



National Association of Insurance Commissioners

& The CENTER for INSURANCE POLICY and RESEARCH

2016

# Health Insurance Industry Analysis Report

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**Disclaimer** The NAIC 2016 Health Insurance Industry Analysis Report is a limited scope analysis based on the aggregated information filed to the NAIC’s Financial Data Repository as of Dec. 31, 2016, and written by the Financial Regulatory Services Department staff. This report does not constitute the official opinion or views of the NAIC membership or any particular state insurance department.

**Health Industry Disclosure:** In some states the health industry is regulated by a Department other than the Department of Insurance. Therefore, not all health insurers may be required to file financial statements with the NAIC.



**Table 1** below provides a 10-year snapshot of the U.S. health insurance industry's aggregate financial results for health entities who file with the NAIC on the health annual statement blank which represents over 77% of the total A&H business filed with the NAIC. For the first time in six years, the health insurance industry experienced an increase in net earnings of 90.8% to \$7.0 billion and an increase in the profit margin to 1.1% in 2016 compared to net earnings of \$3.7 billion and a profit margin of 0.6% in 2015. The combined ratio decreased modestly to 98.4% from 98.9%. Included in the decrease in profitability, health entities reported an 8.1% (\$74.6 million) decrease in realized capital gains to \$989.6 million from \$915.1 million in 2015.

Health entities reported a 6.2% increase in capital and surplus to \$122.7 billion due to net income of \$7.0 billion and paid-in surplus of \$5.9 billion, and unrealized capital gains of \$1.4 billion, partially offset by \$6.4 billion in dividends paid to stockholders in 2016.

Notable items include the following:

- The number of Health insurers filing the health statement type with the NAIC increased to 959 from 949 in 2015.
- Net earned premium increased 7.3% (\$43.1 billion).
- Total hospital and medical expenses increased 7.0% (\$35.4 billion).
- Administrative expenses increased 5.8% (\$3.4 billion).
- Moderate decrease in loss ratio to 85.4% from 85.6%.
- A&H direct earned premium increased 6.0% (\$45.7 billion) including all statement types.
- Long-term care claims increased 11.4% (\$1.1 billion).

**Table 1**

**Health Entities as of December 31, 2016**

<i>(In Millions, Except PMPM)</i>	<b>Chg.</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Operations</b>											
Direct Written Premium	7.4%	\$637,075	\$593,403	\$533,083	\$459,274	\$443,537	\$418,482	\$394,700	\$382,376	\$354,646	\$331,029
Net Earned Premium	7.3%	\$630,472	\$587,374	\$526,852	\$450,737	\$433,211	\$409,291	\$385,832	\$373,197	\$346,161	\$324,602
Net Investment Income Earned	(4.9)%	\$3,092	\$3,250	\$3,229	\$3,152	\$3,154	\$3,245	\$3,421	\$4,061	\$4,759	\$5,249
Underwriting Gain/(Loss)	54.7%	\$9,957	\$6,438	\$6,618	\$9,637	\$11,675	\$14,763	\$12,714	\$5,978	\$9,092	\$10,086
Net Income/Loss	90.8%	\$7,007	\$3,672	\$5,661	\$9,978	\$11,744	\$13,909	\$12,935	\$9,292	\$8,417	\$12,279
Total Hospital & Medical Exp	7.0%	\$540,893	\$505,506	\$450,823	\$389,206	\$371,947	\$346,059	\$326,997	\$323,405	\$297,746	\$278,212
Loss Ratio	(0.2) Pts.	85.4%	85.6%	85.3%	85.8%	85.7%	84.5%	84.8%	86.7%	86.0%	85.4%
Admin Expense Ratio	(0.3) Pts.	13.0%	13.3%	13.5%	12.1%	11.8%	11.9%	11.9%	11.7%	11.4%	11.6%
Combined Ratio	(0.5) Pts.	98.4%	98.9%	98.8%	97.9%	97.3%	96.4%	96.7%	98.4%	97.4%	96.9%
Profit Margin	0.5 Pts.	1.1%	0.6%	1.1%	2.2%	2.7%	3.4%	3.3%	2.5%	2.4%	3.7%
Net Premium PMPM	3.7%	\$240	\$232	\$221	\$212	\$205	\$204	\$195	\$189	\$186	\$177
Claims PMPM	3.5%	\$206	\$199	\$189	\$183	\$177	\$173	\$166	\$165	\$161	\$152
Cash Flow from Operations	89.2%	\$12,489	\$6,600	\$6,273	\$8,120	\$13,203	\$15,399	\$12,201	\$8,619	\$10,177	\$13,546
Enrollment	2.3%	218	213	204	178	177	168	164	166	157	153
<b>Capital and Surplus</b>											
Capital & Surplus	6.2%	\$122,719	\$115,561	\$112,193	\$111,140	\$103,041	\$94,642	\$88,521	\$77,147	\$71,404	\$76,025
Return on Equity (ROE)	2.9 Pts.	6.2%	3.7%	5.7%	10.0%	12.4%	15.5%	15.3%	12.5%	12.4%	16.9%
<b>Assets</b>											
Net Invested Assets	6.9%	\$189,461	\$177,180	\$169,991	\$163,439	\$155,331	\$145,706	\$135,589	\$122,475	\$113,443	\$119,524
Net Admitted Assets	5.9%	\$268,175	\$253,277	\$238,913	\$214,328	\$201,801	\$188,664	\$174,217	\$158,506	\$146,866	\$148,285
Net Inv Inc & Realized Gain/(Loss)	(2.0)%	\$4,081	\$4,165	\$4,832	\$4,479	\$4,417	\$4,249	\$4,814	\$6,260	\$1,980	\$6,103
Investment Yield	(0.2) Pts.	1.7%	1.9%	1.9%	2.0%	2.1%	2.3%	2.7%	3.4%	4.1%	4.6%

Note: Aggregate results include only health entities who file annual statements with the NAIC.

## Underwriting Results

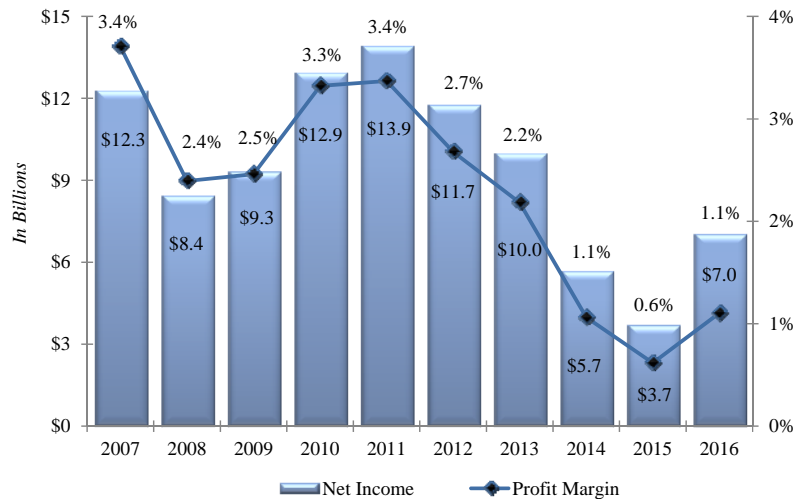
**Figure 1** below illustrates the increase in both net earnings and profit margin. The increase in the industry’s underwriting results can be attributed to a 7.3% (\$43.1 billion) increase in net earned premium to \$630.5 billion. The industry also recorded realized capital gains of approximately \$1.0 billion in 2016. However, the industry partially offset these items with a 7.0% (\$35.4 billion) increase in total hospital and medical expenses to \$540.9 billion and a 4.7% (\$3.7 billion) increase in claims adjustment expenses and administrative expenses. Administrative expenses alone increased 5.8% (\$3.4 billion).

