

CARRIER TREND REPORT

JANUARY 2019 ANALYSIS

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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 2019 trends from the survey that Oliver Wyman sent to healthcare carriers in December 2018. A summary of the median trends is shown in the table to 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 2019.¹ These trends are used to develop premiums for approximately 100.7 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 3.7 million members with individual health policies, about 6.1 million Medicare members and 4.1 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 2019. 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 ²
Group Medical Indemnity	8.80%
Group Medical PPO	6.70%
Group Medical POS	8.20%
Group Medical HMO	7.80%
Prescription Drug	9.60%
Group Dental Indemnity	4.30%
Group Dental PPO	4.00%
Group Dental DHMO	4.00%
Group Vision Indemnity	2.50%
Group Vision PPO	2.50%
Medicare Supplement with Drug	3.90%
Medicare Supplement without Drug	3.50%
Medicare Advantage with Drug	3.90%
Medicare Advantage without Drug	3.90%
Medicare Part D Standard Plan	5.00%
Individual Medical Indemnity	7.85%
Individual Medical PPO	7.30%
Individual Medical POS	5.65%
Individual Medical HMO	6.60%
Group Medical HSA with Drug	8.80%
Group Medical HSA without Drug	7.10%
Individual Medical HSA with Drug	8.30%
Individual Medical HSA without Drug	8.60%
Specific Stop Loss \$50,000	13.00%
Specific Stop Loss \$150,000	13.40%
ASO Fees	3.00%
Medicaid	3.00%

¹ There are some categories that experienced a significant change in membership from the July 2018 report. Some of the changes in trends may be attributable to a different mix in respondents.

² Group Vision Prepaid 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 2018 survey. Group medical PPO and indemnity products showed slight decreases while group HMO and POS products showed slight increases. The median trend for PPO products has the lowest median trend among the group medical products at 6.70%, and the group indemnity products continue to show the highest median trend among the group medical products at 8.80%.

The prescription drug median trend experienced a 0.90 percentage point decrease from the prior survey, which brings the trend to its lowest level since July 2014. The median trend is currently at 9.60%.

The median trend for group dental PPO products decreased half a percentage point from July 2018 levels, while the median trend for group dental HMO and indemnity products increased marginally. The median group dental trend ranges from 4.00% (HMO and PPO) to 4.30% (Indemnity).

The median trend decreased from July 2018 levels for both group vision indemnity and PPO products. Group vision indemnity products experienced a 0.25 percentage point decrease, while group vision PPO products experienced a 1.50 percentage point decrease.

Medicare Supplement products with prescription drug coverage experienced a decrease of 0.30 percentage points in median trend, while Medicare Supplement products without prescription drug coverage increased by a half of a percent from the prior survey.

The median trend increased by 0.60 and 0.90 percentage points for Medicare Advantage (MA) products with and without prescription drug coverage,

respectively. The median trend for Medicare Part D products remains unchanged from the prior survey.

The median trend for all HSA products except individual HSA without prescription drugs changed marginally from the July 2018 survey. The trend for individual HSA without prescription drugs has risen by roughly 1.50 percentage points to 8.60%, which is the highest this trend has been since January 2013.

The median trends for all individual medical products except individual medical PPO decreased from the last survey. The median trend for PPO products increased only by 0.07 percentage points. The most significant change was a 1.07 percentage point decrease in the individual medical HMO trend. Indemnity products have the highest median trend among all individual products at 7.85%, while POS products have the lowest median trend at 5.65%. Results for individual POS products could be due to random fluctuations in reported trends due to a low number of respondents.

The median trends for \$50,000 and \$150,000 Specific Stop Loss products increased by 0.15 and 0.40 percentage points, respectively.

The Medicaid median trend is currently 3.00%, a small decrease from the July 2018 survey. This trend has experienced significant variation historically which may be caused by a change in mix of respondents.

