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Press Release

Milliman: Commercial health insurance financial results provide insight into Affordable Care Act program stability

Risk corridor shortfall seen as significant driver of underwriting losses

SEATTLE – March 22, 2017 – Milliman, Inc., a premier global consulting and actuarial firm, today released its annual report on the commercial health insurance market’s financial results, which provides a clear picture of health insurers’ financial experience in a given year. The report, based on medical loss ratio data submitted to the Centers for Medicare and Medicaid Services and released in the fall of 2016, provides a final accounting of insurers’ financial results after “3R” transfer payments have been completed. Today’s report details results for 2015, the second full year of implementation of the Patient Protection and Affordable Care Act (ACA). The report also summarizes estimated effectuated insurance marketplace enrollment through 2016 and corresponding federal expenditures on premium and cost-sharing assistance. As the United States approaches a potential new round of healthcare reform, Milliman’s report is a helpful tool in analyzing the effect of current ACA financial assistance components to consumers and the impact on the health insurance industry from the insurance marketplaces and “3R” programs.

Key takeaways from Milliman’s report include:

- Underwriting margins in the individual market deteriorated from a 6.0% earned premium loss in 2014 to a 9.6% loss in 2015. 2015 underwriting losses were due in large part to the risk corridor program funding shortfall.
- With no funding currently scheduled, the cumulative risk corridor payment shortfall has reached \$8.3 billion with nearly 90% owed to insurers in the individual market.
- Since 2013, individual market enrollment has increased from 10.9 million to 17.5 million driven by the introduction of the insurance marketplaces and associated premium assistance. Conversely, the fully insured small group enrollment has shrunk from 17.3 million to 14.7 million attributable primarily to fewer small employers offering coverage.
- The insurance marketplaces continued to take on a greater role in the individual health insurance market with 56% of estimated 2016 market-wide enrollment attributable to coverage purchased in the marketplaces relative to only 36% in 2014.
- From 2014 to 2016, the percent of individual market enrollees receiving premium assistance has increased from 31% to 47%. Similarly, enrollment in cost-sharing reduction plans is estimated to have increased from 21% to 32% of national individual market enrollment.



“Milliman’s overview of financial results provides a comprehensive look at insurers’ financial experience as well as the number of Americans impacted by marketplace subsidies under the Affordable Care Act,” said Paul Houchens, principal at Milliman. “As new healthcare proposals are debated in Washington, we believe this report provides a valuable tool for policymakers and insurers looking to better understand how insurance markets may react to future regulatory and legislative changes.”

To view the complete report, go to <http://us.milliman.com/insight/2017/2015-commercial-health-insurance-Overview-of-financial-results/>. To receive regular updates of Milliman’s healthcare reports, contact us at onhealthcare@milliman.com.

About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit milliman.com.

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