

# Insurers and the Individual Health Insurance Market

Brief Overview of Our Study on the ACA Individual Market

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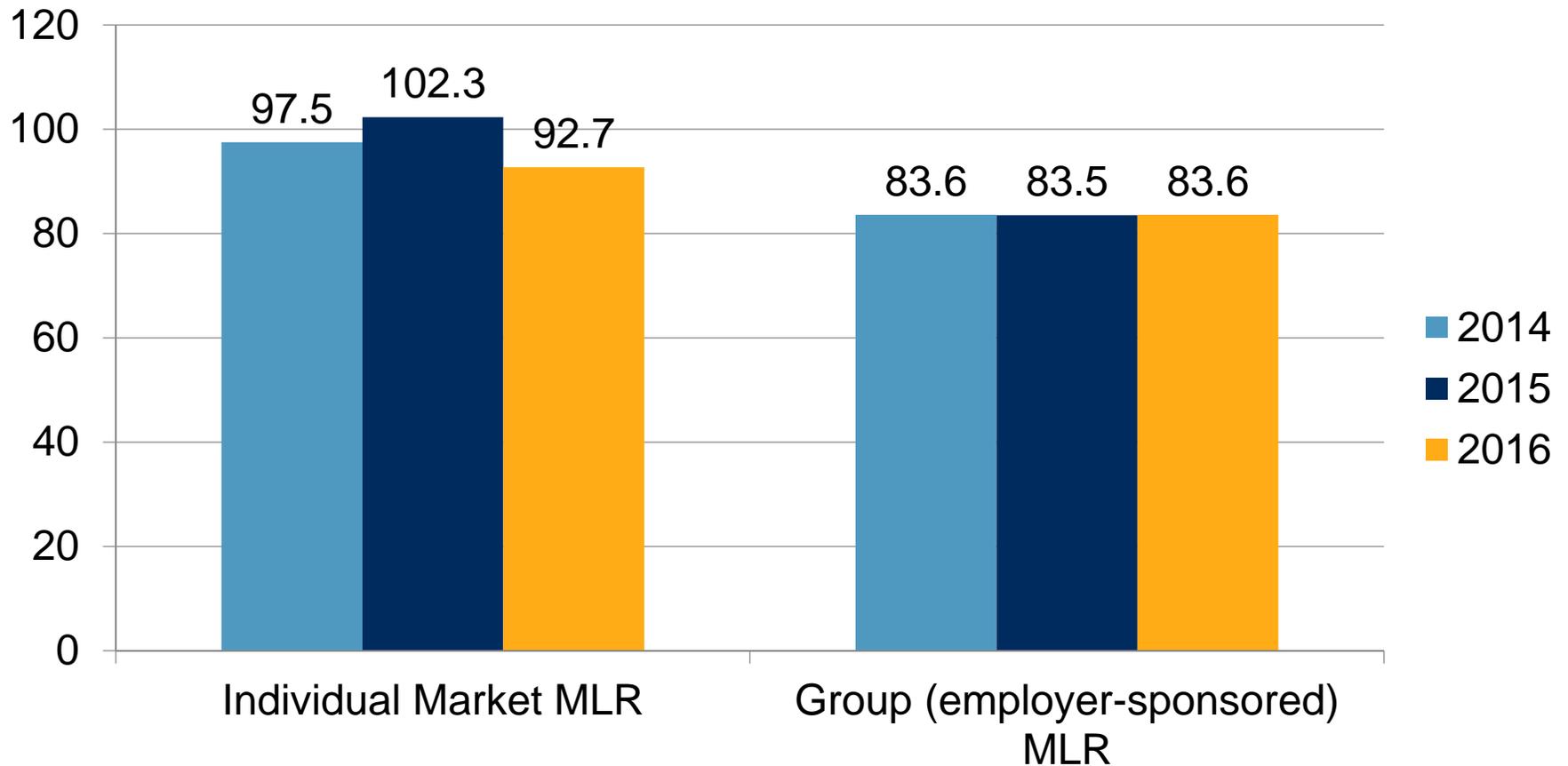
**S&P Global**  
Ratings

# Individual Market: Fragile But Signs of Improvement

- **2014 underwriting performance was bad, but 2015 was worse**
  - Higher-than-priced claims trend
  - Use of networks more aligned with the commercial group market
  - Late start to enrollment on healthcare.gov
  - After-the-fact rule changes related to “grand-mothered” plans and risk corridor
- **2016 saw marked improvement for most, but target profitability remains a couple of years away**
  - Year 3 of the new market provided additional data on the underlying risk pool
  - Some pricing and network correction by insurers
  - Lesser amount of underwriting losses than 2015
  - First signs that this market could be manageable for most insurers