**Table 2** provides an analysis of operations by line of business for 2016. In terms of dollar impact, the Medicare (\$4.9 billion) and the Medicaid (\$1.2 billion) lines of business were the most profitable lines. Subsequent-

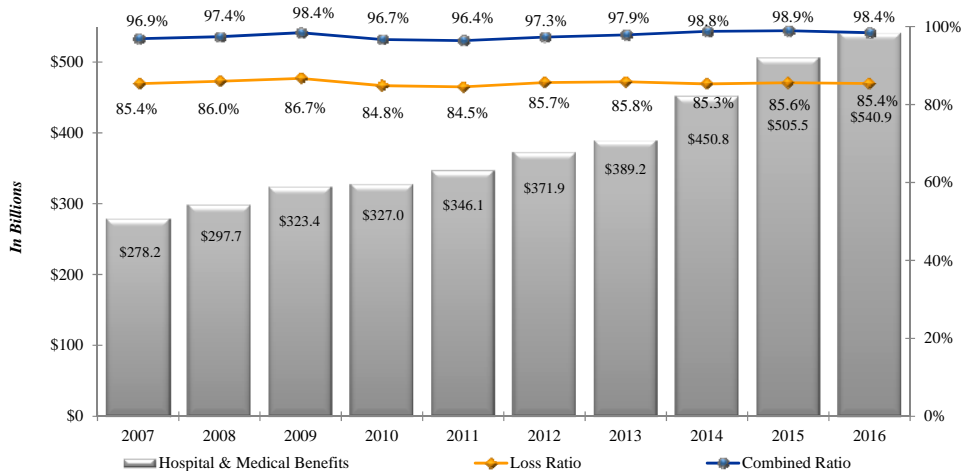
ly, **Figures 3 through 18** on pages 5 and 6, provide an overview of underwriting results, earned premium, and total hospital and medical expenses in relation to loss ratios by line of business.

**Figure 2** below illustrates the increase in total hospital and medical benefits and the modest decrease in the loss ratio to 85.4% in 2016. Historically, from year to year, the industry has reported significant increases in hospital and medical benefits. However, during both 2016 and 2015, net earned premium increased at a higher rate than total hospital and medical benefits. As indicated on **Table 1**, the industry reported a modest decrease in the administrative expense ratio to 13.0%. The decrease in the loss ratio along with the slight decrease in the administrative expense ratio resulted in a modest decrease in the combined ratio to 98.4%.

**Figure 1**  
Net Income & Profit Margin (ROR)



**Figure 2**  
Total Benefits, Loss Ratio & Combined Ratio



**Table 2**  
*Analysis of Operations by Lines of Business*

<b>Comprehensive Hospital &amp; Medical</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$222,130	\$215,385	\$207,574	\$192,420	\$191,446	\$191,945	\$188,755	\$188,360	\$186,456	\$181,926
Total Hospital & Medical Exp	\$191,016	\$184,916	\$175,132	\$163,736	\$163,346	\$160,206	\$158,357	\$163,317	\$159,182	\$154,472
Claims Adj. Expenses	\$7,368	\$7,413	\$7,472	\$7,167	\$6,990	\$6,764	\$6,634	\$6,823	\$6,691	\$6,782
General Admin. Expenses	\$26,305	\$26,833	\$25,776	\$18,842	\$18,131	\$18,365	\$18,138	\$17,448	\$16,773	\$16,748
Total Underwriting Deductions	\$223,684	\$219,054	\$208,885	\$189,712	\$188,553	\$185,187	\$183,250	\$187,700	\$182,890	\$178,187
Net Underwriting Gain/(Loss)	(\$870)	(\$2,017)	\$93	\$4,023	\$4,159	\$6,987	\$5,731	\$1,137	\$3,923	\$4,779
Loss Ratio	85.3%	85.2%	84.0%	84.5%	84.8%	83.3%	83.9%	86.5%	85.3%	84.5%
Admin Expense Ratio	15.1%	15.8%	15.9%	13.4%	13.0%	13.1%	13.1%	12.9%	12.6%	12.9%
Combined Ratio	100.4%	100.9%	100.0%	97.9%	97.8%	96.4%	97.0%	99.4%	97.9%	97.4%
Net Premium PMPM	\$372.39	\$362.79	\$347.45	\$318.60	\$309.09	\$302.61	\$289.90	\$276.29	\$266.46	\$254.11
Claims PMPM	\$319.20	\$310.46	\$293.55	\$270.62	\$263.53	\$253.11	\$243.56	\$239.60	\$227.85	\$249.38
Enrollment	48	49	49	52	53	53	53	56	58	60

<b>Medicare Supplement</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$9,568	\$9,156	\$8,690	\$8,162	\$8,088	\$7,811	\$7,735	\$7,553	\$7,546	\$7,444
Total Hospital & Medical Exp	\$7,640	\$7,368	\$6,910	\$6,457	\$6,460	\$6,336	\$6,229	\$6,202	\$6,178	\$6,163
Claims Adj. Expenses	\$439	\$419	\$378	\$399	\$385	\$397	\$375	\$394	\$360	\$375
General Admin. Expenses	\$1,193	\$1,189	\$1,077	\$948	\$937	\$937	\$883	\$836	\$752	\$748
Total Underwriting Deductions	\$9,321	\$9,021	\$8,157	\$7,847	\$7,815	\$7,608	\$7,513	\$7,602	\$7,235	\$7,327
Net Underwriting Gain/(Loss)	\$270	\$119	\$564	\$304	\$258	\$195	\$200	(\$52)	\$319	\$114
Loss Ratio	80.2%	81.1%	76.9%	79.8%	80.4%	80.4%	81.1%	84.4%	81.1%	83.4%
Admin Expense Ratio	17.0%	17.6%	16.7%	16.5%	16.4%	17.1%	16.3%	16.3%	14.7%	15.1%
Combined Ratio	97.2%	98.7%	93.5%	96.3%	96.8%	97.5%	97.4%	100.7%	95.8%	98.5%
Net Premium PMPM	\$190.43	\$181.38	\$181.40	\$182.65	\$180.48	\$176.52	\$172.92	\$167.19	\$162.16	\$151.88
Claims PMPM	\$152.65	\$147.17	\$139.47	\$145.81	\$145.28	\$141.93	\$140.25	\$141.10	\$131.45	\$126.63
Enrollment	4	4	4	4	4	4	4	4	4	4

