

# CARRIER TREND REPORT

## JANUARY 2018 ANALYSIS

# CONTENTS

1. REPORT OVERVIEW	1
2. EXECUTIVE SUMMARY	2
3. RESULTS FOR JANUARY 2018	3
4. HISTORICAL EXPERIENCE	12
5. PARTICIPATING PROVIDERS	18
6. EXPOSURES BY LINE OF BUSINESS	19
7. ABOUT US	20
8. DISCLAIMER	21

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# 1. REPORT OVERVIEW

Oliver Wyman Actuarial Consulting, Inc. developed the Carrier Trend Survey in order to conduct market research in the health insurance and HMO industry. Specific individual carrier or HMO responses are held in strict confidence.

This report summarizes the January 2018 trends from the survey that Oliver Wyman sent to healthcare carriers in December 2017. A summary of the median trends is shown in the table at the right. The coverage specific results are discussed in the Executive Summary. We intend this report to be of use to carriers, brokers, state insurance agencies and other interested parties who are affected by the trends in the cost of healthcare.

This report presents pricing trends used by the participating companies in the development of their rates for January 2018.<sup>1</sup> These trends are used to develop premiums for approximately 104.5 million group members as reported by the participating companies. (We have made no attempt to eliminate the effects that dual coverage may have on these trends.) In addition, this edition of the report reflects pricing trends for about 5.1 million members with individual health policies, about 6.5 million Medicare members and 3.9 million Medicaid members.

Note that the survey results shown in Section 3 of this report are aggregated and stratified by percentile. The intent is to show the range of trends currently being employed by the insurance community as of January 2018. The 100th percentile represents the highest trend reported. The 0th percentile represents the lowest trend reported.

To a limited extent, we asked respondents to provide trends for specific benefit designs. We have not made adjustments to the reported trends if respondents provided trends for benefit designs other than those specified.

Section 4 of this report contains the historical median trends.

CATEGORY	MEDIAN TREND <sup>2</sup>
Group Medical Indemnity	9.50%
Group Medical PPO	7.20%
Group Medical POS	8.10%
Group Medical HMO	8.00%
Prescription Drug	10.00%
Group Dental Indemnity	4.00%
Group Dental PPO	4.50%
Group Dental DHMO	4.00%
Group Vision Indemnity	4.00%
Group Vision PPO	2.20%
Medicare Supplement with Drug	5.10%
Medicare Supplement without Drug	3.00%
Medicare Advantage with Drug	3.10%
Medicare Advantage without Drug	3.10%
Medicare Part D Standard Plan	9.10%
Individual Medical Indemnity	7.80%
Individual Medical PPO	6.10%
Individual Medical POS	8.00%
Individual Medical HMO	7.70%
Group Medical HSA with Drug	7.60%
Group Medical HSA without Drug	7.10%
Individual Medical HSA with Drug	7.50%
Specific Stop Loss \$50,000	12.35%
Specific Stop Loss \$150,000	14.70%
ASO Fees	3.00%
Medicaid	2.90%

<sup>1</sup> There are some categories that experienced a significant change in membership from the July 2017 report. Some of the changes in trends may be attributable to a different mix in respondents.

<sup>2</sup> Group Vision Prepaid and Individual Medical HSA without Drug trends have been excluded from this report due to the low number of responses.

## 2. EXECUTIVE SUMMARY

The median group medical trends remained relatively stable from the July 2017 survey. Group medical indemnity, PPO, and POS products showed slight increases while HMO products remained unchanged. The median trend for PPO products has the lowest median trend among the group medical products at 7.20%, and the group indemnity products continue to show the highest median trend among the group medical products at 9.50%.

The prescription drug median trend experienced half a percentage point decrease from the prior survey. This follows a sharp 3.50 percentage point decrease in median trend experienced in July 2017. The sample average decreased by 0.76 percentage points and the weighted average experienced a marginal increase from July 2017 levels. The median trend is currently set at 10.00%.

The median trends for group dental PPO and HMO products decreased from July 2017 levels, while the median trend for group dental Indemnity remained unchanged. The median group dental trend ranges from 4.00% (HMO and Indemnity) to 4.50% (PPO).

The median trend remained at July 2017 levels for group vision indemnity products, while the median trend for group vision PPO products decreased slightly. This marks the third survey in a row where the indemnity trend has remained flat while the PPO trend has decreased slightly. The sample and weighted averages for group vision indemnity show marginal changes.

Medicare Supplement products with prescription drug coverage experienced an increase of 1.50 percentage points in median trend, while Medicare Supplement products without prescription drug coverage experienced a 0.60 percentage point decrease from the prior survey. The median trend for Medicare Supplement products with prescription drug coverage is 5.10%, the highest it has been since July 2013.

The median trend increased by 0.70 percentage points for Medicare Advantage (MA) products without prescription drug coverage, while the median trend decreased by 0.20 percentage points from July 2017 levels for MA products with prescription drug coverage. The median trend for Medicare Part D products rose 0.20 percentage points from July 2017 levels.

The median trends decreased from the July 2017 survey for all HSA products. The median trends for HSA products have converged to range between 7.10% and 7.60%. The sample and weighted averages decreased for all products.

The median trends for individual medical indemnity and POS products decreased from July 2017 levels by 1.60 and 1.00 percentage points, respectively. The median trend for HMO products increased marginally, and the median trend for PPO products remained unchanged from the prior survey. POS products have the highest median trend among all individual products at 8.00%, while PPO products have the lowest median trend at 6.10%.

The median trends for \$50,000 Specific Stop Loss and \$150,000 Specific Stop Loss products decreased from the last survey. In addition, the weighted and sample averages decreased for both products.

The Medicaid median trend is currently 2.90%, slightly higher than the 2.80% experienced in July 2017. This trend has experienced significant variation historically which may be caused by a change in mix of respondents.

The ASO fees median trend increased by a percentage point from the prior survey. Prior to the July 2017 survey, the median trend remained at 3.00% since January 2014.

### 3. RESULTS FOR JANUARY 2018

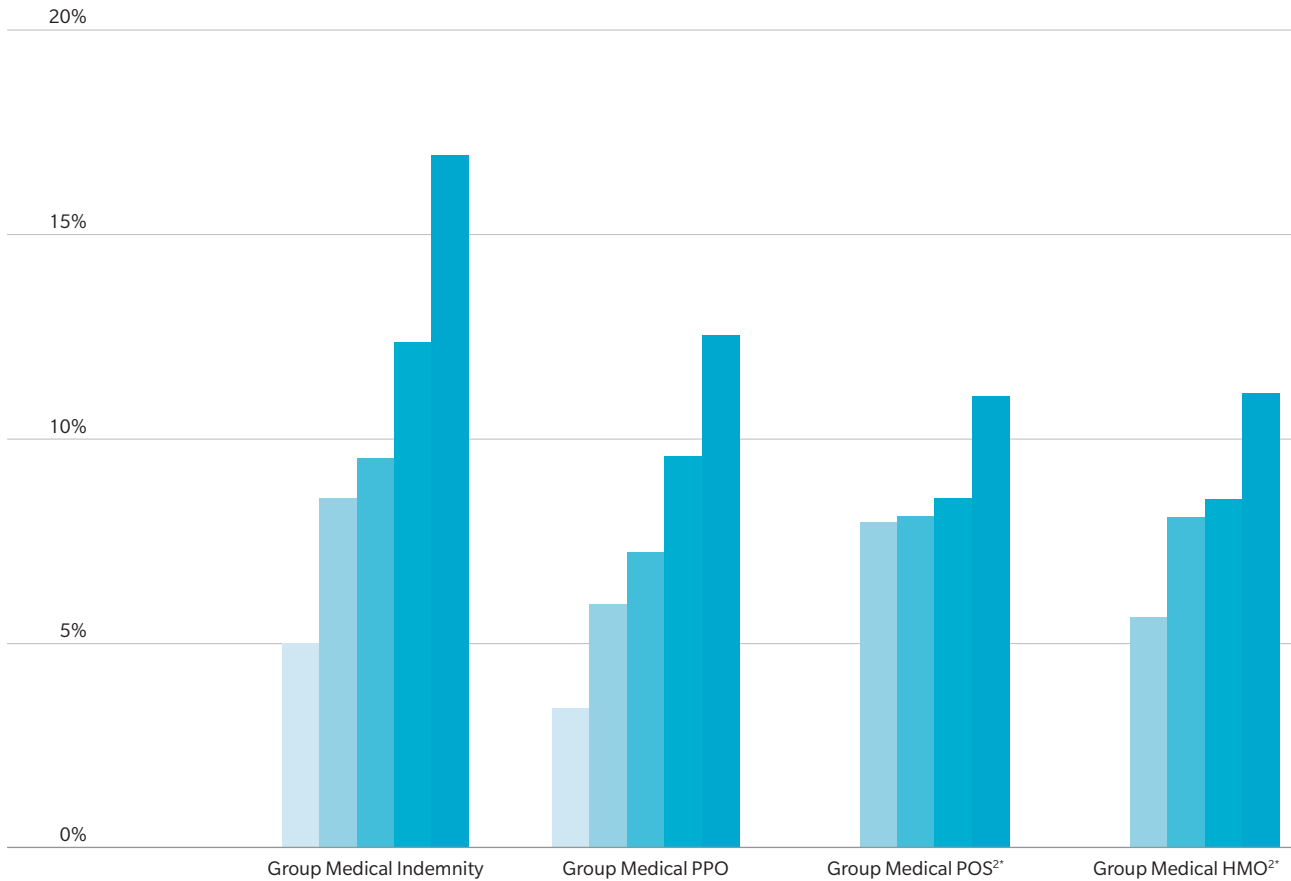
The following charts show trends for:

- Group Medical
- Prescription Drug and Dental
- Group Vision
- Medicare Supplement Products
- Medicare Advantage Products
- High Deductible Health Plans
- Individual Medical
- Stop Loss, ASO Fees and Medicaid

## Exhibit 1: Group Medical Pricing Trends

ANNUAL TREND

25%



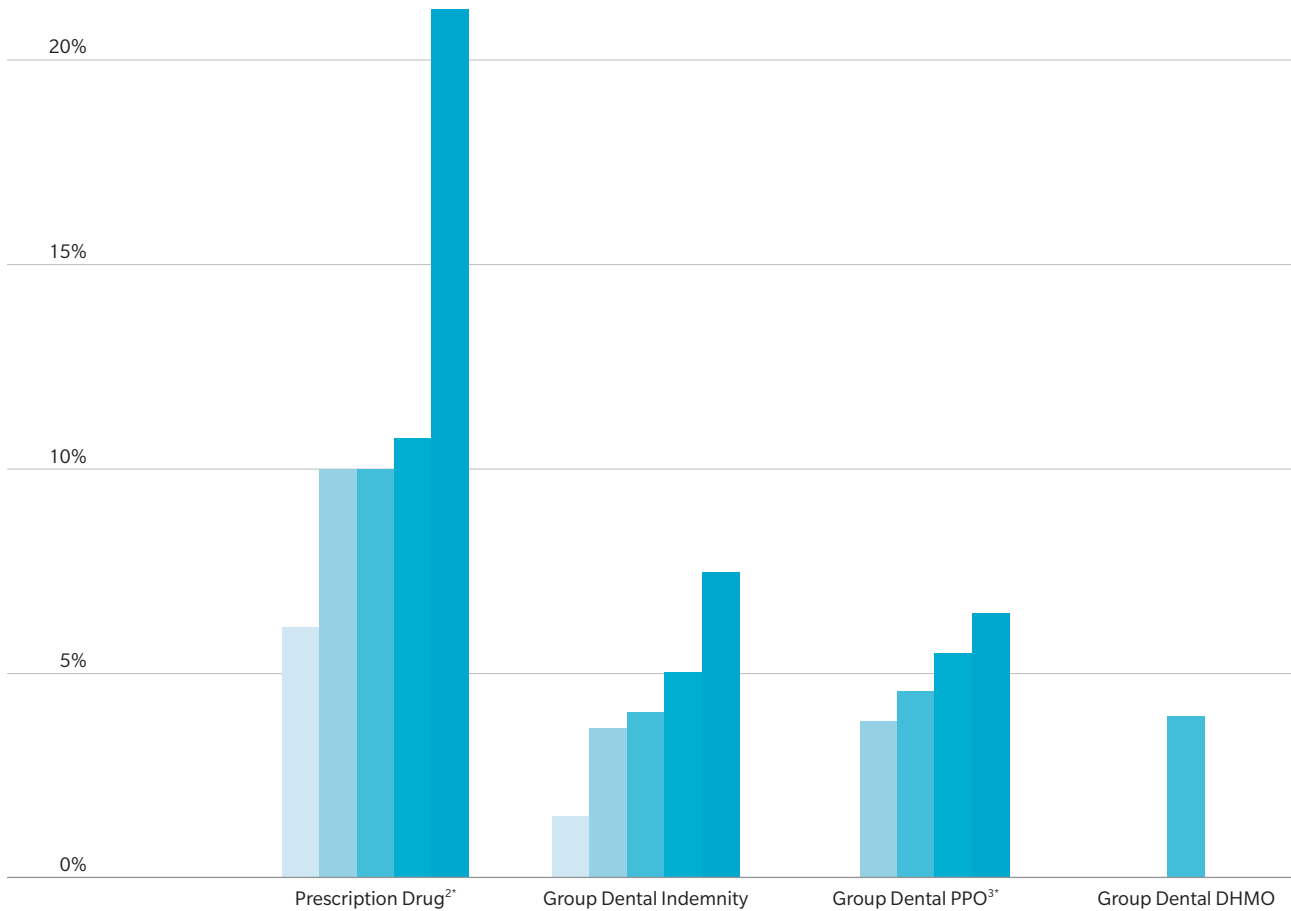
	36	54	35	43
# of Responses				
Exposures <sup>1*</sup>	1,370,849	59,349,839	16,711,010	8,601,988
100th Percentile	16.90%	12.50%	11.00%	11.10%
75th Percentile	12.30%	9.50%	8.50%	8.50%
Median	9.50%	7.20%	8.10%	8.00%
25th Percentile	8.50%	5.90%	7.90%	5.60%
0th Percentile	5.00%	3.40%	-1.50%	-1.50%
Sample Average	9.56%	7.77%	7.04%	7.07%
Weighted Average	10.45%	7.50%	8.15%	7.37%

1\* Based on member counts.

2\* The negative trend is not an error, at least one carrier reported a negative trend.

## Exhibit 2: Prescription Drug and Dental Pricing Trends

ANNUAL TREND  
25%



	65	30	40	8
# of Responses	65	30	40	8
Exposures <sup>1*</sup>	51,340,901	3,902,108	35,357,031	3,367,803
100th Percentile	21.20%	7.50%	6.50%	-
75th Percentile	10.70%	5.00%	5.50%	-
Median	10.00%	4.00%	4.50%	4.00%
25th Percentile	10.00%	3.60%	3.80%	-
0th Percentile	6.10%	1.50%	0.00%	-
Sample Average	10.86%	4.14%	3.70%	3.50%
Weighted Average	10.64%	4.39%	4.43%	4.34%

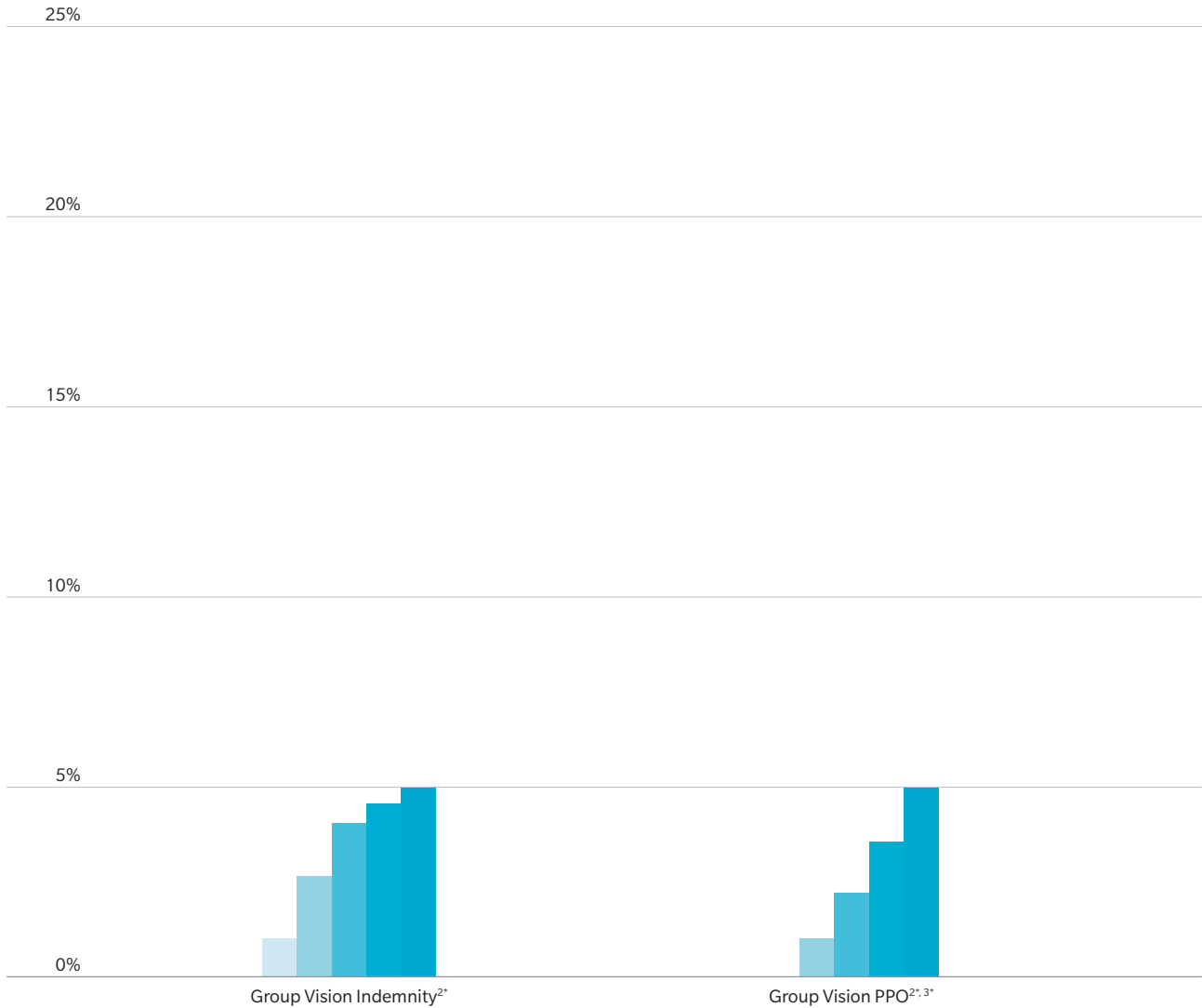
1\* Based on member counts.

