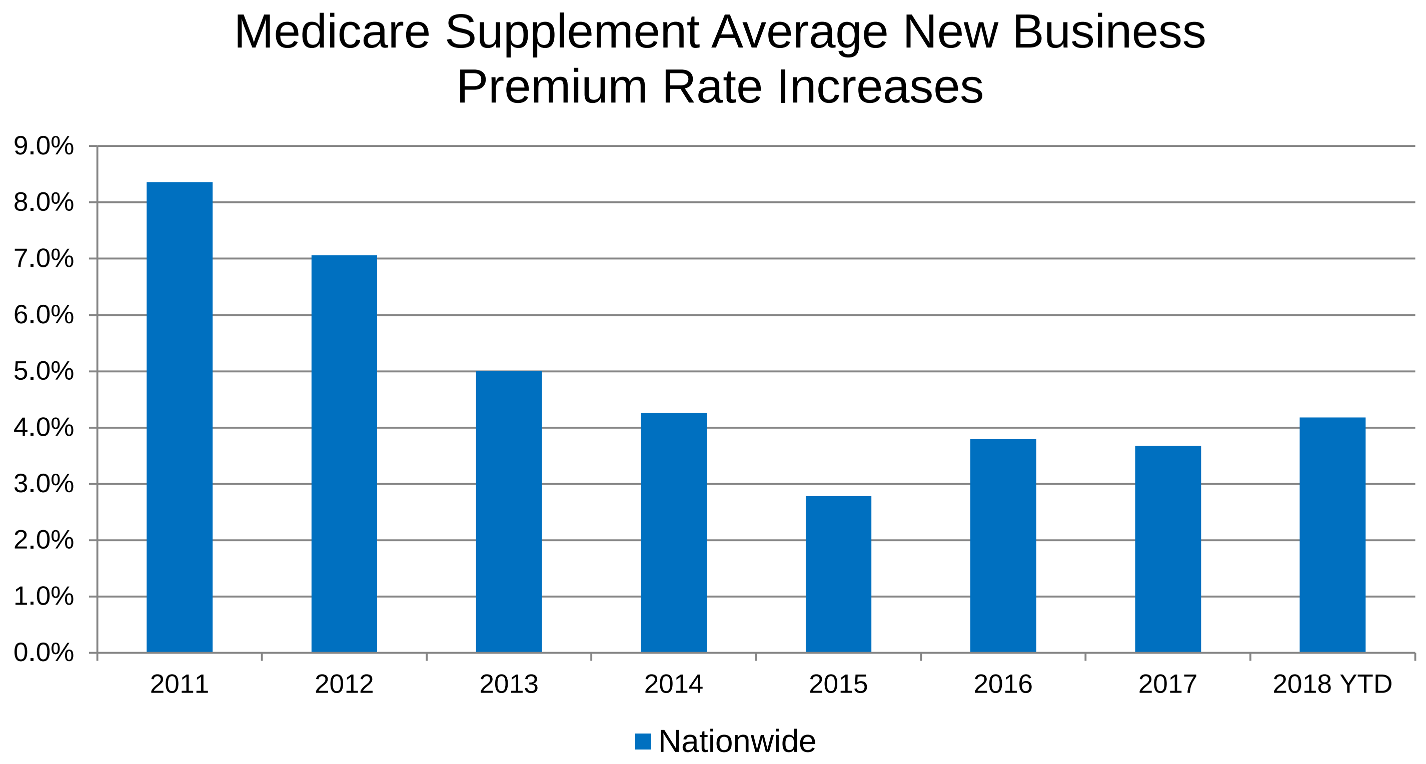
Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Med Supp Loss Ratios