<b>Dental</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$12,685	\$12,480	\$11,753	\$10,449	\$9,995	\$9,327	\$8,732	\$8,332	\$7,624	\$7,240
Total Hospital & Medical Exp	\$9,954	\$9,761	\$9,132	\$8,059	\$7,789	\$7,389	\$6,993	\$6,673	\$6,086	\$5,735
Claims Adj. Expenses	\$513	\$489	\$427	\$384	\$407	\$412	\$381	\$397	\$355	\$329
General Admin. Expenses	\$1,827	\$1,821	\$1,680	\$1,282	\$1,206	\$1,091	\$989	\$988	\$863	\$869
Total Underwriting Deductions	\$12,293	\$12,071	\$11,234	\$9,722	\$9,403	\$8,895	\$8,363	\$8,059	\$7,305	\$6,935
Net Underwriting Gain/(Loss)	\$793	\$749	\$765	\$856	\$703	\$532	\$427	\$300	\$339	\$348
Loss Ratio	76.1%	76.1%	76.1%	76.2%	77.1%	78.4%	79.6%	79.8%	79.6%	78.8%
Admin Expense Ratio	17.9%	18.0%	17.6%	15.7%	16.0%	15.9%	15.6%	16.6%	15.9%	16.5%
Combined Ratio	93.9%	94.2%	93.6%	91.9%	93.0%	94.4%	95.1%	96.4%	95.6%	95.2%
Net Premium PMPM	\$25.74	\$25.31	\$25.46	\$25.99	\$24.95	\$24.14	\$22.25	\$21.11	\$21.72	\$21.55
Claims PMPM	\$20.19	\$19.80	\$19.76	\$20.03	\$19.45	\$19.13	\$17.84	\$16.90	\$17.34	\$17.09
Enrollment	42	41	40	34	33	32	33	33	29	28

<b>Vision</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$2,471	\$2,300	\$2,148	\$1,694	\$1,606	\$1,500	\$1,402	\$1,414	\$1,337	\$1,240
Total Hospital & Medical Exp	\$1,926	\$1,832	\$1,703	\$1,364	\$1,312	\$1,223	\$1,149	\$1,186	\$1,112	\$997
Claims Adj. Expenses	\$52	\$46	\$37	\$32	\$30	\$25	\$22	\$23	\$20	\$22
General Admin. Expenses	\$405	\$388	\$369	\$234	\$220	\$211	\$181	\$181	\$180	\$174
Total Underwriting Deductions	\$2,378	\$2,272	\$2,109	\$1,629	\$1,559	\$1,463	\$1,345	\$1,385	\$1,316	\$1,195
Net Underwriting Gain/(Loss)	\$254	\$182	\$178	\$181	\$182	\$149	\$162	\$126	\$111	\$118
Loss Ratio	73.0%	74.9%	74.5%	75.3%	75.2%	76.1%	75.8%	78.1%	78.2%	76.1%
Admin Expense Ratio	17.3%	17.7%	17.7%	14.7%	14.4%	14.7%	13.5%	13.5%	14.1%	14.9%
Combined Ratio	90.3%	92.6%	92.2%	90.0%	89.5%	90.8%	89.3%	91.6%	92.2%	91.0%
Net Premium PMPM	\$6.91	\$6.44	\$6.29	\$5.60	\$5.51	\$5.49	\$5.36	\$5.35	\$5.27	\$4.97
Claims PMPM	\$5.38	\$5.14	\$4.99	\$4.51	\$4.49	\$4.49	\$4.35	\$4.46	\$4.39	\$4.01
Enrollment	31	30	29	25	25	23	22	22	21	20

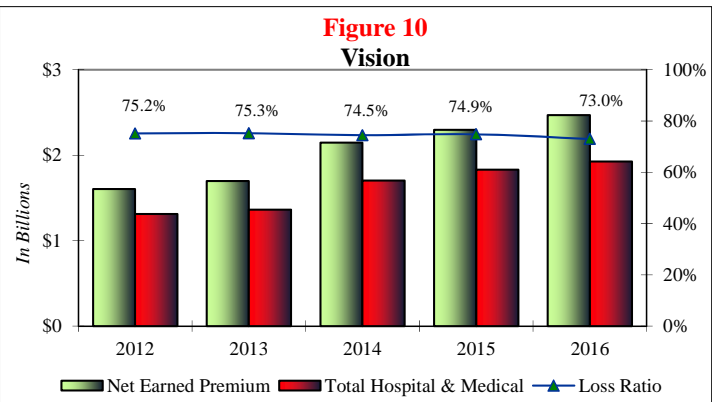
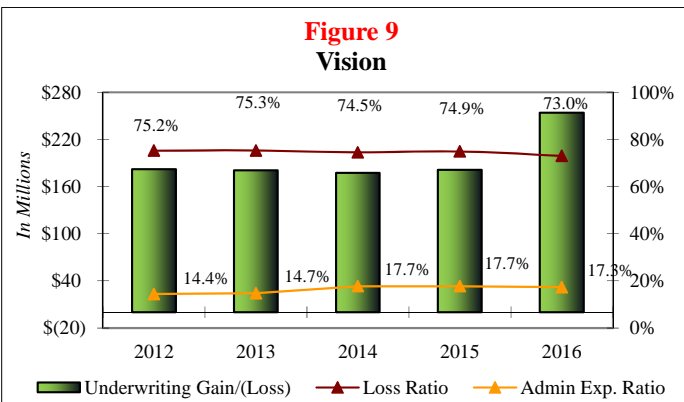
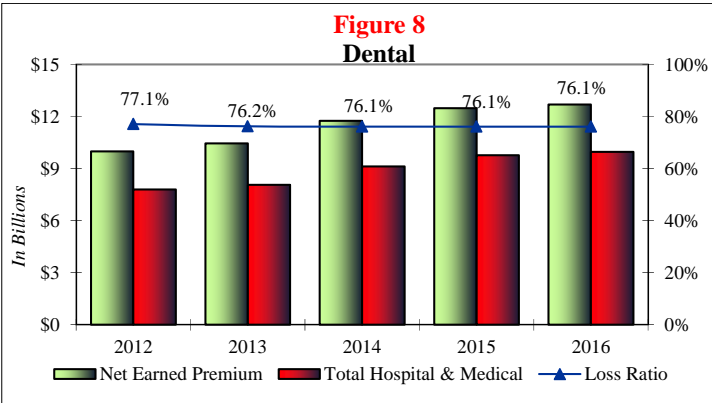
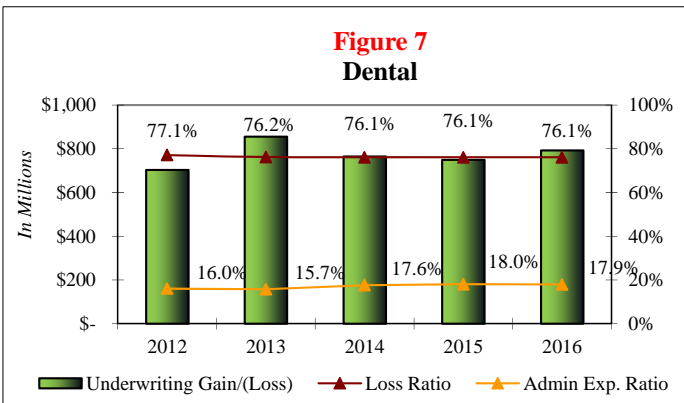
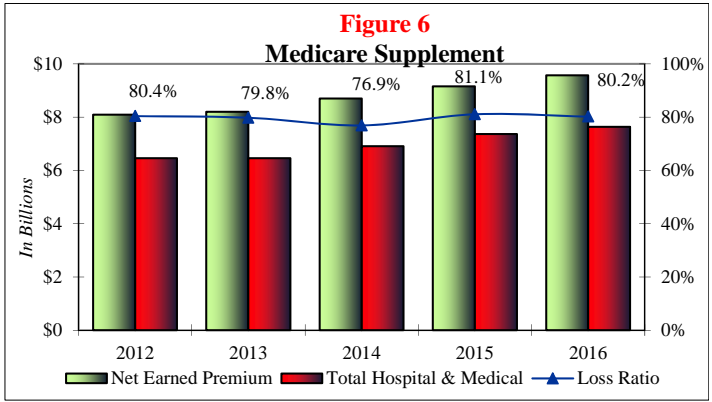
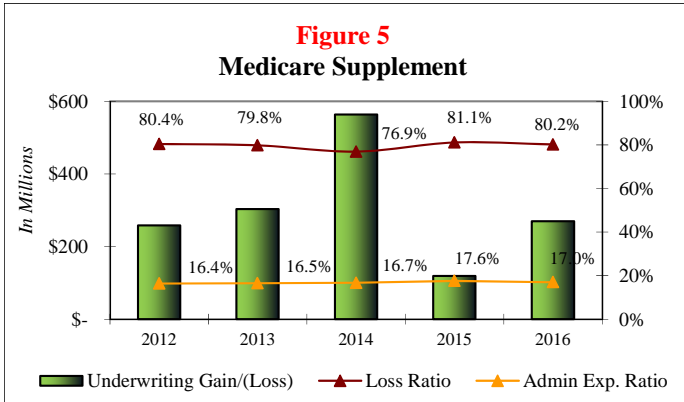
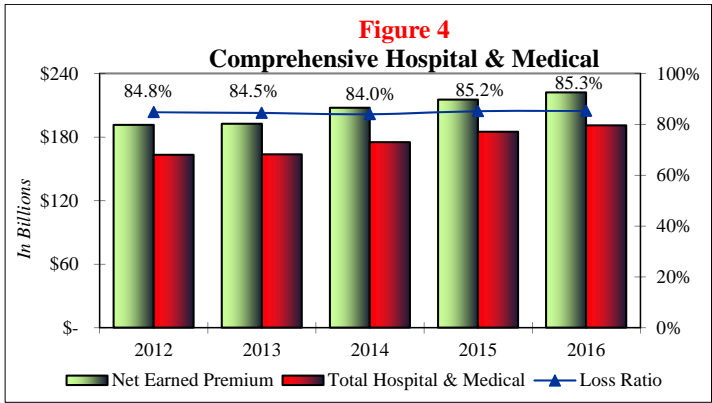
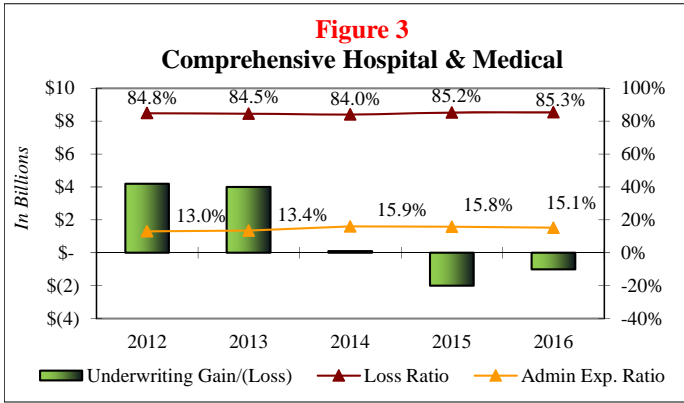
**Table 2**  
*Analysis of Operations by Lines of Business*

