

Health Insurance Composite Financial Summary

By David Belk MD

The following is a composite analysis of the finances of the seven largest for-profit health insurance companies in the US. They are: Aetna, Anthem, Centene/Health Net (which merged in 2016), Cigna, Humana, United Health Group and WellCare.

Of these Companies, WellCare insures only non-commercial (Medicare and Medicaid) members whereas the other six insure both commercial and non-commercial members. Coventry's finances were also included in this analysis but, since Coventry merged with Aetna in 2012, their finances were also combined.

The financial analyses of the individual companies can be found here along with the definitions used in this analysis: <http://truecostofhealthcare.net/health-insurance-financial-index/>

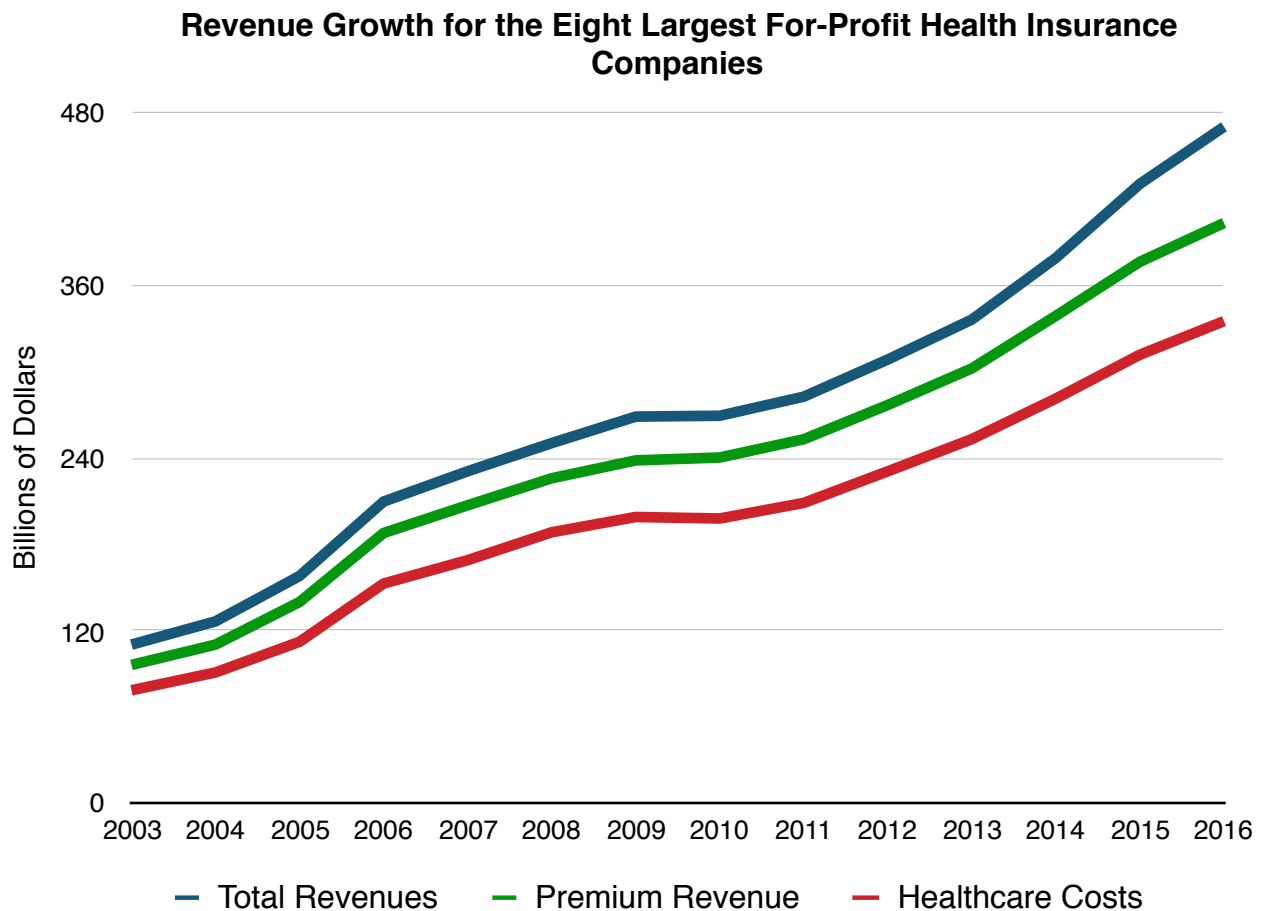


Figure 1: The total revenue for all seven companies roughly quadrupled between 2003 and 2016. About 86% of this revenue came from insurance premiums each year and the other 14% came from service fees and investments. Overall, health care costs followed premium revenue for these companies rather closely. The combined average medical loss ratio for all eight insurance companies has been 82.5% since 2003.

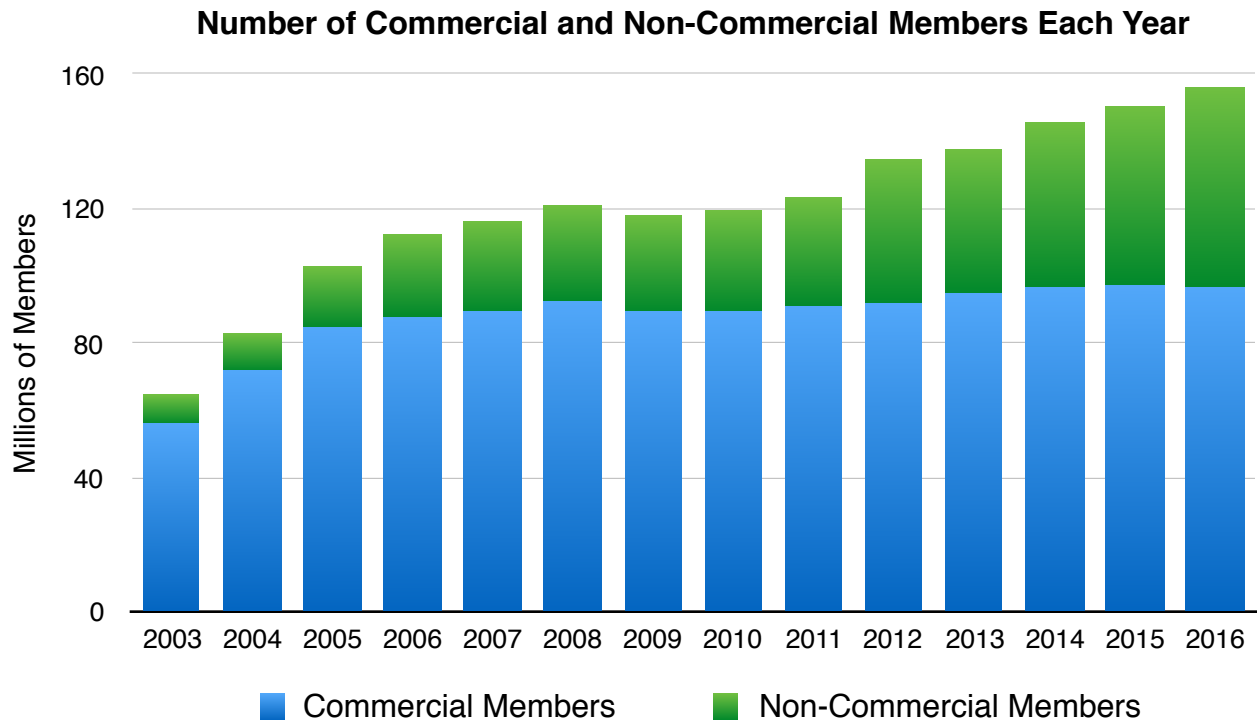


Figure 2: Though the majority of policy holders each year have been commercial members, non-commercial (Medicare and Medicaid) members have increased as a proportion of total membership each year. In fact, nearly all membership growth for these companies has been non-commercial since 2005.