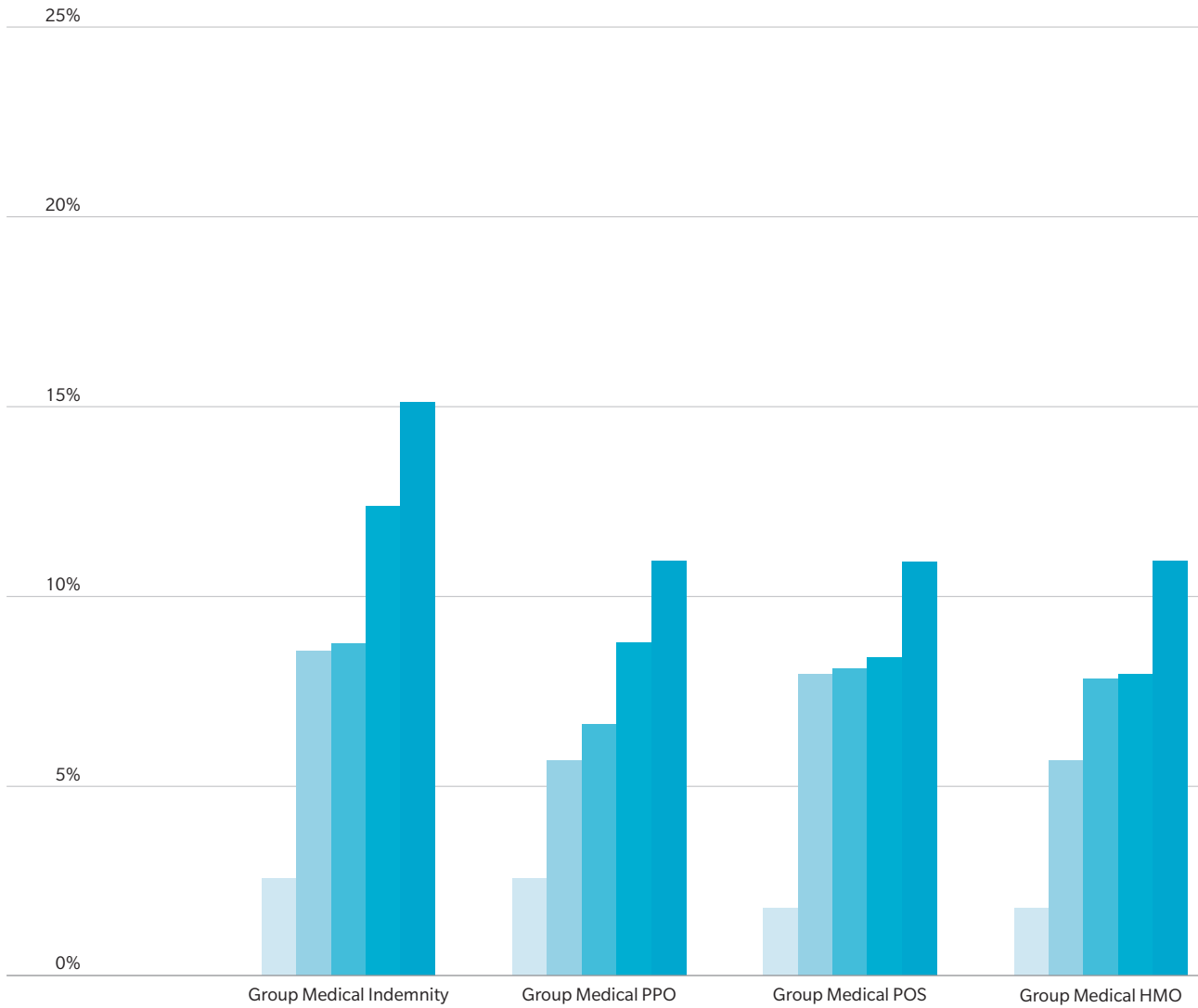
The ASO fees median trend remains unchanged from the prior survey. The current 3.00% median trend has remained the same since January 2014, with July 2017 as the only outlier with a trend of 2.00%.