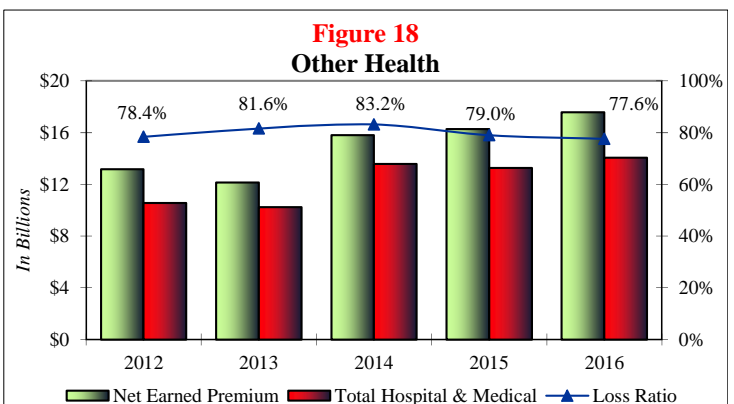
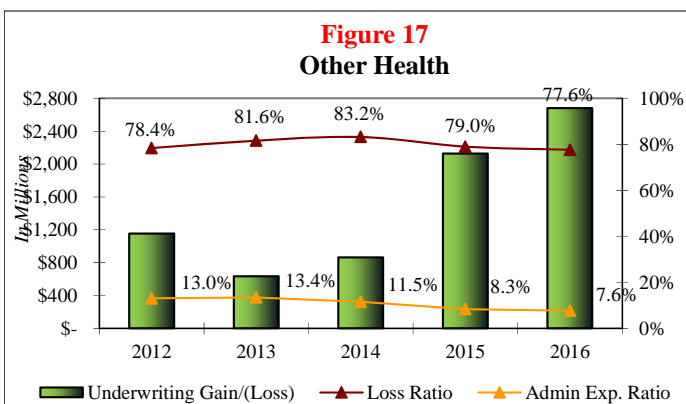
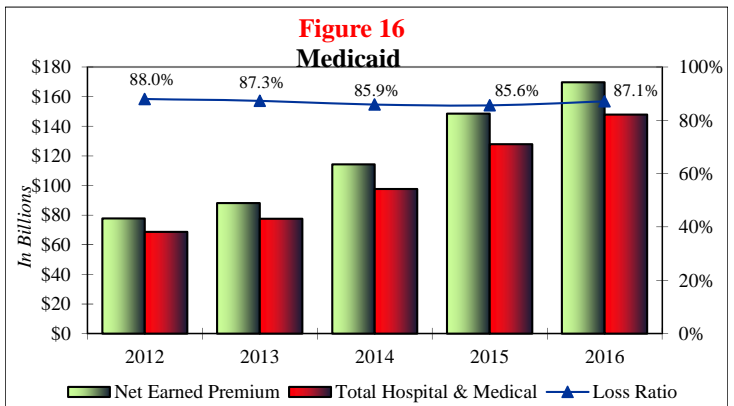
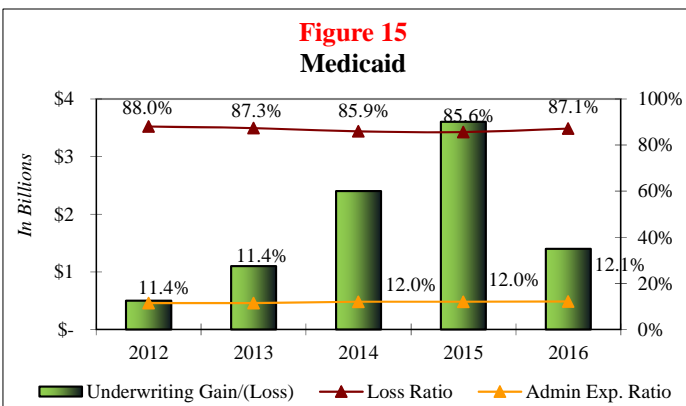
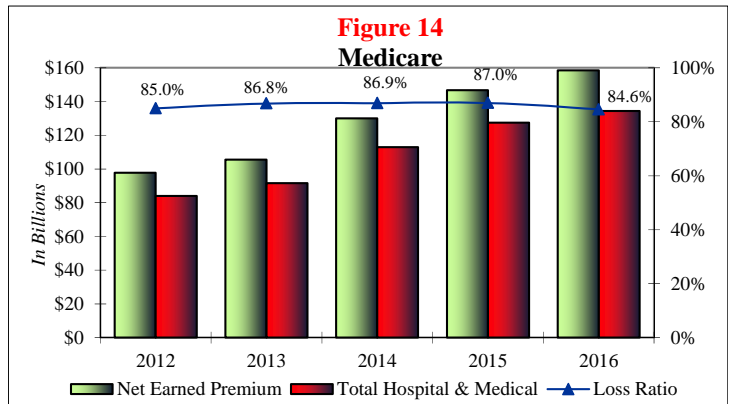
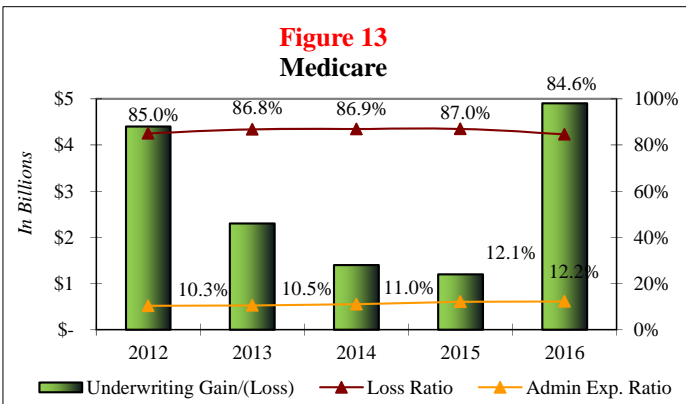
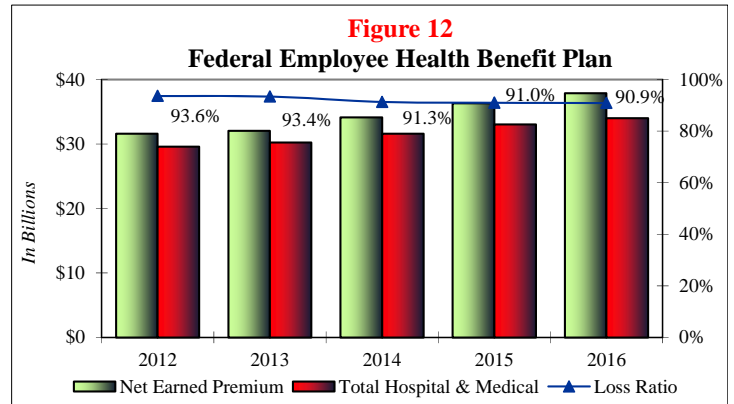
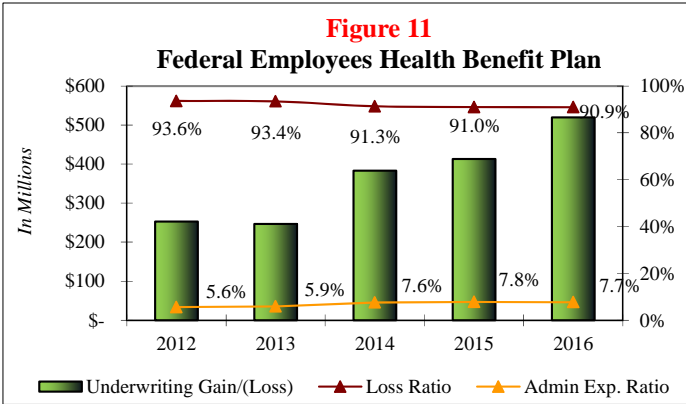
<b>FEHBP</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$37,868	\$36,313	\$34,127	\$32,058	\$31,601	\$31,266	\$29,260	\$27,818	\$26,692	\$24,680
Total Hospital & Medical Exp	\$34,005	\$33,031	\$31,611	\$30,234	\$29,578	\$28,398	\$26,650	\$25,531	\$24,636	\$23,278
Claims Adj. Expenses	\$853	\$809	\$780	\$782	\$704	\$695	\$643	\$611	\$563	\$573
General Admin. Expenses	\$2,033	\$2,025	\$1,834	\$1,112	\$1,078	\$1,042	\$999	\$1,037	\$1,004	\$918
Total Underwriting Deductions	\$36,874	\$35,859	\$34,233	\$32,132	\$31,358	\$30,138	\$28,293	\$27,177	\$26,203	\$24,767
Net Underwriting Gain/(Loss)	\$520	\$413	\$383	\$247	\$252	\$252	\$249	\$76	\$209	\$271
Loss Ratio	90.9%	91.0%	91.3%	93.4%	93.6%	93.5%	93.4%	93.7%	93.3%	93.0%
Admin Expense Ratio	7.7%	7.8%	7.6%	5.9%	5.6%	5.7%	5.8%	6.0%	5.9%	6.0%
Combined Ratio	98.6%	98.9%	98.9%	99.2%	99.2%	99.2%	99.1%	99.7%	99.2%	98.9%
Net Premium PMPM	\$418.23	\$405.63	\$403.31	\$369.29	\$356.67	\$355.98	\$346.86	\$366.58	\$341.38	\$326.05
Claims PMPM	\$380.80	\$370.00	\$369.17	\$345.53	\$334.29	\$333.17	\$324.39	\$343.86	\$318.94	\$303.57
Enrollment	8	7	7	7	7	7	7	6	6	6