# Individual Market MLR improved in 2016

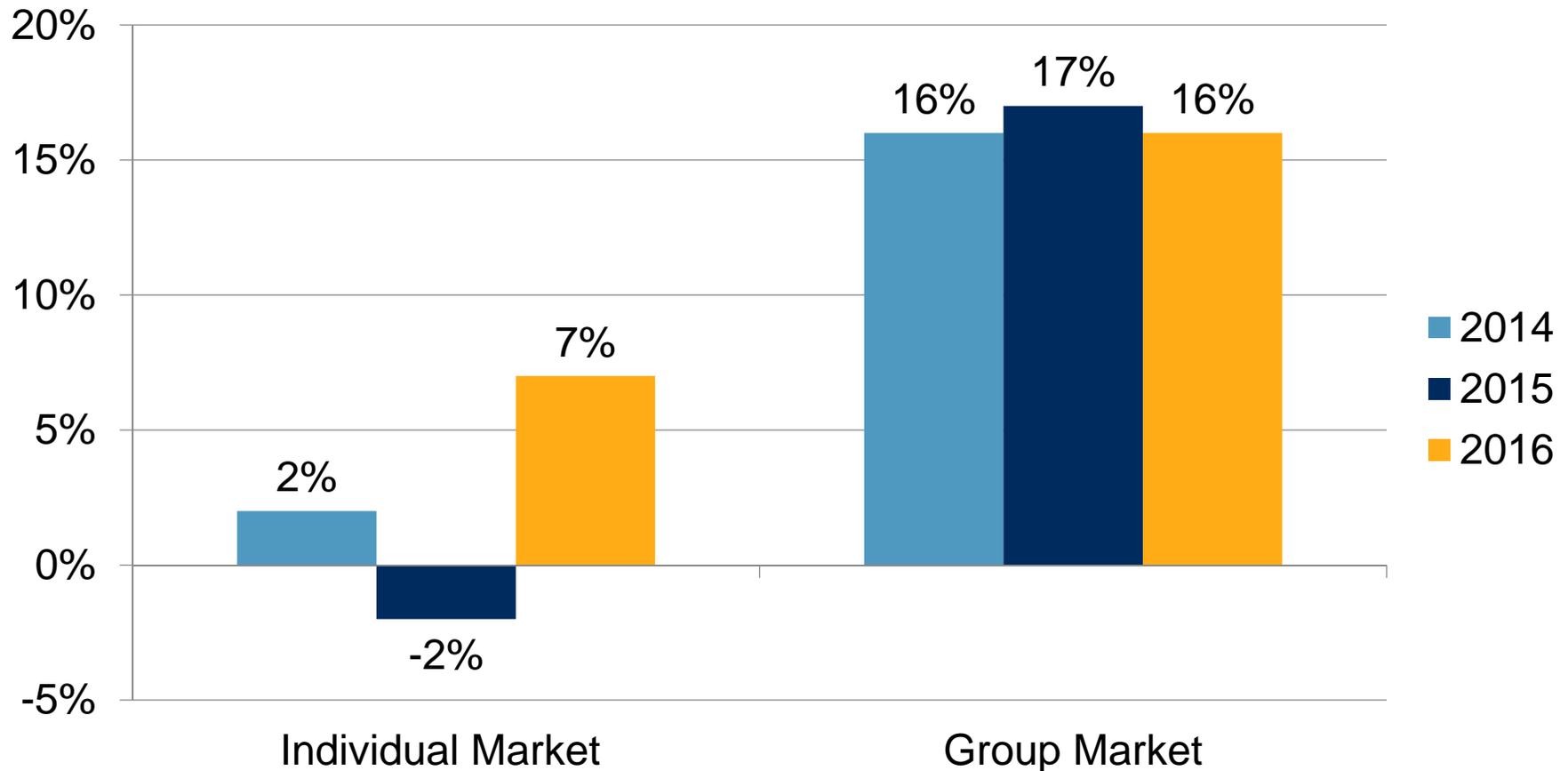
## MLRs remain well above group business



MLR calculated as incurred claims/premiums written. Source: NAIC Annual Statutory Filings; S&P Global Ratings Research;  
Note: Represents all U.S. insurers that file a health blank with NAICs; Excludes California insurers due to difference in filing template; Group MLR represents fully-insured business not ASO/ASC business

# Improving Gross Margins (ex. admin cost) In Individual business

But, Continued Underwriting Losses (incl. admin cost)



Gross Profit/Loss does not include admin expenses; Calculated as Incurred Claims – Written Premiums; Source: NAIC Annual Statutory Filings; S&P Global Ratings Research; Note: Represents all U.S. insurers that file a health blank with NAICs; Excludes California insurers due to difference in filing template; Group MLR represents fully-insured business not ASO/ASC business

# Business As Usual\* Forecast For Individual Market

- **2017: Insurers, on average, will likely report close to break-even margins**
  - Sharp pricing correction and continued product design changes
  - Pricing no longer reliant on ACA premium stabilization features (reinsurance)
  - Overall lower y/y enrollment, as market adjusts to this new price level
  - On-exchange insurer participation becomes a key issue for consideration
- **2018: More Insurers will likely report positive (low-single digit) margins**
  - Continued pricing correction, but far less than was witnessed in 2017
  - Another year of market information and maturity of risk pool
  - 2018 market stabilization rules will generally support the improving trend
  - Insurer participation issues to persist
- **Fragile Market Needs Time to Stabilize**

\* Business As Usual: Continued maturity of the current ACA market with a few possible fixes, but not a complete overhaul

# Pricing and Participation Uncertainty In 2018

- **Pricing With An “Uncertainty Buffer”**
  - Lack of clarity over cost savings reduction (CSR) may result in higher-than-expected premium increases
- **Potential for insurers being more selective in terms of on-exchange participation, if uncertainty continues**
  - Some counties may have one or zero insurers on the exchange
- **Increasing negative impact of premium increases on off-exchange population**
- **Enforcement of special enrollment periods, individual mandate, and enrollment outreach will also be top of the agenda**

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