Source: NAIC Medicare Supplement Experience Exhibits

Med Supp Loss Ratios



Source: CSG Actuarial Rate Change Report

Loss Ratio Performance – Industry Leaders

2017 Loss Ratios - Leading Companies/Plan Types

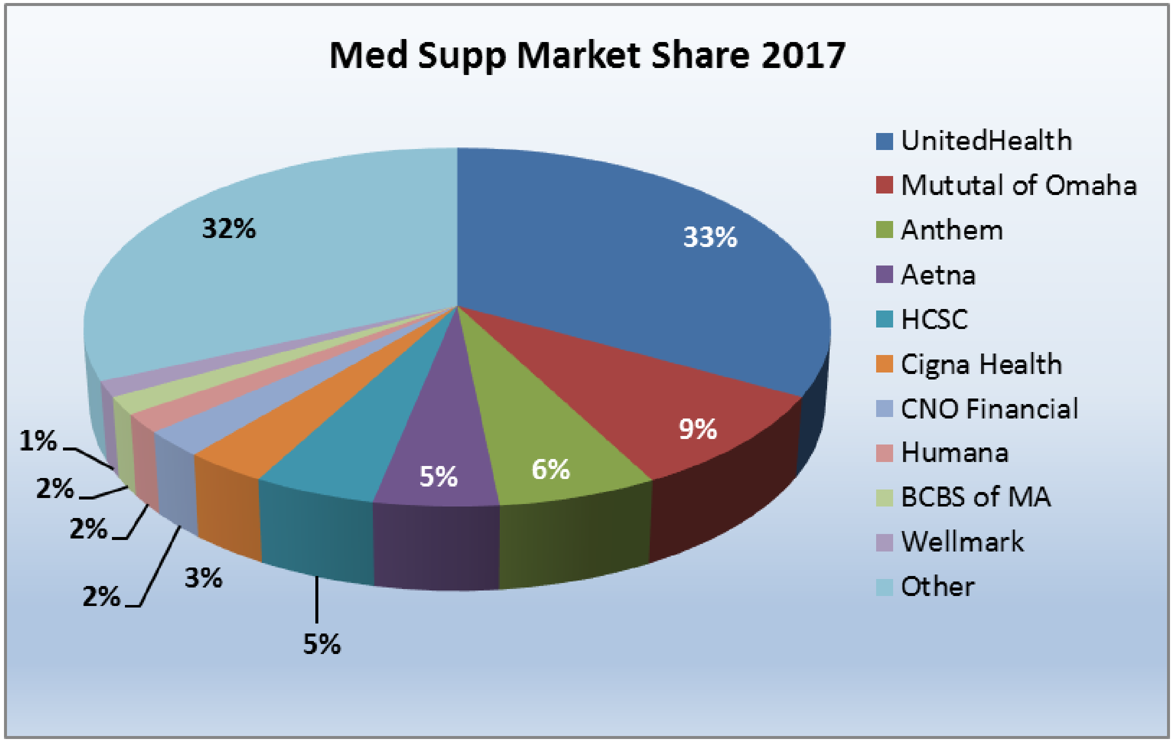
Company	F	G	C	N
UnitedHealth	80.1%	81.8%	83.3%	75.7%
Mutual of Omaha	73.0%	75.8%	74.0%	68.2%
Aetna	79.2%	77.5%	83.4%	69.1%
HCSC	76.5%	86.6%	88.6%	76.5%
Anthem	71.6%	70.4%	74.0%	72.0%
Industry Avg	**77.2%**	**76.6%**	**81.9%**	**74.9%**

Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Med Supp Market Share

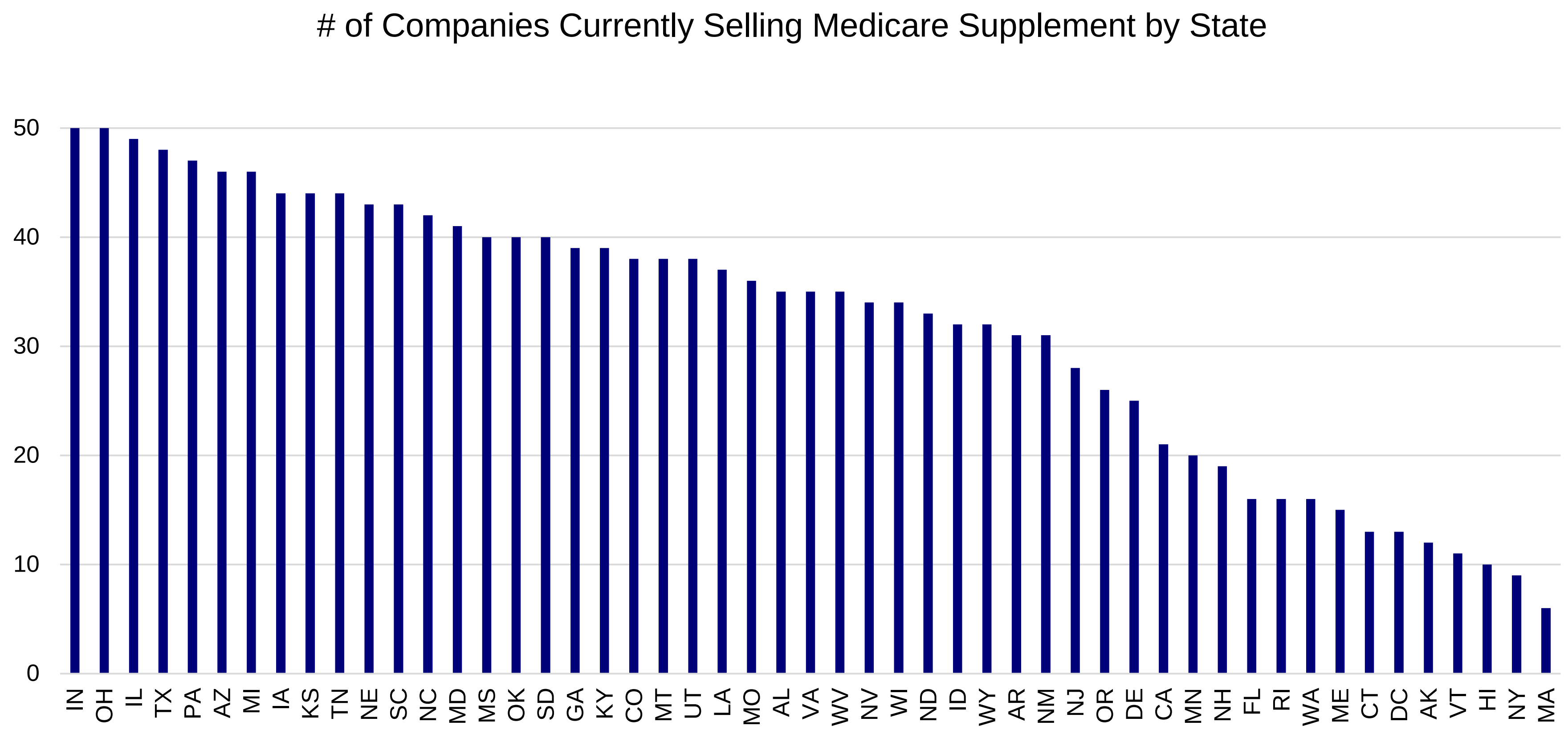
Key Observations:

- 194 companies competing in 2017
- 8 new companies entered the market
- Approximately 337 new plans attracted members in the state markets in 2017



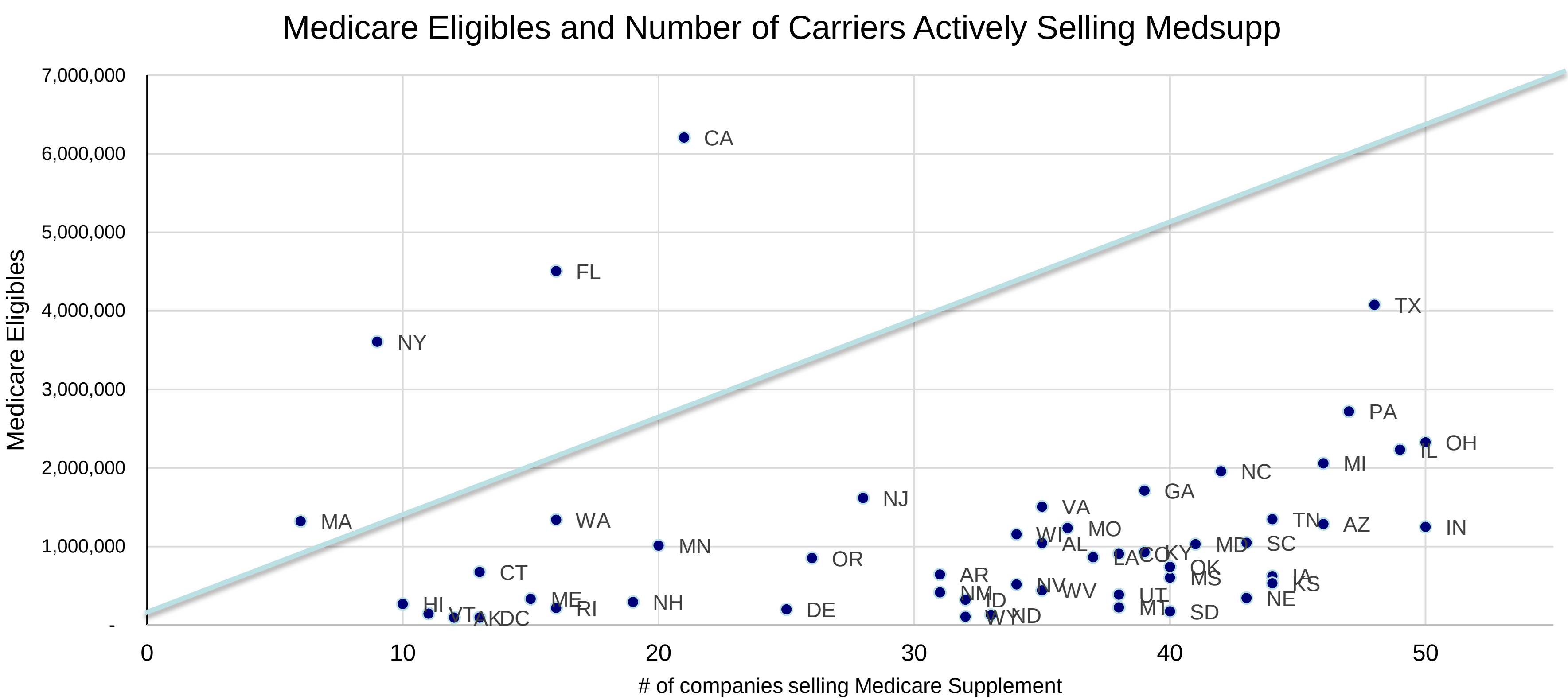
Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Med Supp Market Share



Source: CSG Actuarial Medicare Supplement Competitive Intelligence Database

Med Supp Market Share



Source: CSG Actuarial Medicare Supplement Competitive Intelligence Database & CMS.gov

Med Supp Market Leaders

Market Leaders by Lives				
Company	**2015**	**2017**	**Change**	**%**
UnitedHealth	4,080,645	4,465,960	385,315	9.4%
Mutual of Omaha	1,096,934	1,233,851	136,917	12.5%
Anthem	847,259	833,181	(14,078)	-1.7%
Aetna	502,508	652,471	149,963	29.8%
HCSC	615,468	639,224	23,756	3.9%

Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Med Supp Growth Leaders

Market Leaders by Growth				
Company	**2015**	**2017**	**Change**	**%**
UnitedHealth	4,080,645	4,465,960	385,315	9.4%
Cigna	221,329	431,386	210,057	94.9%
Aetna	502,508	652,471	149,963	29.8%
Mutual of Omaha	1,096,934	1,233,851	136,917	12.5%
Humana	158,164	235,855	77,691	49.1%

Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

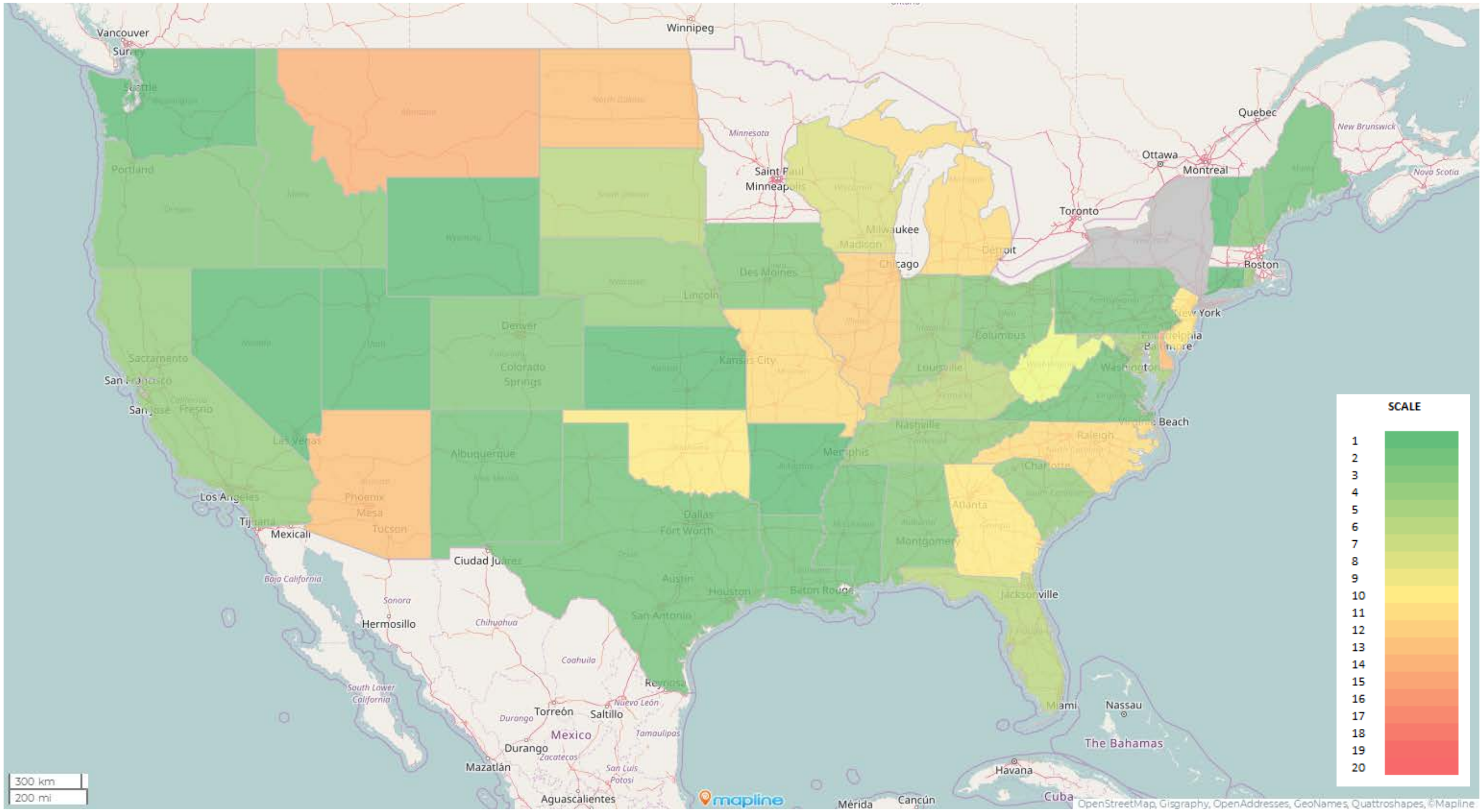
Med Supp Growth Leaders – Cigna Focus

- Cigna Plan G average rate ranking across all States was 7th
- Plan G available across 48 states
- With Pockets of very competitive rates

Source: CSG Actuarial Rate Ranking Report

Med Supp Growth Leaders

CIGNA Plan G rate ranking in 2017



Source: CSG Actuarial Rate Ranking Report

Key State Markets

Med Supp Top States by Lives				
	2015	**2017**	**Change**	**Growth Rate**
California*	896,977	995,701	98,724	11.0%
Florida	787,681	873,797	86,116	10.9%
Texas	724,004	818,503	94,499	13.1%
Illinois	723,168	767,051	43,883	6.1%
Pennsylvania	633,002	683,359	50,357	8.0%
Ohio	430,059	581,281	151,222	35.2%
Subtotal - Leading States	**3,297,914**	**3,723,991**	**426,077**	**12.9%**
Total Country	**12,268,061**	**13,501,420**	**1,233,359**	**10.1%**

* Includes NAIC and CAHMO reported Med Supp membership

Key Observations:

- Top six states accounted for 27.6% of the Med Supp lives in 2017
- Top six states accounted for 34.5% of the growth in covered lives between 2015 and 2017

Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

State Markets – Leaders/Laggards

States - Leading Market Penetration	
Nebraska	61.4%
Iowa	61.2%
Kansas	56.3%
South Dakota	52.0%
North Dakota	51.2%