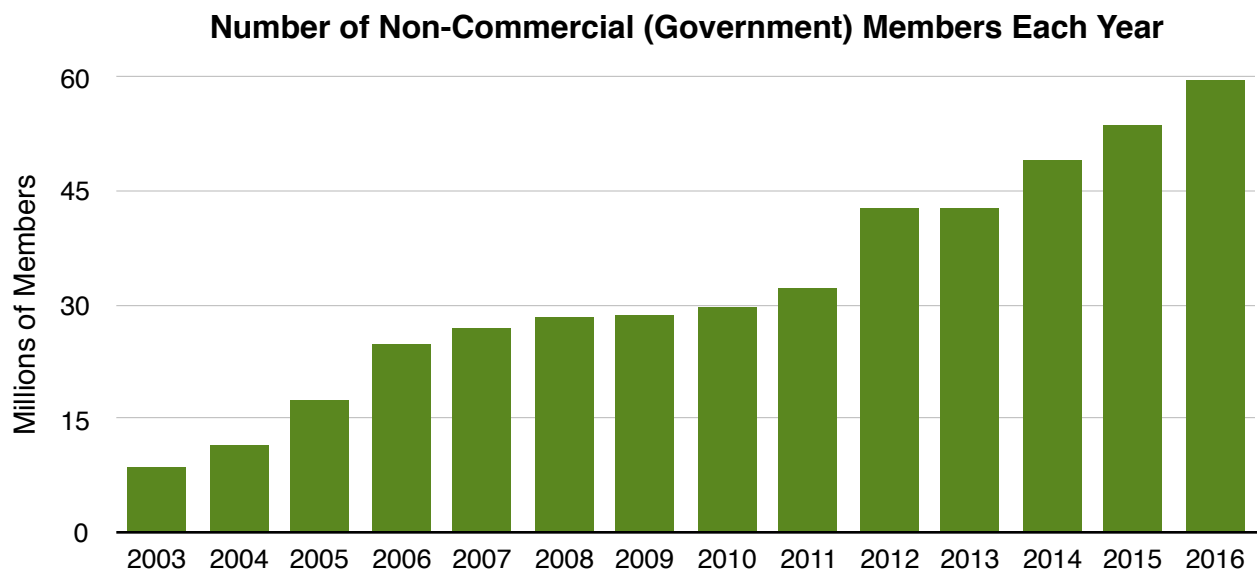


Figure 3: Here is a closer look at the non-commercial growth for all eight companies since 2003. Non-commercial membership totaled about 8.5 million in 2003 but was nearly 60 million in 2016.