2\* The median and 25th percentile are the same for Prescription Drug. These reflect trends from multiple carriers.

3\* The zero trend is not an error, at least one carrier reported a zero trend.

## Exhibit 3: Group Vision Pricing Trends

ANNUAL TREND



	11	21
# of Responses	11	21
Exposures <sup>1*</sup>	8,473,305	32,500,443
100th Percentile	5.00%	5.00%
75th Percentile	4.50%	3.50%
Median	4.00%	2.20%
25th Percentile	2.60%	1.00%
0th Percentile	1.00%	0.00%
Sample Average	3.47%	2.34%
Weighted Average	2.21%	2.54%

1\* Based on member counts.

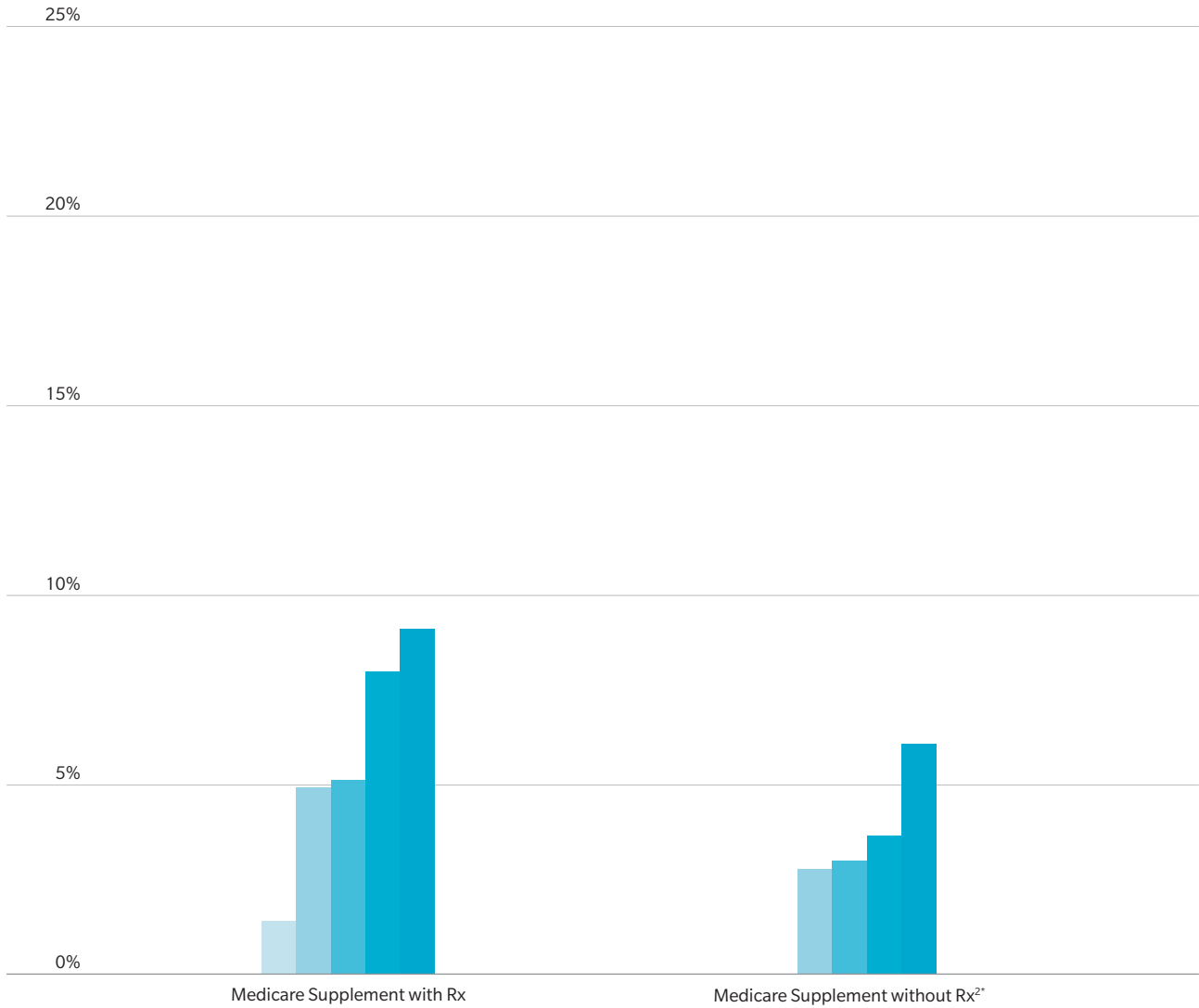
2\* Percentiles for Group Vision Indemnity and PPO products are based on the number of respondents, as opposed to members.

3\* The zero trend is not an error; at least one carrier reported a zero trend.



## Exhibit 4: Medicare Supplement Products Pricing Trends

ANNUAL TREND



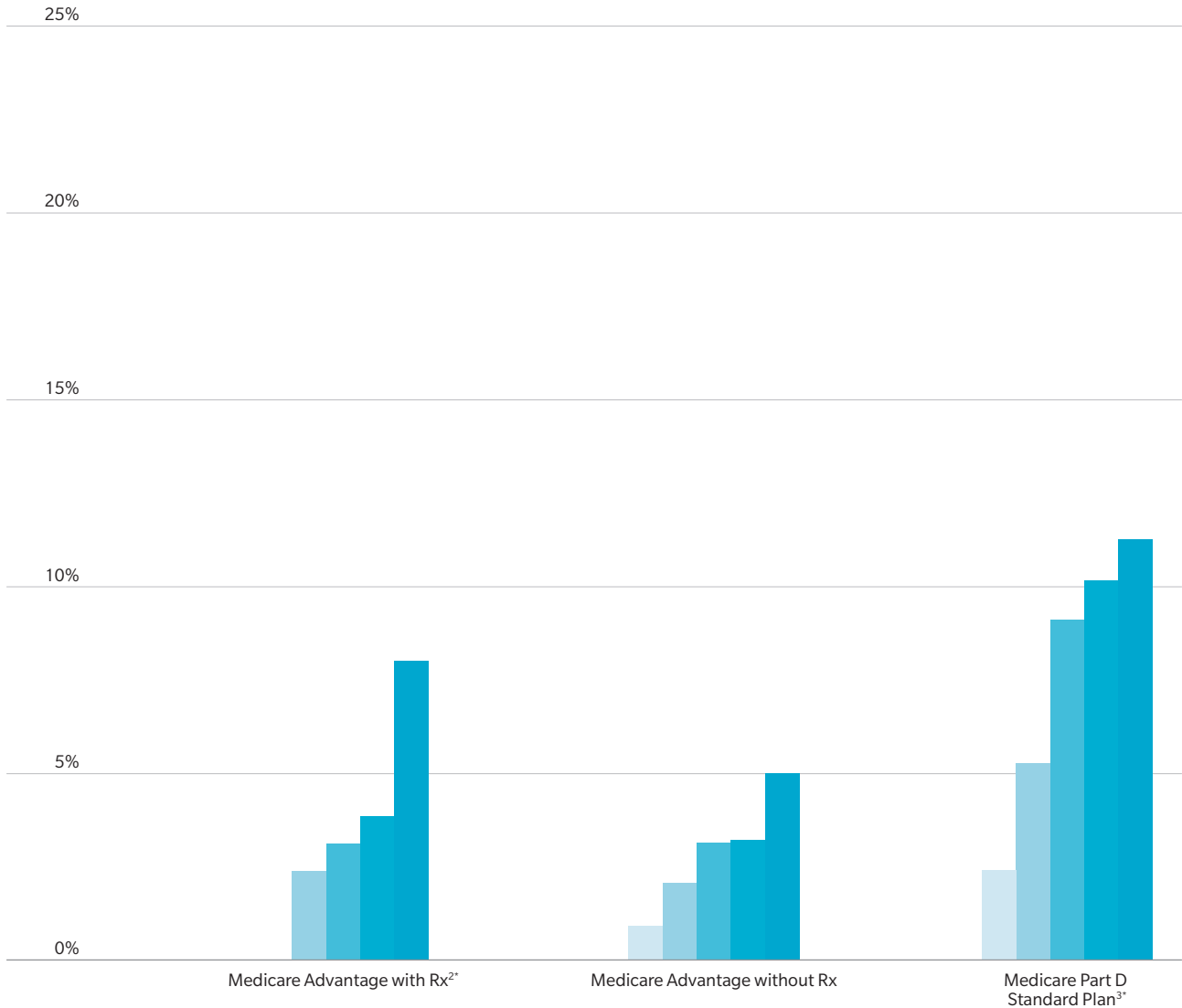
	22	33
# of Responses	22	33
Exposures <sup>1*</sup>	423,404	2,714,967
100th Percentile	9.10%	6.10%
75th Percentile	8.00%	3.60%
Median	5.10%	3.00%
25th Percentile	4.90%	2.70%
0th Percentile	1.40%	-0.90%
Sample Average	4.25%	3.51%
Weighted Average	5.67%	3.12%

1\* Based on member counts.