<b>Medicare</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$158,471	\$146,804	\$130,097	\$105,568	\$97,810	\$90,958	\$81,868	\$78,680	\$65,959	\$55,621
Total Hospital & Medical Exp	\$134,366	\$127,385	\$112,975	\$91,644	\$84,119	\$77,532	\$69,478	\$67,026	\$56,320	\$47,083
Claims Adj. Expenses	\$5,078	\$4,766	\$4,073	\$3,184	\$2,705	\$2,282	\$1,959	\$1,687	\$1,413	\$1,285
General Admin. Expenses	\$14,378	\$13,144	\$11,631	\$8,399	\$7,696	\$7,096	\$6,572	\$6,259	\$5,369	\$4,253
Total Underwriting Deductions	\$153,524	\$145,377	\$128,888	\$103,325	\$94,594	\$86,952	\$78,004	\$74,913	\$63,151	\$52,637
Net Underwriting Gain/(Loss)	\$4,886	\$1,219	\$1,395	\$2,339	\$4,424	\$4,083	\$3,865	\$3,737	\$2,897	\$2,928
Loss Ratio	84.6%	87.0%	86.9%	86.8%	85.0%	85.2%	84.9%	85.1%	85.3%	84.8%
Admin Expense Ratio	12.3%	12.2%	12.1%	11.0%	10.5%	10.3%	10.4%	10.1%	10.3%	10.0%
Combined Ratio	96.9%	99.2%	98.9%	97.8%	95.5%	95.5%	95.3%	95.2%	95.6%	94.7%
Net Premium PMPM	\$962.54	\$890.69	\$894.52	\$908.77	\$918.93	\$940.72	\$928.93	\$925.46	\$907.05	\$879.56
Claims PMPM	\$815.01	\$774.88	\$777.47	\$789.49	\$791.45	\$802.20	\$788.73	\$788.48	\$774.96	\$746.23
Enrollment	15	14	12	10	9	8	7	7	6	5