States - Lagging Market Penetration	
Hawaii	7.3%
Puerto Rico	11.2%
District of Columbia	13.8%
Alaska	16.2%
New York	22.5%

Key Observations:

- 2017 average market penetration of 35.2%
- Penetration calculation based upon original Medicare enrollment

Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Key State Market Opportunities

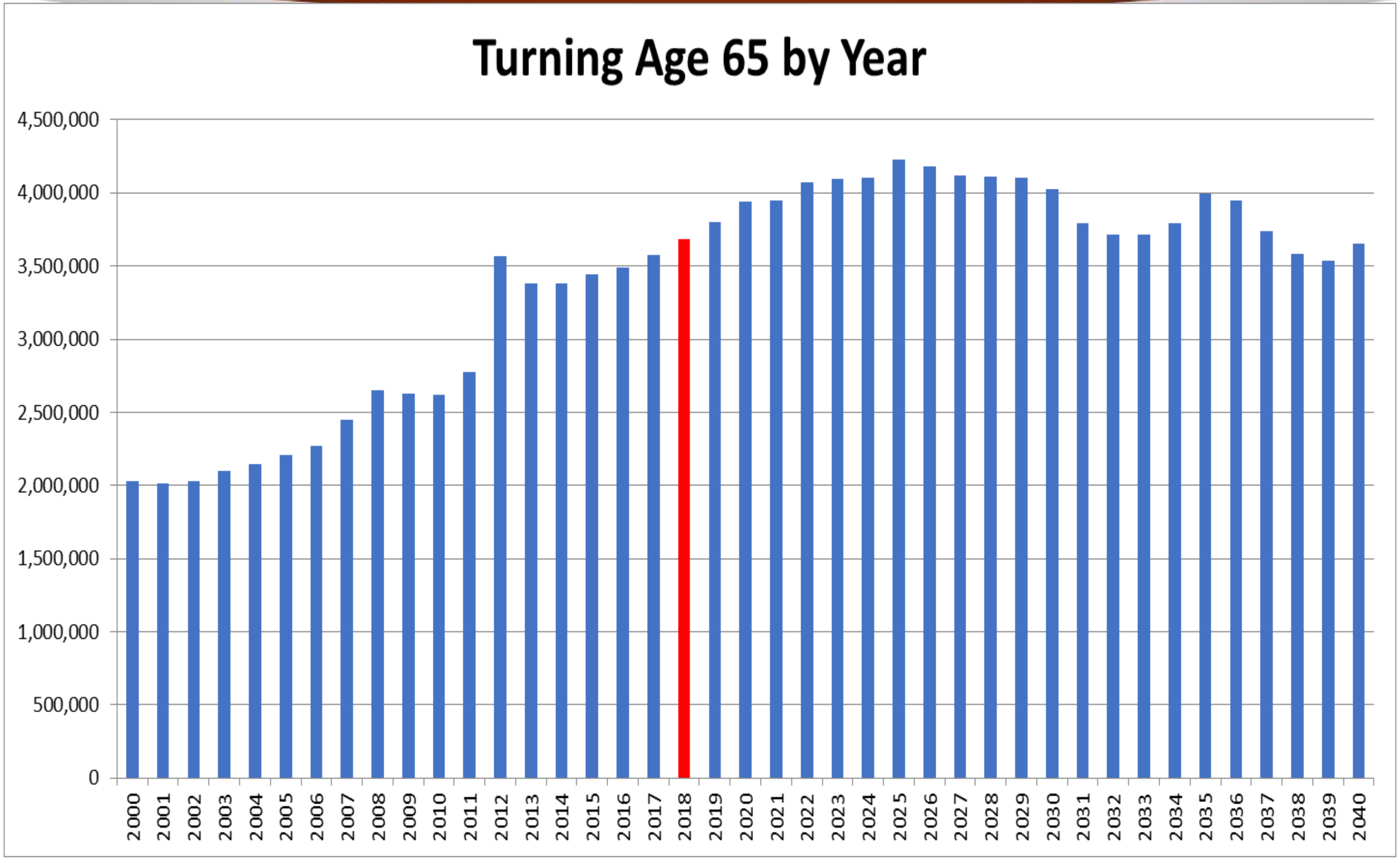
States with Opportunity - 2017 Lives			
	Orig. Medicare	**Med Supp**	**Penetration**
New York	2,107,818	473,317	22.5%
Maryland	871,810	234,729	26.9%
Louisiana	553,767	148,903	26.9%
Minnesota	411,624	113,099	27.5%
New Mexico	262,554	62,391	23.8%

Key Observations:

- NY offers a large Medicare market. Difficult regulatory environment
- NY has a strong Medicare Advantage penetration of 39.2%
- MD has a low Medicare Advantage penetration of 11.6%
- LA has a solid Medicare Advantage penetration of 34.2%