3. RESULTS FOR JANUARY 2019

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

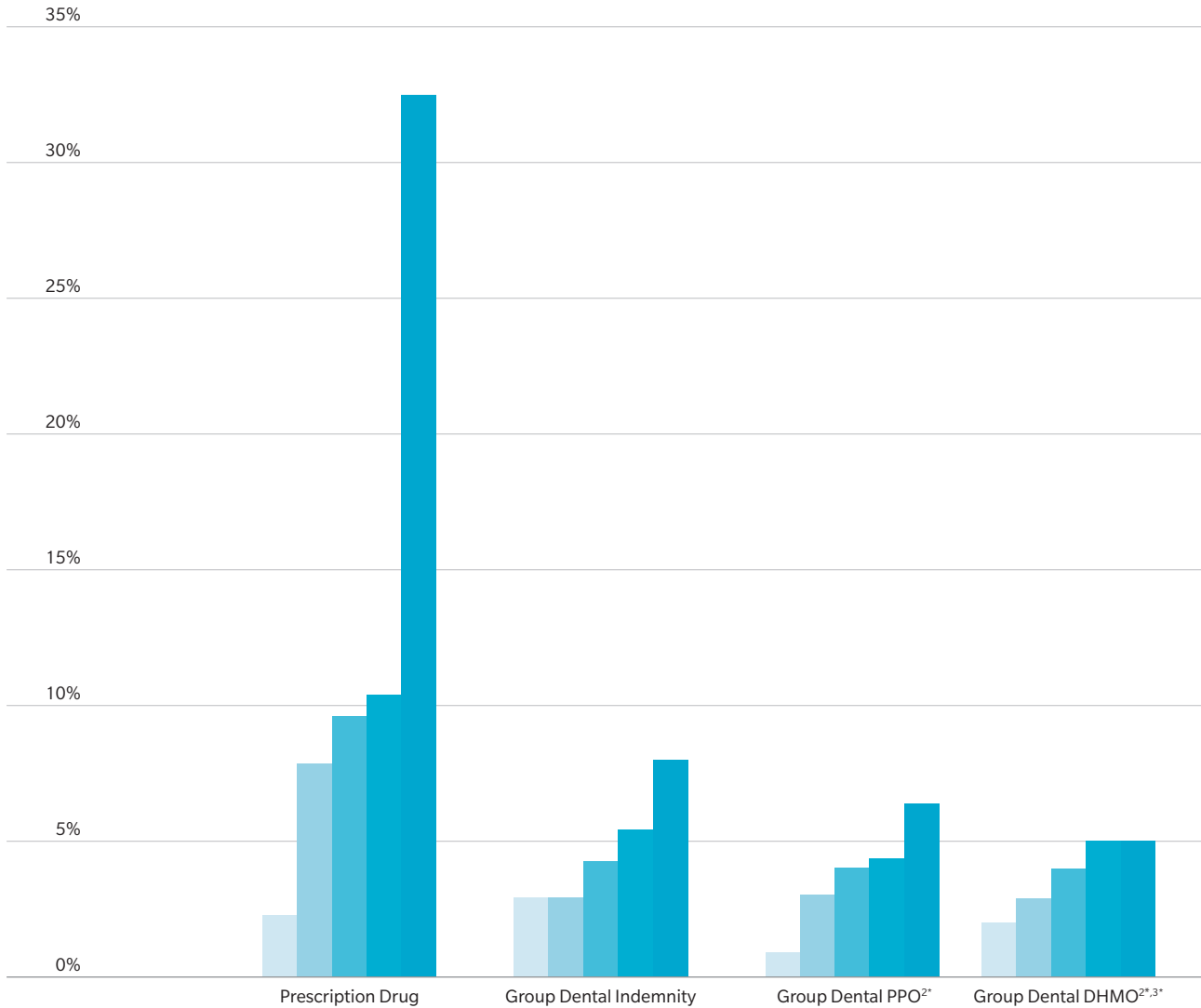


	35	57	33	39
# of Responses	35	57	33	39
Exposures ^{1*}	1,159,197	57,464,965	18,245,827	8,135,858
100th Percentile	15.20%	11.00%	11.00%	11.00%
75th Percentile	12.30%	8.80%	8.40%	8.00%
Median	8.80%	6.70%	8.20%	7.80%
25th Percentile	8.50%	5.70%	8.00%	5.50%
0th Percentile	2.60%	2.60%	1.70%	1.70%
Sample Average	9.28%	7.44%	6.80%	6.78%
Weighted Average	9.61%	7.09%	8.18%	6.93%

^{1*} Based on member counts.

Exhibit 2: Prescription Drug and Dental Pricing Trends

ANNUAL TREND



	Prescription Drug	Group Dental Indemnity	Group Dental PPO ^{2*}	Group Dental DHMO ^{2,3*}
# of Responses	68	27	43	9
Exposures ^{1*}	50,713,875	3,513,686	37,746,070	3,961,947
100th Percentile	32.70%	8.00%	6.50%	5.00%
75th Percentile	10.50%	5.50%	4.50%	5.00%
Median	9.60%	4.30%	4.00%	4.00%
25th Percentile	7.90%	3.00%	3.00%	3.00%
0th Percentile	2.30%	2.90%	1.00%	2.00%
Sample Average	10.74%	4.41%	3.88%	3.83%
Weighted Average	9.37%	4.32%	4.47%	4.09%