2\* The negative trend is not an error; at least one carrier reported a zero trend.

## Exhibit 5: Medicare Advantage Products Pricing Trends

ANNUAL TREND



	39	19	22
# of Responses	39	19	22
Exposures <sup>1*</sup>	2,321,361	813,265	240,493
100th Percentile	8.00%	5.00%	11.20%
75th Percentile	3.80%	3.20%	10.15%
Median	3.10%	3.10%	9.10%
25th Percentile	2.30%	2.00%	5.25%
0th Percentile	-4.20%	0.90%	2.40%
Sample Average	2.91%	2.76%	7.69%
Weighted Average	3.45%	2.80%	6.90%

<sup>1\*</sup> Based on member counts.

<sup>2\*</sup> The negative trend is not an error; at least one carrier reported a negative trend.

<sup>3\*</sup> Percentiles for Medicare Part D are based on the number of respondents, as opposed to members.

## Exhibit 6: High Deductible Health Plans Pricing Trends

ANNUAL TREND

25%

20%

15%

10%

5%

0%

Group Medical  
HSA with Rx<sup>2\*</sup>

Group Medical  
HSA without Rx

Individual Medical  
HSA with Rx<sup>2\*</sup>

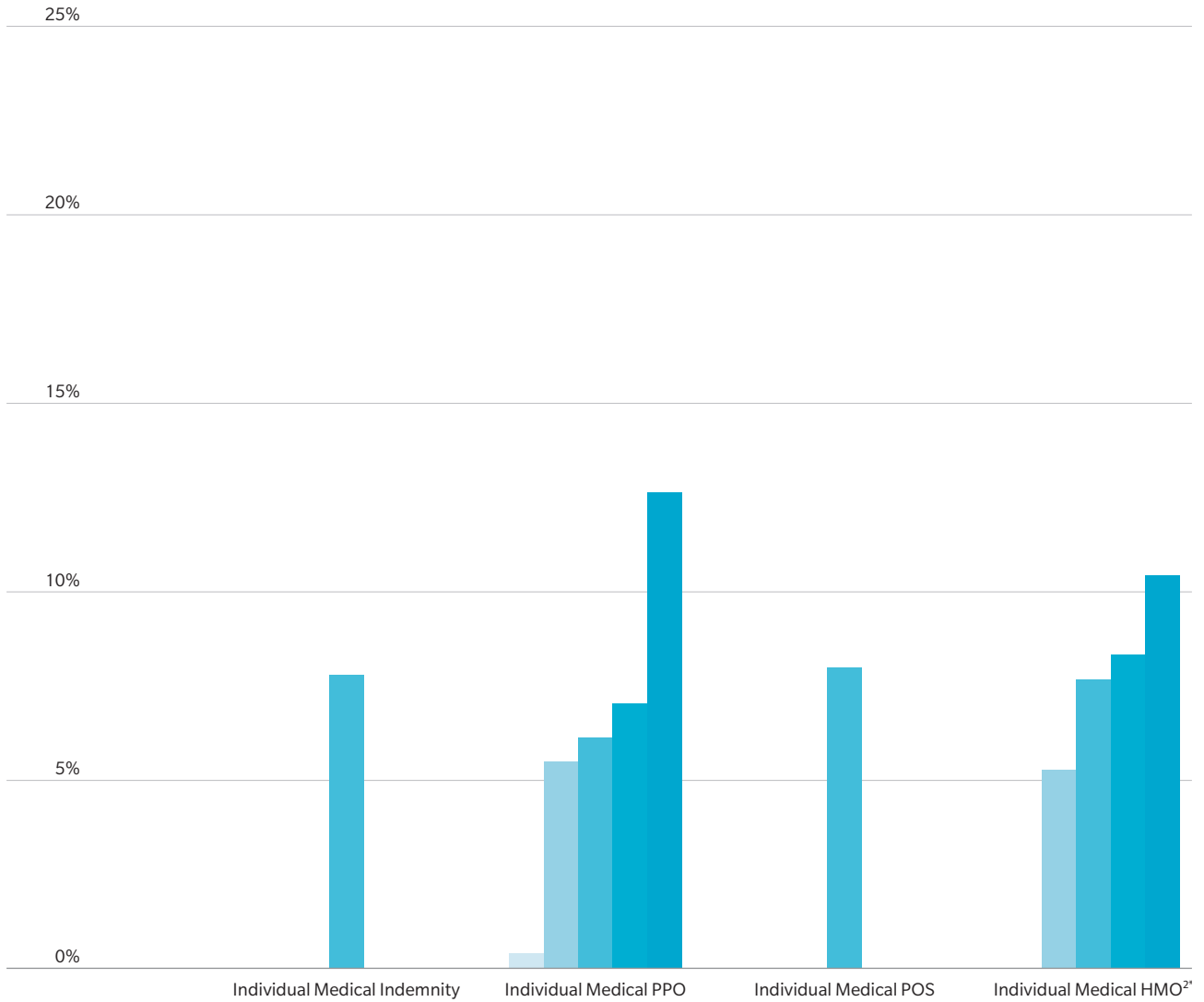
# of Responses	44	35	24
Exposures <sup>1*</sup>	10,830,077	7,645,426	460,280
100th Percentile	12.50%	11.20%	13.20%
75th Percentile	9.50%	7.60%	10.80%
Median	7.60%	7.10%	7.50%
25th Percentile	6.50%	5.50%	5.80%
0th Percentile	-0.20%	5.00%	-11.10%
Sample Average	7.93%	7.42%	6.68%
Weighted Average	7.84%	6.87%	6.95%

1\* Based on member counts.

2\* The negative trend is not an error; at least one carrier reported a negative trend.