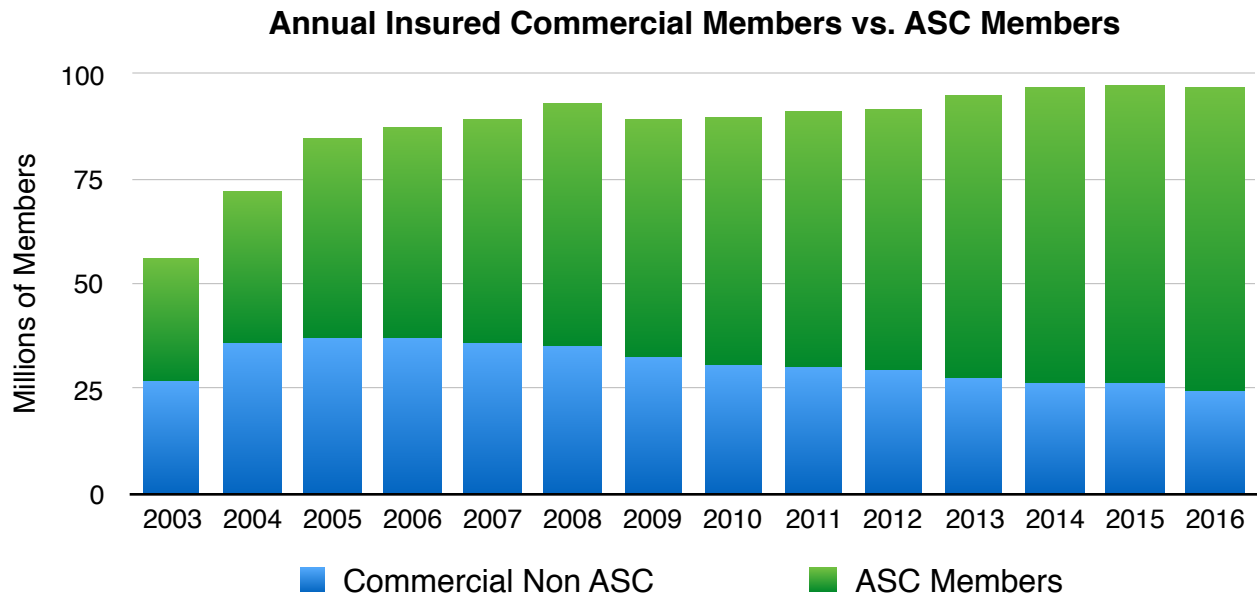


Figure 4: A growing proportion of commercial health insurance members have Administrative Service Contracts (ASCs) instead of actual health insurance. ASCs are a form of self insurance provided by employers. With an ASC, your employer pays for all of your medical costs while the insurance company get a service fee to negotiate medical bills and do administrative work.