<b>Medicaid</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$169,656	\$148,609	\$114,344	\$88,067	\$77,730	\$65,653	\$57,703	\$50,832	\$42,263	\$37,216
Total Hospital & Medical Exp	\$147,914	\$127,938	\$97,695	\$77,470	\$68,810	\$56,259	\$49,521	\$44,793	\$36,849	\$32,470
Claims Adj. Expenses	\$5,120	\$4,872	\$3,548	\$2,957	\$2,283	\$1,900	\$1,674	\$1,255	\$1,032	\$907
General Admin. Expenses	\$15,428	\$13,073	\$10,119	\$7,168	\$6,622	\$6,040	\$5,249	\$4,620	\$3,831	\$3,502
Total Underwriting Deductions	\$168,600	\$145,857	\$111,563	\$87,606	\$77,836	\$64,225	\$56,370	\$50,774	\$41,776	\$36,906
Net Underwriting Gain/(Loss)	\$1,389	\$3,635	\$2,434	\$1,106	\$480	\$1,650	\$1,519	\$263	\$543	\$338
Loss Ratio	87.1%	85.6%	85.9%	87.3%	88.0%	85.4%	85.4%	88.0%	87.2%	87.3%
Admin Expense Ratio	12.1%	12.0%	12.0%	11.4%	11.4%	12.1%	12.0%	11.5%	11.5%	11.8%
Combined Ratio	99.2%	97.6%	97.9%	98.8%	99.4%	97.5%	97.4%	99.5%	98.7%	99.1%
Net Premium PMPM	\$385.40	\$339.13	\$313.82	\$291.84	\$265.93	\$252.67	\$237.76	\$234.85	\$220.22	\$208.83
Claims PMPM	\$336.93	\$291.09	\$270.76	\$257.05	\$235.85	\$216.57	\$203.86	\$207.47	\$192.42	\$182.34
Enrollment	40	38	35	26	25	23	21	19	17	15

<b>Other Health</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$17,571	\$16,269	\$15,807	\$12,145	\$13,181	\$10,701	\$10,223	\$10,075	\$8,233	\$9,207
Total Hospital & Medical Exp	\$14,071	\$13,275	\$13,581	\$10,232	\$10,549	\$8,711	\$8,592	\$8,673	\$7,383	\$8,013
Claims Adj. Expenses	\$454	\$772	\$1,043	\$790	\$778	\$793	\$977	\$625	\$327	\$237
General Admin. Expenses	\$936	\$618	\$843	\$886	\$972	\$546	\$372	\$440	\$70	(\$41)
Total Underwriting Deductions	\$15,504	\$14,600	\$15,494	\$11,912	\$12,301	\$10,060	\$9,948	\$9,777	\$7,780	\$8,192
Net Underwriting Gain/(Loss)	\$2,682	\$2,128	\$863	\$632	\$1,155	\$956	\$572	\$426	\$769	\$1,199
Loss Ratio	77.6%	79.0%	83.2%	81.6%	78.4%	79.2%	81.7%	85.4%	86.4%	85.1%
Admin Expense Ratio	7.6%	8.3%	11.5%	13.4%	13.0%	12.2%	12.8%	10.4%	4.6%	2.1%
Combined Ratio	85.3%	87.3%	94.7%	95.0%	91.4%	91.3%	94.6%	95.8%	91.0%	87.2%
Net Premium PMPM	\$50.54	\$46.94	\$48.67	\$44.31	\$49.22	\$48.20	\$48.80	\$48.79	\$51.36	\$54.78
Claims PMPM	\$40.74	\$38.13	\$41.82	\$37.95	\$39.90	\$39.28	\$40.82	\$42.57	\$45.60	\$47.98
Enrollment	32	29	28	23	22	19	18	18	15	14







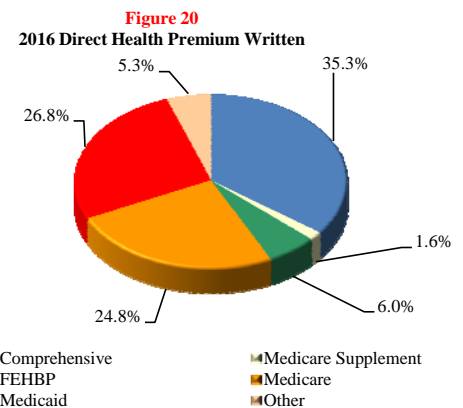
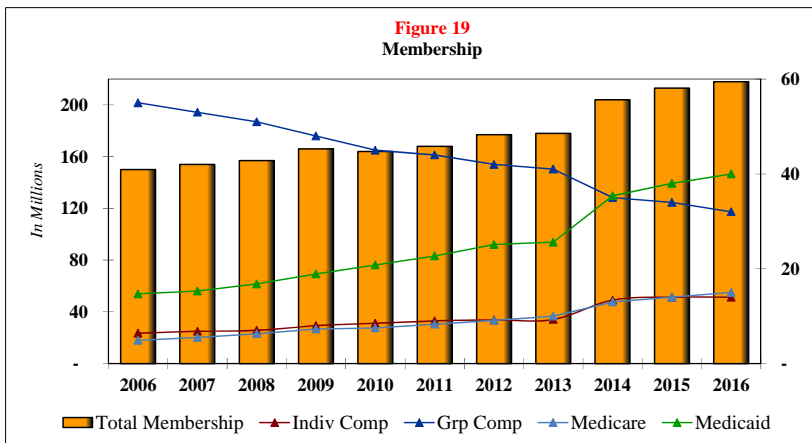
## Enrollment and Premium Revenues

Overall, enrollment increased 2.3% to 218.3 million over 2015. The increase is most evident in a 4.8% (1.8 million) increase in Medicaid, and a 4.7% (650 thousand) increase in the Medicare line of business. The industry also reported a 4.1% (1.2 million) increase in vision coverage, and a 1.5% (607 thousand) increase in dental coverage. These items were partially offset by a 5.6% (1.9 million) decrease in the group comprehensive line of business. **Figure 19** illustrates the enrollment trend for the four largest revenue generating lines of business for the last 10 years.

Health entities reported premium per member per month (PMPM) of \$240 and claims PMPM of \$206. Direct written premium increased 7.4% (\$43.7 billion) to \$637.1 billion. **Figure 20** illustrates the mix of direct written premium for 2016. During the last several years, there has been a gradual shift in the allocation of premium between the lines of business. In comparison to 2015, direct comprehensive medical decreased to 35.3%

of total premium from 36.7%, while Medicaid increased to 26.8% from 25.2% and Medicare increased modestly to 25.0% from 24.8%. It appears that the shift in business concentration is due to an increase in the number of insureds becoming eligible for either Medicare and/or Medicaid as evidenced by increases in enrollment in these lines.