## Exhibit 7: Individual Medical Pricing Trends

ANNUAL TREND



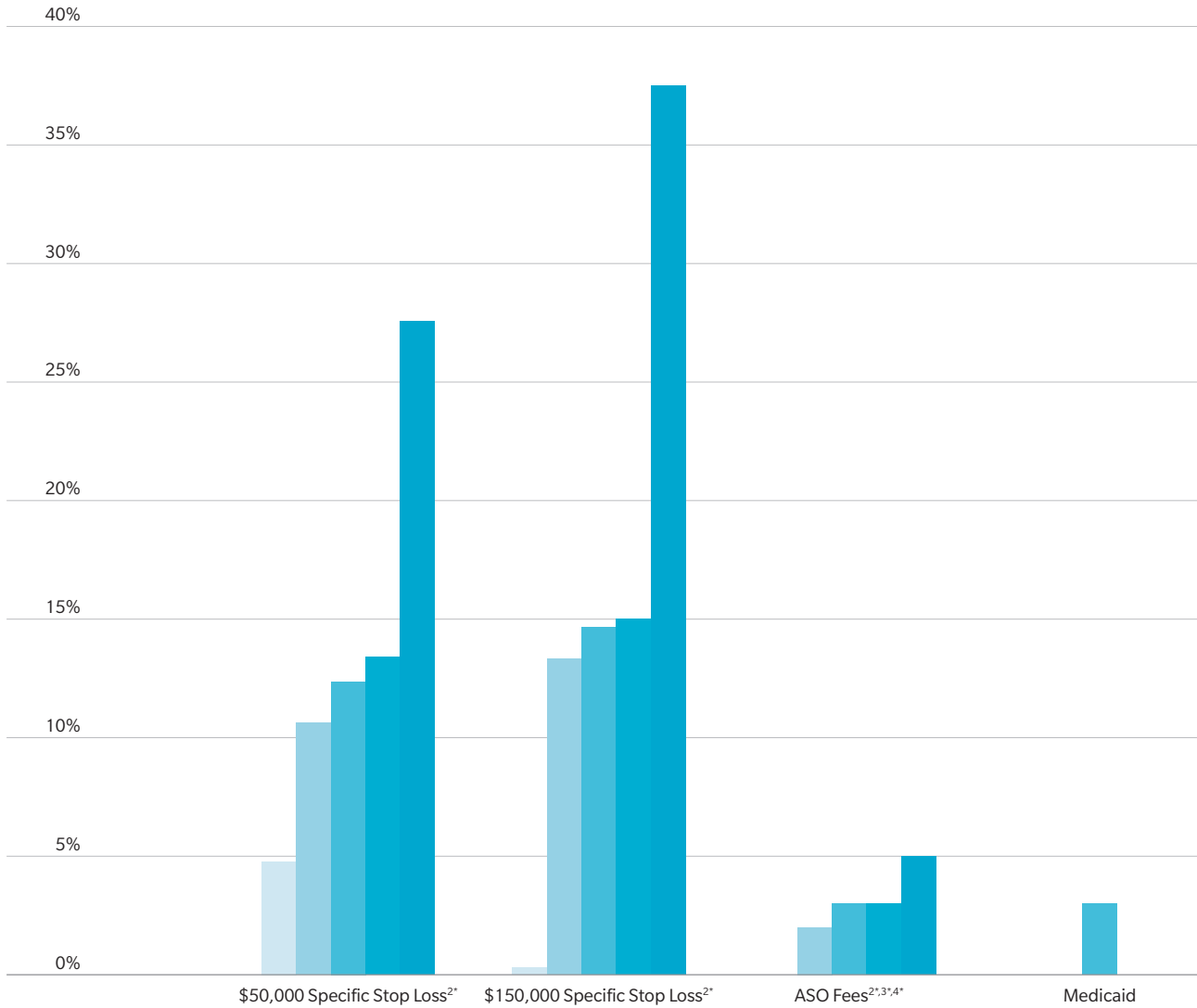
	Individual Medical Indemnity	Individual Medical PPO	Individual Medical POS	Individual Medical HMO <sup>2</sup>
# of Responses	7	23	7	26
Exposures <sup>1*</sup>	16,139	1,957,959	69,240	2,574,540
100th Percentile	-	12.60%	-	10.40%
75th Percentile	-	7.00%	-	8.30%
Median	7.80%	6.10%	8.00%	7.70%
25th Percentile	-	5.50%	-	5.30%
0th Percentile	-	0.40%	-	-14.80%
Sample Average	7.89%	6.98%	5.74%	5.76%
Weighted Average	7.78%	6.48%	4.33%	6.23%

1\* Based on member counts.

2\* The negative trend is not an error; at least one carrier reported a negative trend.

## Exhibit 8: Stop Loss, ASO Fees and Medicaid Pricing Trends

### ANNUAL TREND



	12	13	33	11
# of Responses	12	13	33	11
Exposures <sup>1*</sup>	266,002	860,467	28,180,054	3,859,124
100th Percentile	27.60%	37.50%	5.00%	-
75th Percentile	13.40%	15.00%	3.00%	-
Median	12.35%	14.70%	3.00%	2.90%
25th Percentile	10.63%	13.40%	2.00%	-
0th Percentile	4.80%	0.30%	-1.70%	-
Sample Average	12.71%	14.25%	2.67%	4.06%
Weighted Average	11.18%	14.95%	3.44%	2.84%

1\* Based on member counts.

2\* Percentiles for Stop Loss products and ASO fees are based on the number of respondents, as opposed to members.

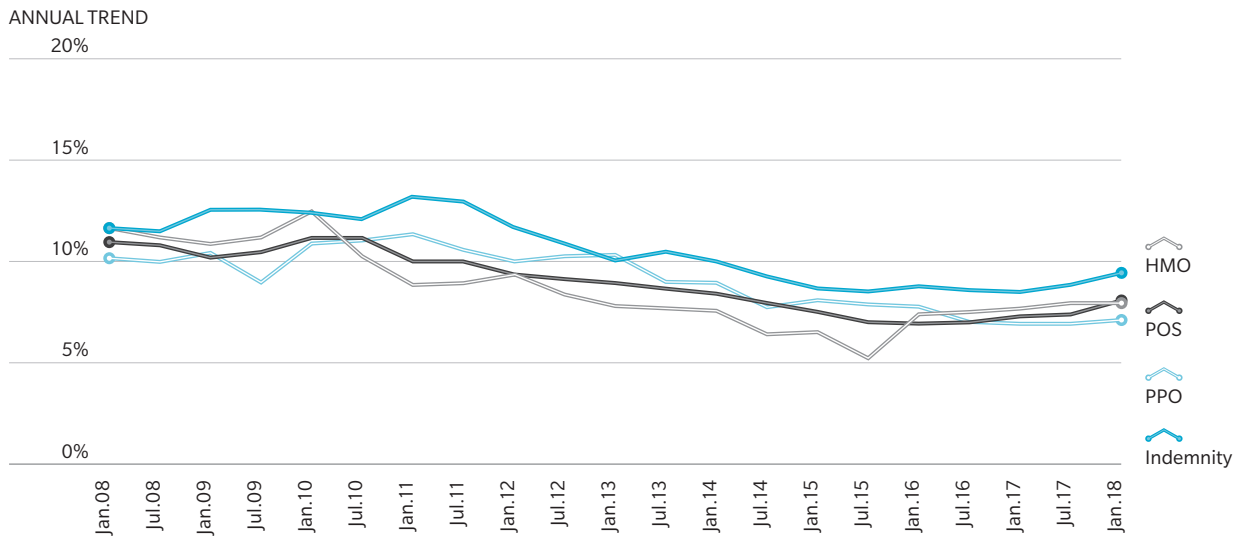
3\* The 75<sup>th</sup> percentile and the median are the same for ASO Fees. These reflect trends from multiple carriers.

4\* The negative trend is not an error; at least one carrier reported a zero trend.

## 4. HISTORICAL EXPERIENCE

This section shows the median of the trends reported by carriers from January 2008 forward.

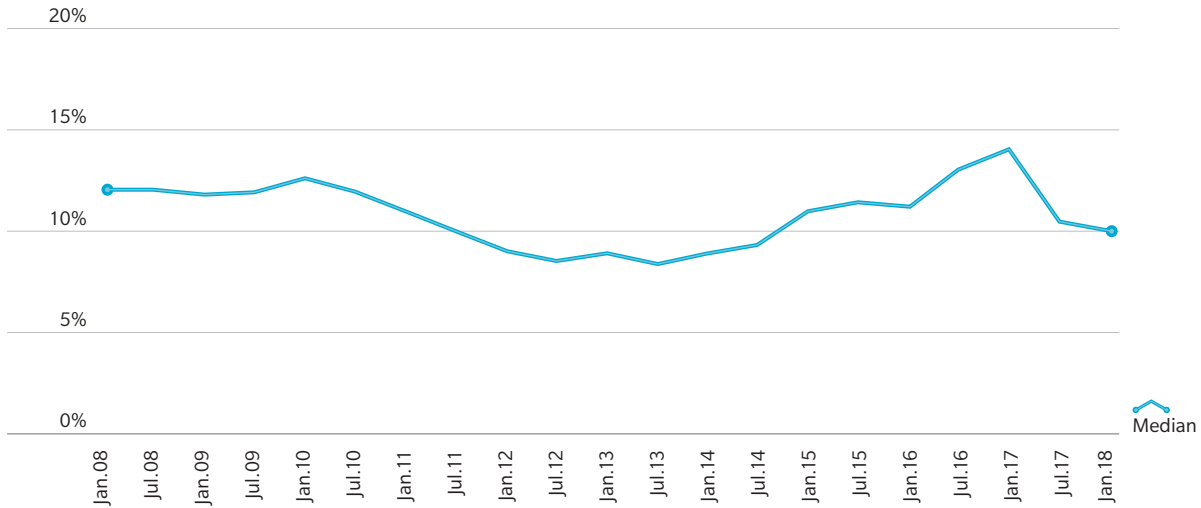
Exhibit 9: Median Group Medical Trends



The median trends have remained relatively stable since the July 2017 survey. The median trends for group medical indemnity, POS, and PPO products have increased slightly, while the median trend for HMO products remained unchanged. The group medical median trends range from 7.20% (PPO) to 9.50% (Indemnity).