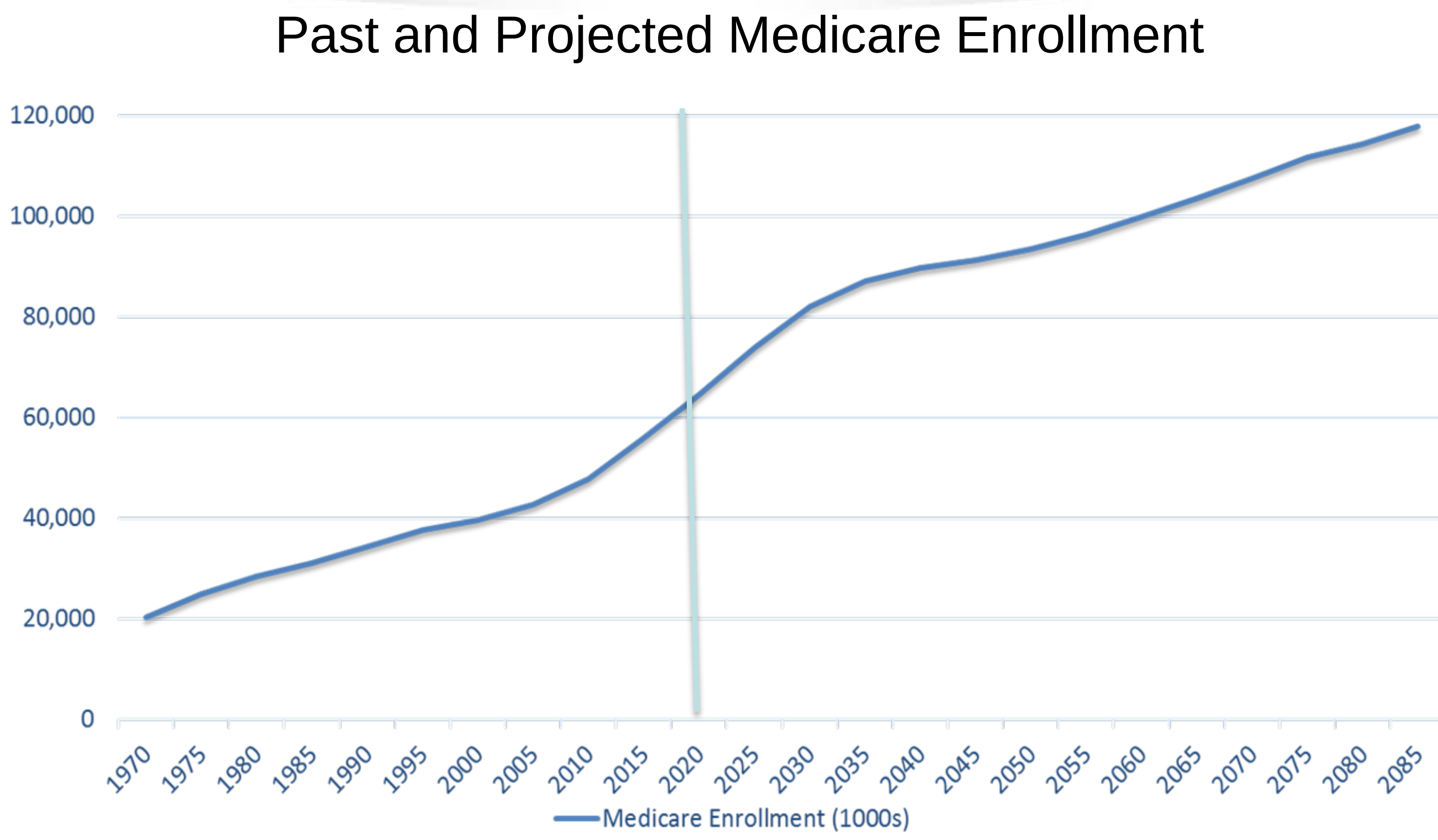
Source: Mark Farrah Associates' Medicare Supplement Market Data; Health Coverage Portal™