**Table 3** provides a break out of direct written premium by line of business for the last 10 years. The largest increases in written premium from 2015 are most evident in a 14.1% (\$21.1 billion) increase in Medicaid, a 7.9% (\$11.6 billion) increase in Medicare, and a 14.5% (\$8.0 billion) increase in the individual comprehensive line of business. The group comprehensive line of business experienced a 1.1% (\$1.7 billion) decrease. In a 10-year comparison to 2007, the most significant increases in written premium are also in the Medicaid (\$132.7 billion), Medicare (\$104.4 billion) and individual comprehensive (\$46.0 billion) lines of business.



**Table 3**

### Direct Written Premium by Lines of Business

(In Millions)	Chg.	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Individual Comprehensive	14.5%	\$63,310	\$55,292	\$43,388	\$24,713	\$23,389	\$22,624	\$20,690	\$19,372	\$18,041	\$17,365
Group Comprehensive	(1.1)%	\$160,574	\$162,297	\$166,375	\$172,220	\$174,959	\$175,843	\$174,692	\$176,070	\$174,004	\$169,751
Medicare Supplement	4.7%	\$10,061	\$9,609	\$9,105	\$8,531	\$8,439	\$8,138	\$8,077	\$7,825	\$7,788	\$8,334
Vision	7.5%	\$2,255	\$2,099	\$1,952	\$1,635	\$1,550	\$1,448	\$1,344	\$1,354	\$1,281	\$1,184
Dental	4.1%	\$13,074	\$12,561	\$12,017	\$10,046	\$10,113	\$9,587	\$9,100	\$8,733	\$7,713	\$7,200
FEHBP	4.3%	\$37,923	\$36,356	\$34,140	\$32,061	\$31,669	\$31,209	\$29,378	\$27,784	\$26,657	\$24,602
Medicare	7.9%	\$158,908	\$147,273	\$128,890	\$105,917	\$99,981	\$91,519	\$81,101	\$79,180	\$66,080	\$54,497
Medicaid	14.1%	\$170,234	\$149,148	\$115,977	\$89,069	\$78,535	\$65,994	\$58,281	\$51,208	\$42,885	\$37,523
Other Health	7.0%	\$18,569	\$17,349	\$16,900	\$14,111	\$14,194	\$11,373	\$10,278	\$10,094	\$8,286	\$9,315

## Accident and Health

**Table 4** illustrates the insurance industry's aggregate direct A&H insurance experience for insurers filing the A&H Policy Experience Exhibit on the life and A&H, health, fraternal or property/casualty financial statements.

- The insurance industry reported a 6.0% (\$45.7 billion) increase in direct earned premium to \$809.8 billion and a 5.8% (\$36.9 billion) increase in incurred claims in 2016. These increases are most evident on the Medicaid and Medicare lines of business which, in total, represents 41.5% of total earned premium.
- Medicaid reported a 13.2% (\$19.1 billion) increase in earned premium to \$163.7 billion and a 15.0% (\$18.5 billion) increase in incurred claims to \$141.7 billion.
- Medicare reported an 8.9% (\$14.0 billion) increase in earned premium to \$172.3 billion and a 5.9% (\$8.0 billion) increase in incurred claims to \$144.3 billion.
- The individual comprehensive line of business, representing only 7.7% of total A&H business, reported an 8.2% (\$4.8 billion) increase in earned premium to \$62.7 billion and a modest 0.4% (\$267 thousand) increase in incurred claims to \$60.5 billion.
- The total number of covered lives increased 6.7% (61.0 million) to 964.9 million as reflected in an 8.2% (37.2 million) increase in the other A&H line of business, a 17.6% (10.9 million) increase in stop loss, an 8.8% (4.7 million) increase in Non-U.S. Policy Forms, a 5.0% (3.7 million) increase in disability income, a 3.6% (2.6 million) increase in dental coverage, and a 13.4% (2.1 million) increase in the Medicare line of business. These items were partially offset by a 4.8% (2.1 million) decrease in the group comprehensive line of business.

**Table 4**

*A&H Policy Experience Exhibit as of December 31, 2016*

(\$ In Millions) Except Covered Lives	Line of Business % of Total	2016	2015	% Chg.	2016	2015	% Chg.	2016	2015	% Chg.
		Premium Earned	Premium Earned		Claims	Claims		Covered Lives	Covered Lives	
Comp - Individual	7.7%	\$62,718	\$57,955	8.2%	\$60,488	\$60,222	0.4%	13,432,736	14,089,598	(4.7)%
Comp - Group	24.8%	\$200,534	\$201,388	(0.4)%	\$166,587	\$165,274	0.8%	41,847,234	43,937,080	(4.8)%
Specified/Named Disease	0.6%	\$5,008	\$4,760	5.2%	\$2,502	\$2,379	5.1%	21,031,910	19,936,221	5.5%
Medicare	21.3%	\$172,309	\$158,284	8.9%	\$144,338	\$136,293	5.9%	17,338,564	15,284,821	13.4%
Medicaid	20.2%	\$163,695	\$144,618	13.2%	\$141,746	\$123,220	15.0%	35,489,563	34,656,451	2.4%
FEHBP	4.7%	\$38,124	\$36,803	3.6%	\$34,618	\$33,426	3.6%	7,781,832	7,680,712	1.3%
Limited Benefit	1.2%	\$9,964	\$9,112	9.4%	\$8,122	\$7,447	9.1%	60,555,142	50,449,545	20.0%
Disability Income	3.0%	\$24,477	\$23,600	3.7%	\$18,847	\$18,111	4.1%	76,369,715	72,708,540	5.0%
Long-term Care	1.6%	\$12,602	\$12,494	0.9%	\$12,689	\$11,074	14.6%	7,277,388	7,453,856	(2.4)%
Accident Only or AD & D	0.8%	\$6,675	\$6,413	4.1%	\$2,630	\$2,499	5.2%	226,464,662	216,688,813	4.5%
Dental	3.1%	\$24,949	\$24,614	1.4%	\$18,683	\$18,367	1.7%	72,927,900	70,366,088	3.6%
Medicare Supplement	3.4%	\$27,901	\$26,219	6.4%	\$21,784	\$20,466	6.4%	12,717,418	11,978,438	6.2%
Medicare Part D	2.4%	\$19,451	\$19,590	(0.7)%	\$14,809	\$15,228	(2.8)%	20,893,107	20,063,494	4.1%
Other Group Care	0.7%	\$5,664	\$6,034	(6.1)%	\$3,854	\$4,262	(9.6)%	43,483,152	43,319,252	0.4%
Stop Loss	1.9%	\$15,075	\$14,230	5.9%	\$11,943	\$10,735	11.3%	72,409,953	61,549,919	17.6%
Non-U.S. Policy Forms	1.4%	\$10,984	\$9,708	13.1%	\$5,920	\$5,170	14.5%	58,495,495	53,777,597	8.8%
Other Business	1.2%	\$9,705	\$8,334	16.5%	\$7,401	\$5,850	26.5%	176,413,649	160,033,987	10.2%
<b>Total A&amp;H Business</b>	<b>100.0%</b>	<b>\$809,836</b>	<b>\$764,156</b>	<b>6.0%</b>	<b>\$676,962</b>	<b>\$640,025</b>	<b>5.8%</b>	<b>964,929,420</b>	<b>903,974,412</b>	<b>6.7%</b>