## Exhibit 10: Median Prescription Drug Trend

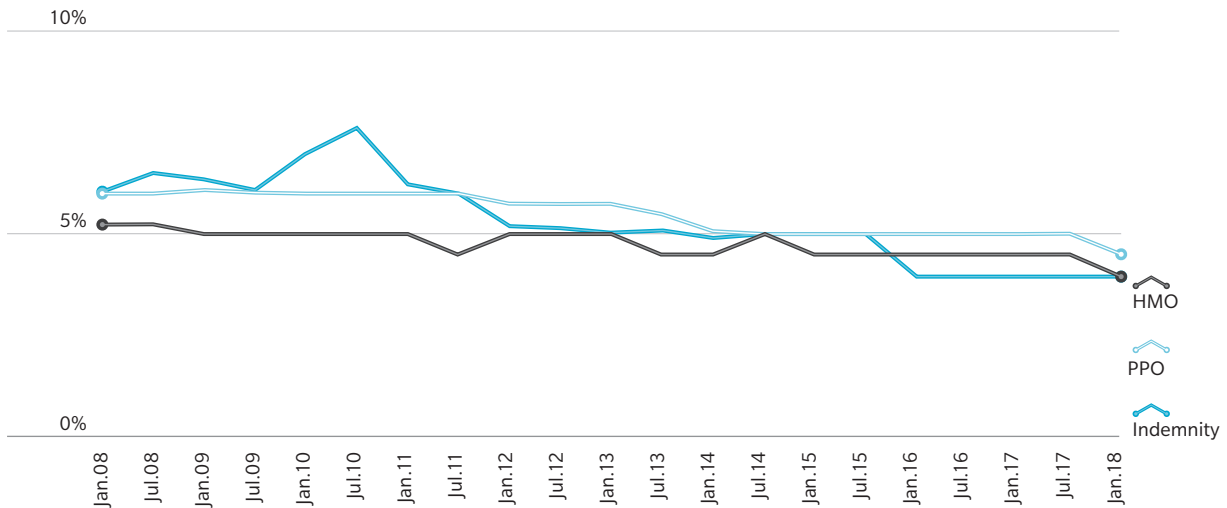
ANNUAL TREND



The prescription drug median trend decreased by half a percentage point from the July 2017 survey. The median trend is currently at 10.00%, which is the lowest median trend since July 2014.

## Exhibit 11: Median Group Dental Trends

ANNUAL TREND

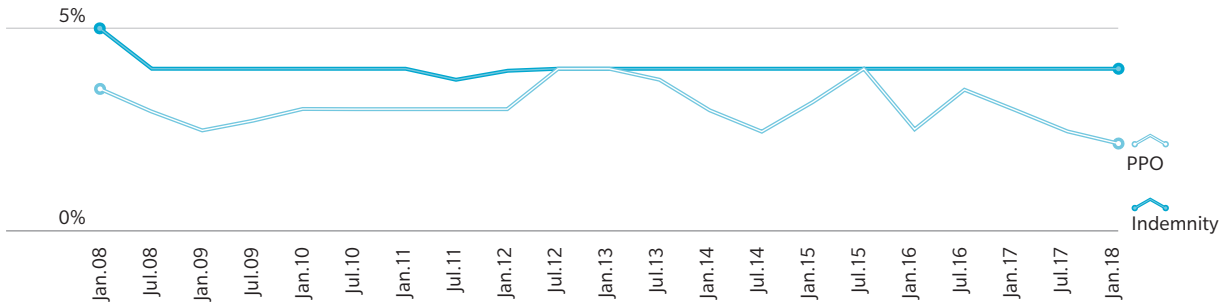


The median trend for group dental HMO and PPO products decreased from July 2017 levels, while the median trend for group dental Indemnity products remained unchanged. The median group dental trend ranges from 4.00% (HMO and Indemnity) to 4.50% (PPO).

## Exhibit 12: Median Group Vision Trends

ANNUAL TREND

10%

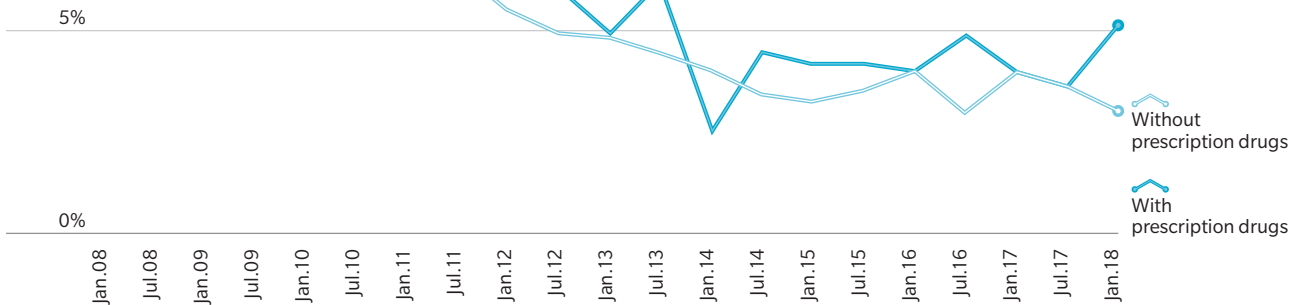


The median trend remained at July 2017 levels for group vision indemnity products, while the median trend for group vision PPO products decreased slightly. The group vision indemnity median trend has remained constant since January 2012.

## Exhibit 13: Median Medicare Supplement Trends

ANNUAL TREND

10%

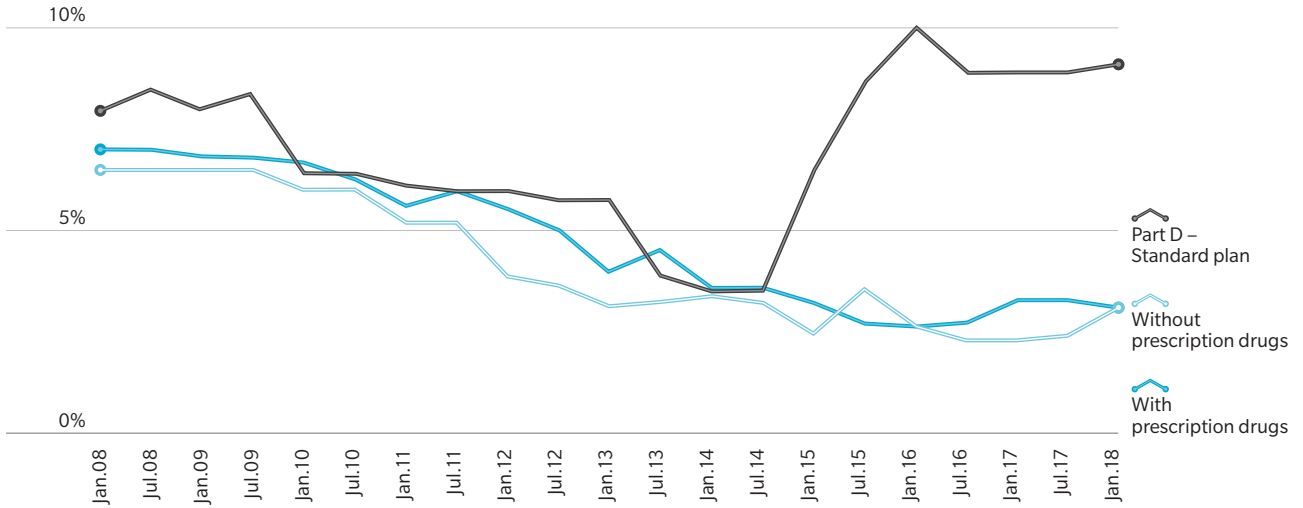


The median trend for Medicare Supplement products with prescription drug coverage increased by 1.50 percentage points from July 2017 levels. The median trend for Medicare Supplement products without prescription drug coverage decreased by 0.60 percentage points from the July 2017 survey.



### Exhibit 14: Median Medicare Advantage Trends

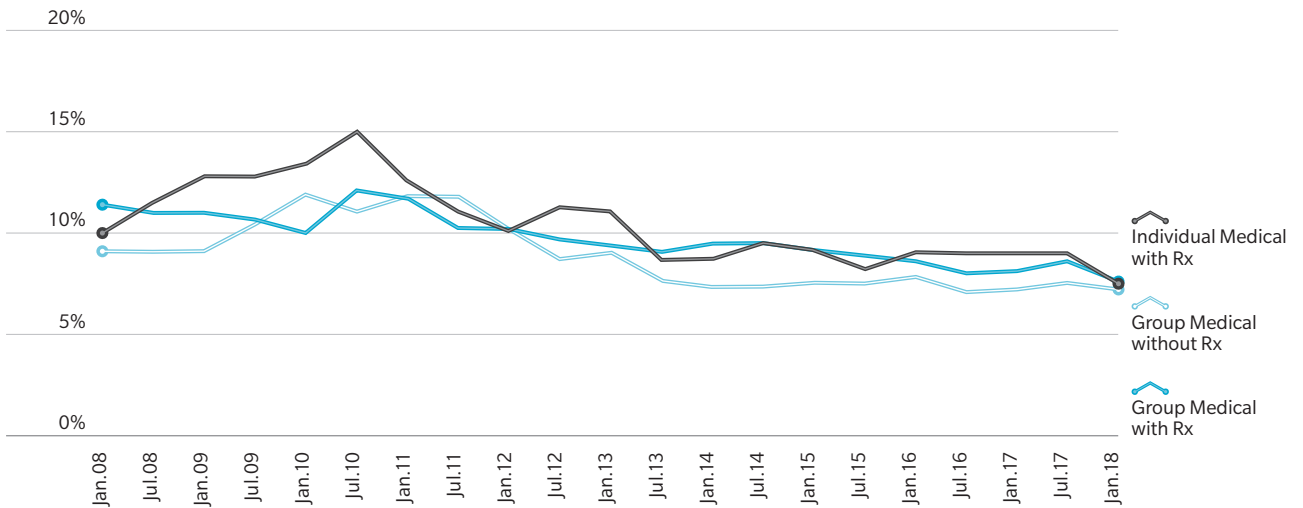
ANNUAL TREND



The median trend for Medicare Advantage products without drug coverage and Medicare Part D products increased from the prior survey, while the trend for MA products with drug coverage decreased slightly. Since the Medicare Part D trend spiked starting in 2014 through 2015, the median trend has remained relatively stable.