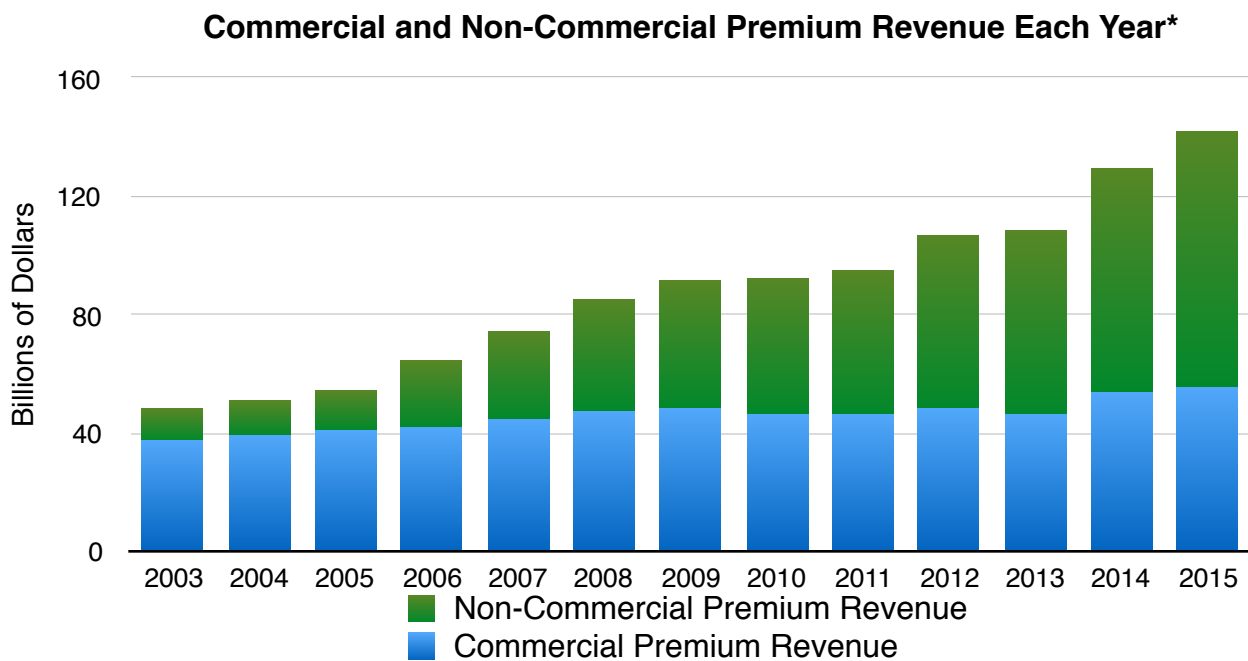


Figure 5: As this figure shows, the majority of premium revenue insurance companies collect is now from non-commercial members. This is due to both the increased emphasis by health insurance companies in providing non-commercial insurance as well as the shift toward ASC policies in the commercial sector. Two of the companies that provide commercial insurance (Anthem and UHG) didn't separate their commercial from their non commercial revenue so their premiums are not included in this graph.

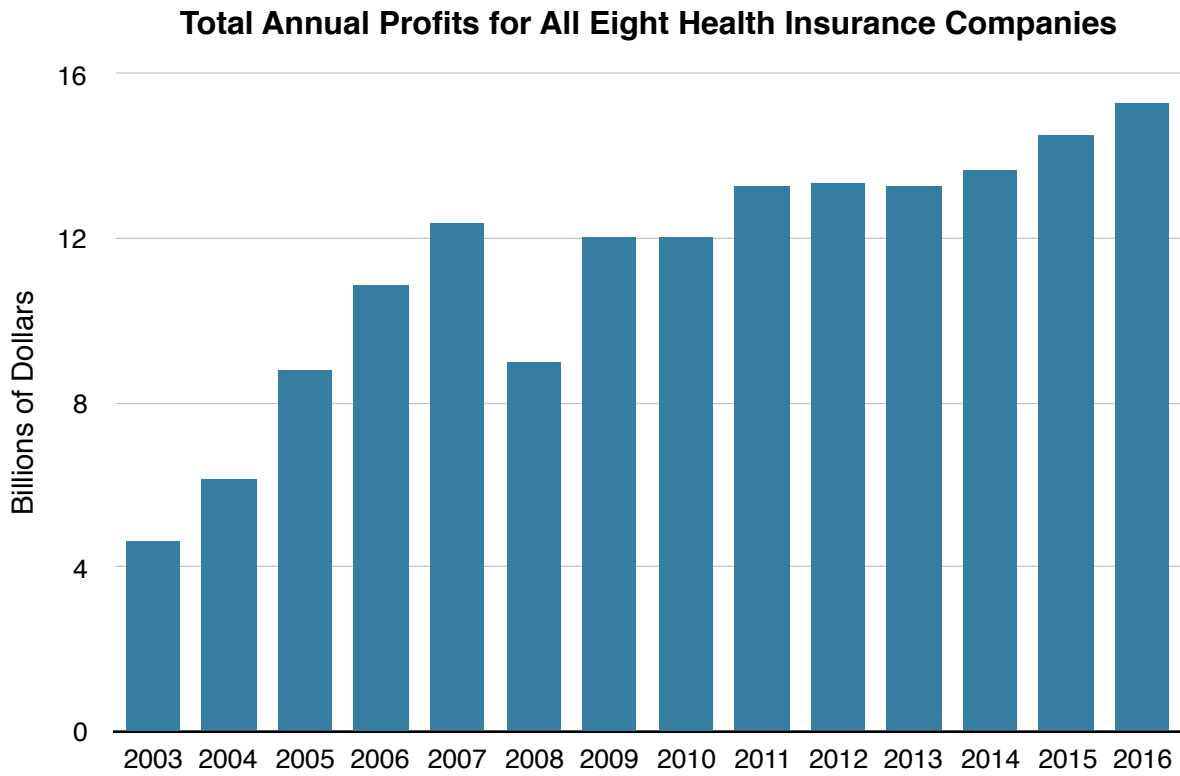


Figure 6: Annual profits for health insurance companies have been consistent, but not huge. The average annual profit margin for these eight companies was about 4.4% and the range was 4-5% most years.