Note: Includes statement types Life, Fraternal, Health and Property & Casualty

## Long-term Care

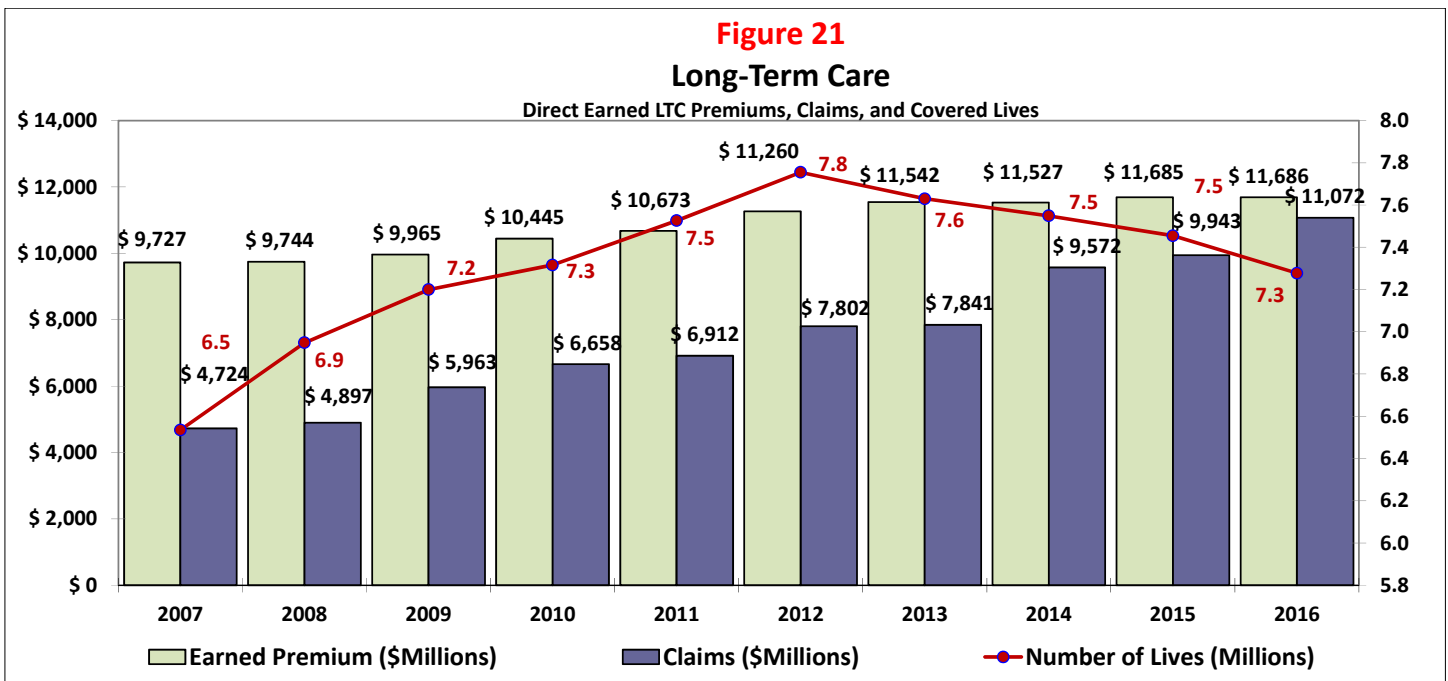
**Figure 21** illustrates, on a calendar year basis, the insurance industry's aggregate long-term care experience for insurers filing the Long-term Care Experience Reporting Form on the life and A&H, health, fraternal and property and casualty financial statements.

The insurance industry had maintained consistent growth of long-term care insurance as evidenced by increases in the growth of earned premium as well as the number of covered lives up through 2013.

For 2016, earned premium remained mostly unchanged at \$11.7 billion. However, claims increased 11.4% (\$1.1 billion) to \$11.1 billion. The spread between earned premium and claims has dropped signifi-

cantly from just over \$5.0 billion in 2007 to \$614.4 million in 2016. Covered lives decreased 2.4% (177 thousand) to just under 7.3 million.

As shown in **Table 5** on the next page, the top ten states accounted for 50.6% of total direct LTC premiums led by California with \$985.5 million, representing 8.9% of market share. For these ten states, direct earned premium increased 1.6% (\$87.5 million) to \$5.6 billion in 2016. New York experienced the most significant increase in premiums, up 6.2% (\$47.4 million) to \$812.3 million, representing 7.3% of market share. Florida reported a 1.6% (\$11.1 million) increase to \$686.0 million, representing 6.2% of market share.



Year	Earned Premium (\$Millions)	Claims (\$Millions)	Spread (\$Millions)	Number of Lives (Millions)
2007	\$ 9,727	\$ 4,724	\$ 5,003	6.5
2008	\$ 9,744	\$ 4,897	\$ 4,847	6.9
2009	\$ 9,965	\$ 5,963	\$ 4,002	7.2
2010	\$ 10,445	\$ 6,658	\$ 3,786	7.3
2011	\$ 10,673	\$ 6,912	\$ 3,760	7.5
2012	\$ 11,260	\$ 7,802	\$ 3,458	7.8
2013	\$ 11,542	\$ 7,841	\$ 3,701	7.6
2014	\$ 11,527	\$ 9,572	\$ 1,955	7.5
2015	\$ 11,685	\$ 9,943	\$ 1,743	7.5
2016	\$ 11,686	\$ 11,072	\$ 614	7.3

Table 5

## Top 10 Long-term Care Premium by State

(In Thousands)

State	Market			2016	2015	2014	2013	2012
	Share	% Chg	\$ Chg					
CA	8.9%	(0.4)%	(\$4,307)	\$985,507	\$989,814	\$991,289	\$1,018,161	\$990,785
NY	7.3%	6.2%	\$47,394	\$812,336	\$764,942	\$932,991	\$844,387	\$862,749
FL	6.2%	1.6%	\$11,104	\$686,039	\$674,935	\$597,513	\$683,171	\$665,475
TX	5.9%	1.2%	\$7,489	\$655,693	\$648,203	\$642,233	\$649,204	\$620,794
IL	4.5%	1.7%	\$8,330	\$502,485	\$494,155	\$516,142	\$494,696	\$469,396
PA	4.2%	0.9%	\$4,102	\$468,409	\$464,307	\$475,573	\$467,340	\$451,615
NJ	3.7%	1.7%	\$6,668	\$410,310	\$403,642	\$450,763	\$407,743	\$386,791
VA	3.4%	0.7%	\$2,608	\$381,449	\$378,841	\$401,448	\$394,915	\$373,657
OH	3.2%	0.5%	\$1,773	\$357,984	\$356,212	\$386,626	\$360,151	\$349,574
NC	3.1%	0.7%	\$2,359	\$349,196	\$346,837	\$320,817	\$346,079	\$337,574
<b>Total Top 10</b>	<b>50.6%</b>	<b>1.6%</b>	<b>\$87,520</b>	<b>\$5,609,408</b>	<b>\$5,521,889</b>	<b>\$5,715,395</b>	<b>\$5,665,847</b>	<b>\$5,508,411</b>
<b>% of Total</b>				<b>50.6%</b>	<b>50.4%</b>	<b>51.6%</b>	<b>50.9%</b>	<b>51.2%</b>
<b>Total Written in All States</b>		<b>(1.1)%</b>	<b>(\$125,427)</b>	<b>\$11,094,696</b>	<b>\$10,957,295</b>	<b>\$11,082,722</b>	<b>\$11,132,467</b>	<b>\$10,764,643</b>