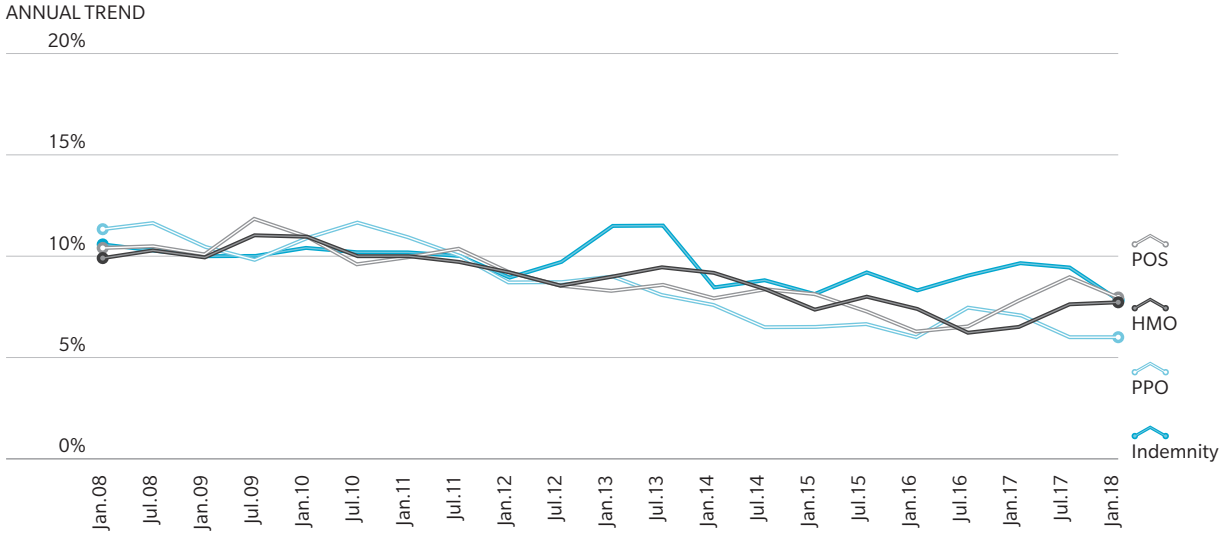
### Exhibit 15: Median High Deductible Health Plans Trends

ANNUAL TREND



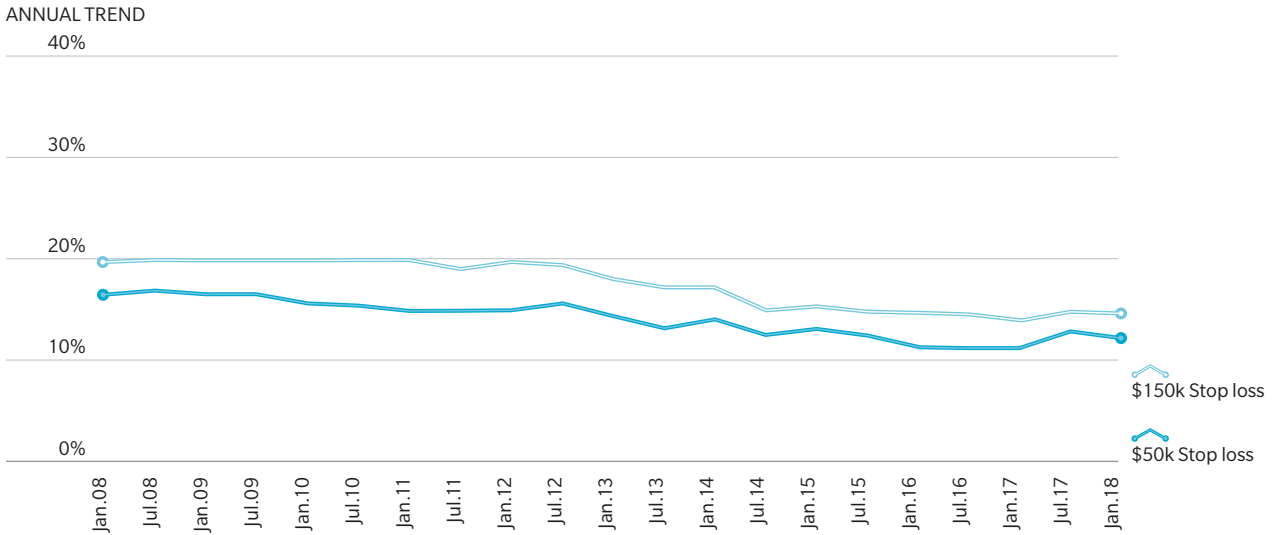
The median trend for individual medical HSA products with drug coverage and group medical HSA products decreased from the prior survey. The HSA products have median trends ranging between 7.10% and 7.60%.

### Exhibit 16: Median Individual Medical Trends



The median trends for individual medical indemnity and POS products decreased significantly from the July 2017 survey, while the median trends for individual medical HMO products increased slightly. The median trend for individual medical PPO products remained unchanged from the prior survey. Individual medical POS products show the highest median trend among the individual products at 8.00%.

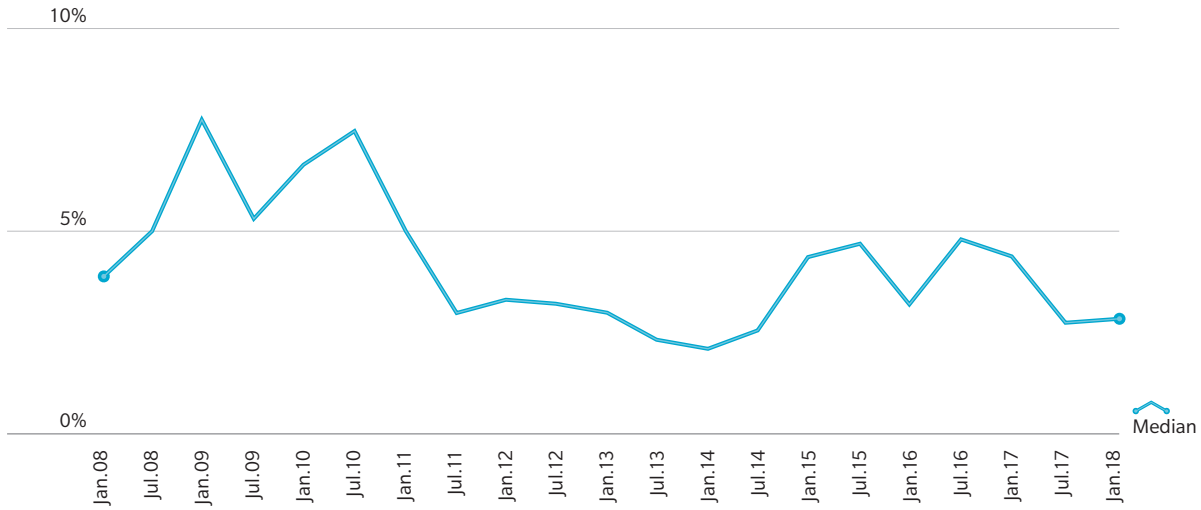
### Exhibit 17: Median Specific Stop Loss Trends



Both the \$50,000 stop loss median trend and the \$150,000 stop loss median trend decreased from July 2017 levels. The \$50,000 stop loss median trend is currently 12.35% while the \$150,000 stop loss median trend is 14.70%.