Med Supp Market Projection



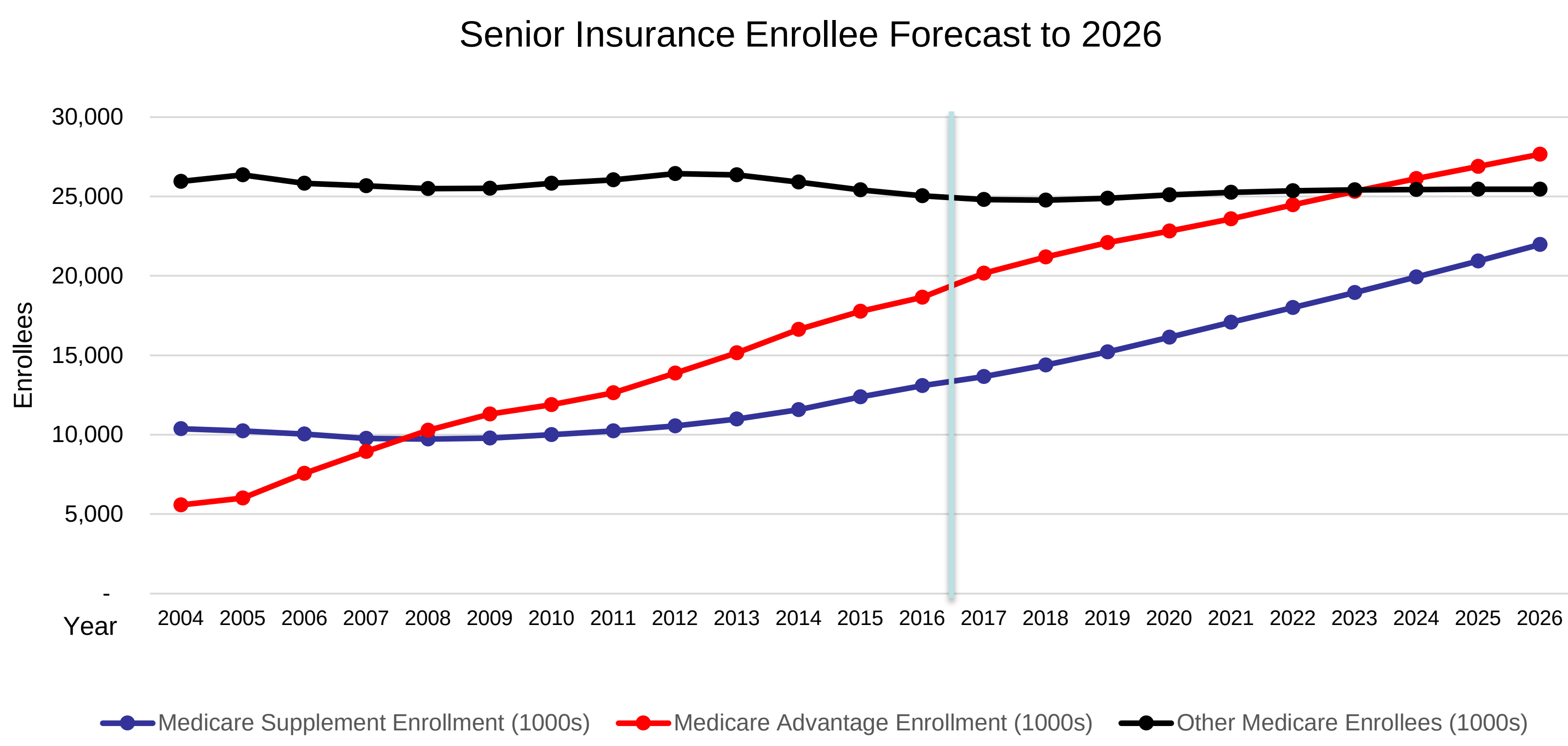
Source: census.gov – 2000 and 2010 census information