### Exhibit 18: Median Medicaid Trend

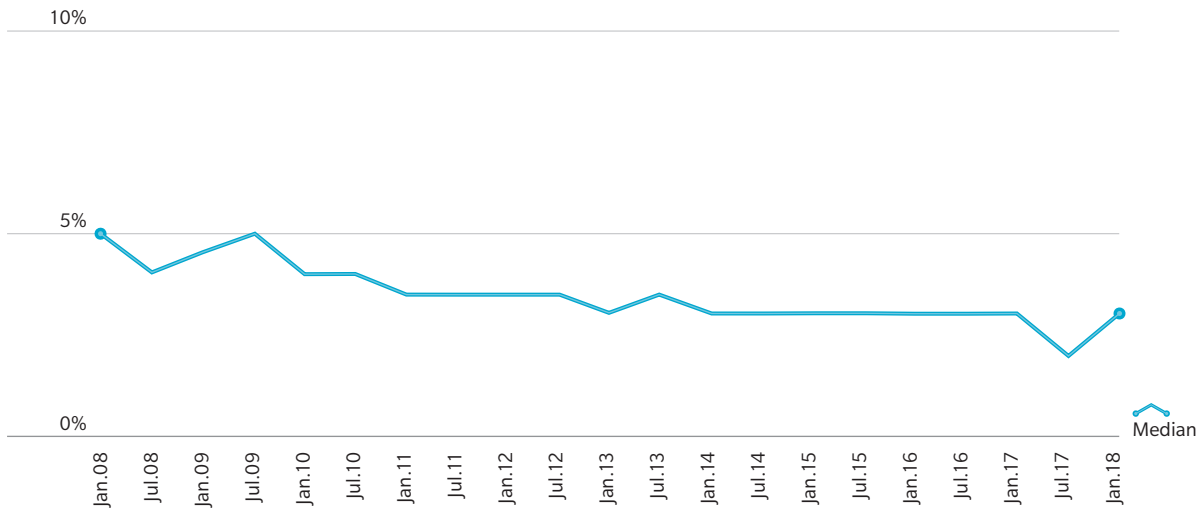
ANNUAL TREND



The median Medicaid trend increased slightly from the prior survey. The fluctuation in the historical median trend for Medicaid products could be due to the small number of respondents, rather than actual pricing trends.

### Exhibit 19: Median ASO Fees Trend

ANNUAL TREND



The median trend for ASO is 3.00%, which is an increase of a percentage point from the July 2017 survey. Prior to the July 2017 survey, the median trend remained at 3.00% since January 2014.

## 5. PARTICIPATING PROVIDERS

Aetna	Dean Health Plan
American Enterprise	Delta Dental of Iowa
Ameritas Life Insurance Corp.	EPIC Life Insurance Company
Anthem Blue Cross Blue Shield (Colorado)	Everence
Anthem Blue Cross Blue Shield (Connecticut)	Excellus BlueCross BlueShield (Central New York)
Anthem Blue Cross Blue Shield (Maine)	Excellus BlueCross BlueShield (Rochester)
Anthem Blue Cross Blue Shield (Nevada)	Excellus BlueCross BlueShield (Utica-Watertown)
Anthem Blue Cross Blue Shield (New Hampshire)	Florida Blue
Anthem Blue Cross Blue Shield of Georgia	Group Hospitalization Medical Services, Inc.
Anthem Blue Cross Blue Shield of Indiana	Guarantee Trust Life Insurance Company
Anthem Blue Cross Blue Shield of Kentucky	Health Net of California, Inc.
Anthem Blue Cross Blue Shield of Missouri	Health Tradition Health Plan
Anthem Blue Cross Blue Shield of Ohio	Highmark Blue Cross Blue Shield
Anthem Blue Cross Blue Shield of Virginia	Highmark Blue Cross Blue Shield of Delaware
Anthem Blue Cross Blue Shield United of Wisconsin	Highmark Blue Cross Blue Shield of West Virginia
Anthem Blue Cross of California	Highmark Blue Shield
Anthem Empire Blue Cross Blue Shield (New York)	HM Insurance Group
Blue Care Network of Michigan	Horizon Blue Cross Blue Shield New Jersey
Blue Cross and Blue Shield of Illinois	Independence Blue Cross
Blue Cross and Blue Shield of Kansas City	Medical Mutual of Ohio
Blue Cross and Blue Shield of Massachusetts	Moda Health
Blue Cross and Blue Shield of Minnesota	Molina Healthcare, Inc.
Blue Cross and Blue Shield of Nebraska	Network Health
Blue Cross and Blue Shield of New Mexico	Nippon Life Insurance Company of America
Blue Cross and Blue Shield of North Carolina	Northeast Delta Dental
Blue Cross and Blue Shield of Oklahoma	Optima Health
Blue Cross and Blue Shield of Texas	Physicians Health Plan of Northern Indiana, Inc.
Blue Cross Blue Shield of Alabama	Premera Blue Cross Blue Shield of Alaska
Blue Cross Blue Shield of Arizona	Premera Blue Cross of Washington
Blue Cross Blue Shield of Michigan	Priority Health
Blue Cross Blue Shield of Montana	Security Health Plan of Wisconsin, Inc.
Blue Shield of California	SelectHealth
BlueCross BlueShield of Tennessee	Sentry Life Insurance Company
Capital Blue Cross	Tufts Health Plan
CareFirst BlueChoice, Inc.	UnitedHealthcare
CareFirst Blue Cross Blue Shield	Universal American
CareFirst of Maryland, Inc.	VOYA Financial
CIGNA Health Care	Wellmark Blue Cross and Blue Shield of Iowa
Davis Vision	Wellmark Blue Cross and Blue Shield of South Dakota

## 6. EXPOSURES BY LINE OF BUSINESS

		NUMBER OF CARRIERS RESPONDING	NUMBER OF RESPONSES	TOTAL REPORTED EXPOSURE
<b>GROUP MEDICAL</b>	Indemnity	19	36	1,370,849
	PPO	33	54	59,349,839
	POS	25	35	16,711,010
	HMO	30	43	8,601,988
				<b>83,033,686</b>
<b>INDIVIDUAL MEDICAL</b>	Indemnity	6	7	16,139
	PPO	19	23	1,957,959
	POS	7	7	69,240
	HMO	17	26	2,574,540
				<b>4,617,878</b>
<b>HIGH DEDUCTIBLE HEALTH PLANS</b>	Group Medical HSA with Rx	29	44	10,830,077
	Group Medical HSA without Rx	19	35	7,645,426
	Individual Medical HSA with Rx	19	24	460,280
				<b>18,935,783</b>
<b>PRESCRIPTION DRUG</b>		35	65	<b>51,340,901</b>
<b>MEDICARE SUPPLEMENT</b>	Products with Rx benefits	18	22	423,404
	Products without Rx benefits	26	33	2,714,967
				<b>3,138,371</b>
<b>MEDICARE ADVANTAGE</b>	Products with Rx benefits	26	39	2,321,361
	Products without Rx benefits	15	19	813,265
				<b>3,134,626</b>
<b>MEDICARE PART D STANDARD PLAN</b>		11	22	<b>240,493</b>
<b>MEDICAID</b>		10	11	<b>3,859,124</b>
<b>GROUP DENTAL</b>	Indemnity	20	30	3,902,108
	PPO	28	40	35,357,031
	DHMO	8	8	3,367,803
				<b>42,626,942</b>
<b>GROUP VISION</b>	Indemnity	9	11	8,473,305
	PPO	16	21	32,500,443
				<b>40,973,748</b>
<b>SPECIFIC STOP-LOSS</b>	\$50,000	11	12	266,002
	\$150,000	11	13	860,467
				<b>1,126,469</b>
<b>ASO FEES</b>		18	33	<b>23,180,054</b>

This table shows the number of responses and the exposure by type of coverage. Not all carriers provide the entire range of products surveyed. Some carriers returned more than one response to distinguish trends by region.

The 'Number of Responses' and 'Total Reported Exposure' columns match the first and second summary rows of the graphs named '# of Responses' and 'Exposures' found in Section 3 of the report. The exposure numbers shown are those reported. No attempt has been made to account for any 'double counting' resulting from dual coverage.

## 7. ABOUT US

Oliver Wyman is a global leader in management consulting. With offices in 50+ cities across 26 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm's 4,000 professionals help clients optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC].

The actuarial consulting practice of Oliver Wyman employs over 150 credentialed actuaries across 18 offices. The firm's actuaries provide independent, objective advice by combining a broad range of expertise with specialized knowledge of specific risks. Oliver Wyman is committed to unparalleled mastery in actuarial and risk sciences, continually renewed by the breadth of each consultant's experiences and independent research. The actuarial practice continuously researches methods for evaluating, measuring reporting on risk and provides clear, timely communications in the three primary areas of risk for organizations: property and casualty, life and annuities, and healthcare.

Oliver Wyman's team of health actuaries are the leaders in innovative solutions to the ever changing healthcare environment. As the trusted advisors to insurers, healthcare providers, government agencies, law firms and regulators, clients turn to Oliver Wyman for high-level strategic advice, and the ability to model proposed reforms and respond to changes in regulations on both the state and federal levels. In addition to traditional actuarial services, such as the estimation of premium rates and claim liabilities, Oliver Wyman's health actuarial services include product pricing, rating models, annual statement certification, product feasibility, due diligence, reserve certifications, Medicare Advantage and Medicare Part D pricing and attestations, expert witness testimony and provider contracting models.

## 8. DISCLAIMER

The trends and exposures in the Carrier Trend Report are the trends and exposures that carriers provided in the Carrier Trend Survey. No audit was performed on the trends and exposures reported to ensure accuracy. We did follow up with a few carriers that had responses outside the normal range of replies.

Oliver Wyman is providing this Carrier Trend Report as a sample of current carrier pricing trends without endorsing, certifying, or recommending these trends for specific application.

For more information about this report or if you would like to participate in future surveys, please contact Beth R. Fritchen, FSA, MAAA or Justin Feagles, ASA, MAAA.

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