Med Supp Market Projection



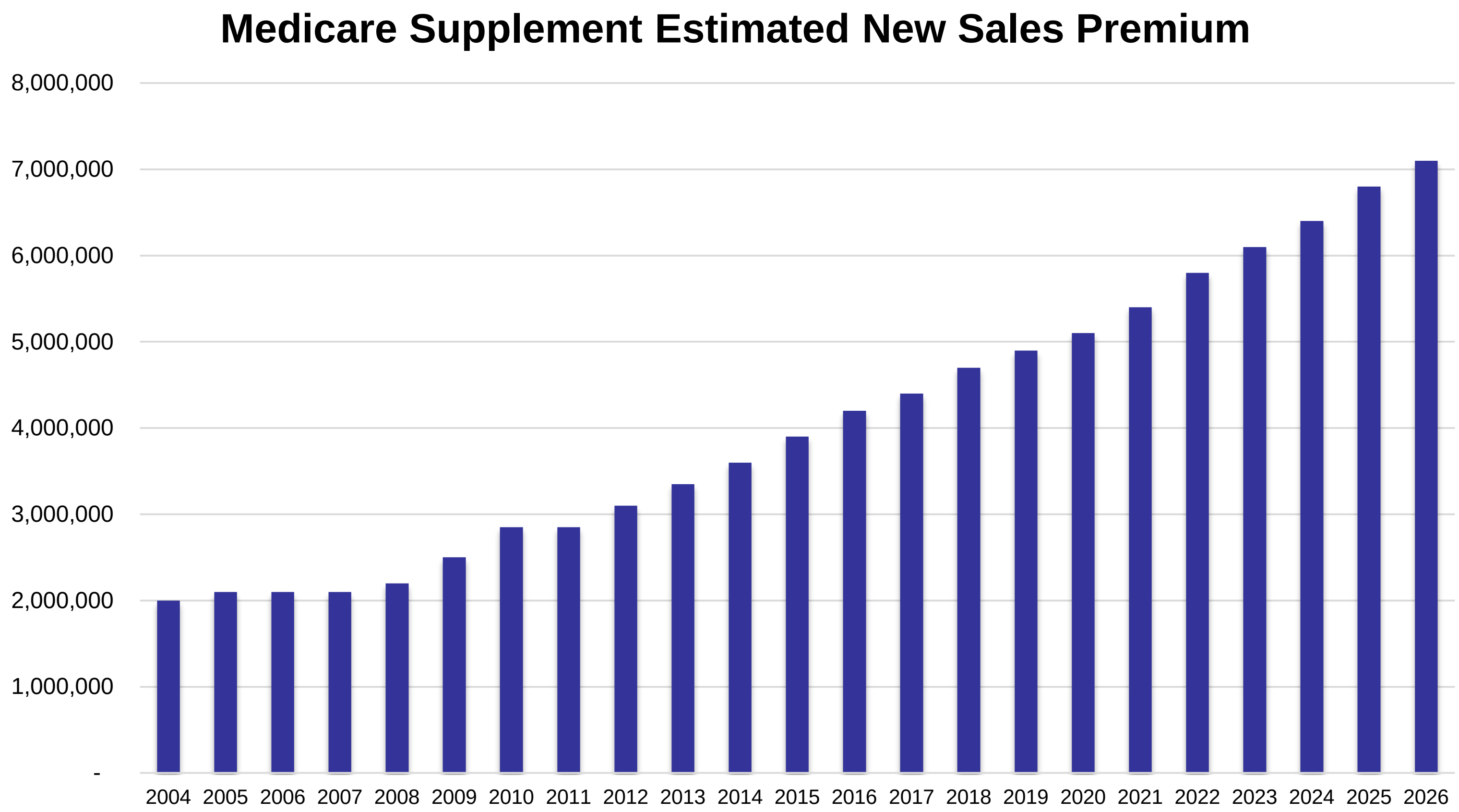
Source: 2017 Medicare Trustees Report

Med Supp Market Projection



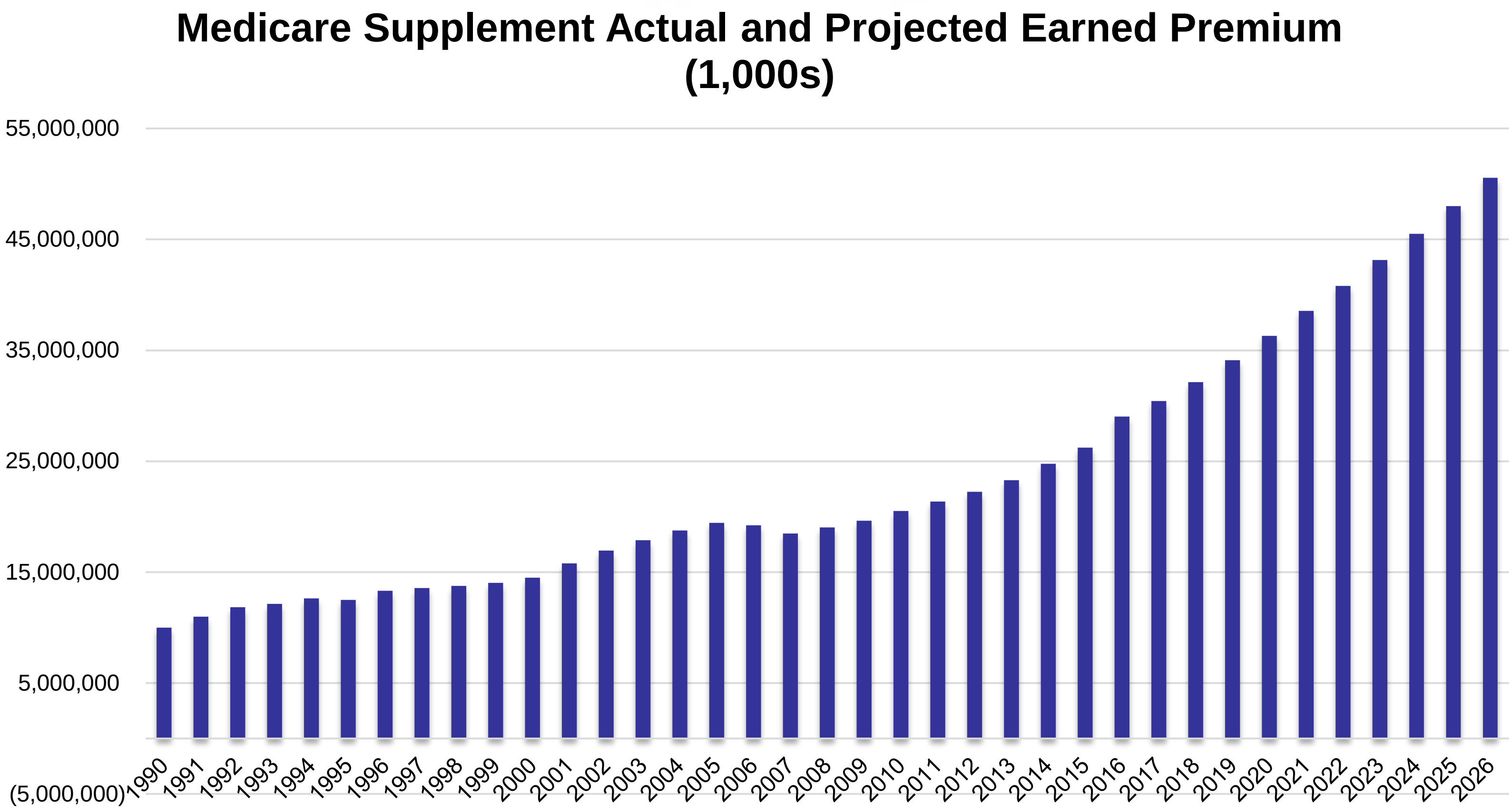
Source: "The Future of Medicare Supplement", 2017, CSG Actuarial

Med Supp Market Projection



Source: "The Future of Medicare Supplement", 2017, CSG Actuarial

Med Supp Market Projection



Source: "The Future of Medicare Supplement", 2017, CSG Actuarial

Thanks for joining us today!

Jared Strock
Consulting Actuary
CSG Actuarial
jstrock@csgactuarial.com

Ryan Wolfe
General Manager
Mark Farrah Associates
rwolfe@markfarrah.com