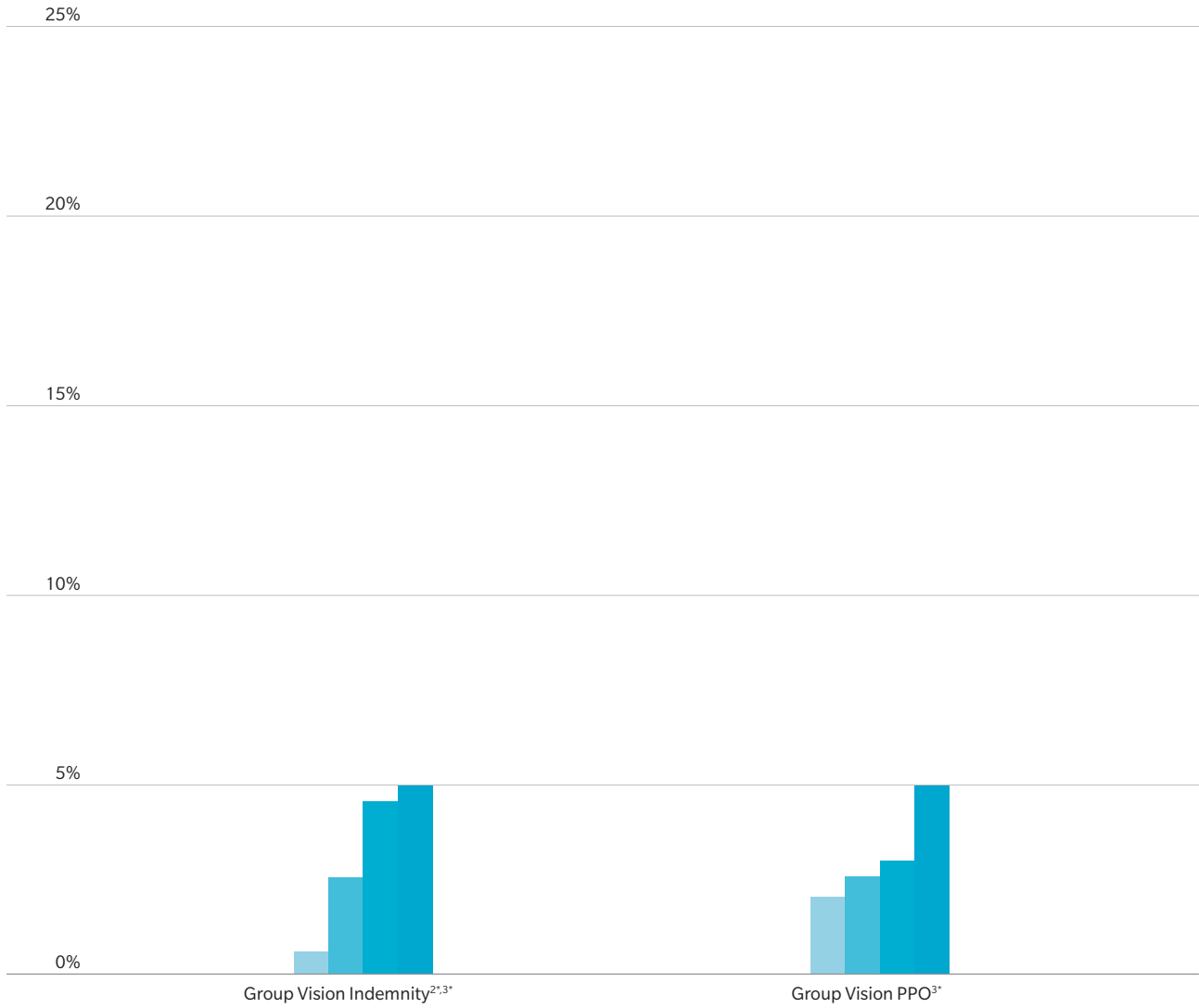
1* Based on member counts.

2* Percentiles for Group Dental PPO and HMO products are based on number of respondents, as opposed to member counts.

3* The 100th percentile and the 75th percentile are the same for Group Dental HMO. These reflect trends from multiple carriers.

Exhibit 3: Group Vision Pricing Trends

ANNUAL TREND



	10	25
# of Responses	10	25
Exposures ^{1*}	8,998,768	10,720,464
100th Percentile	5.00%	5.00%
75th Percentile	4.50%	3.00%
Median	2.50%	2.50%
25th Percentile	1.63%	2.00%
0th Percentile	0.00%	0.00%
Sample Average	2.75%	2.56%
Weighted Average	2.19%	2.57%

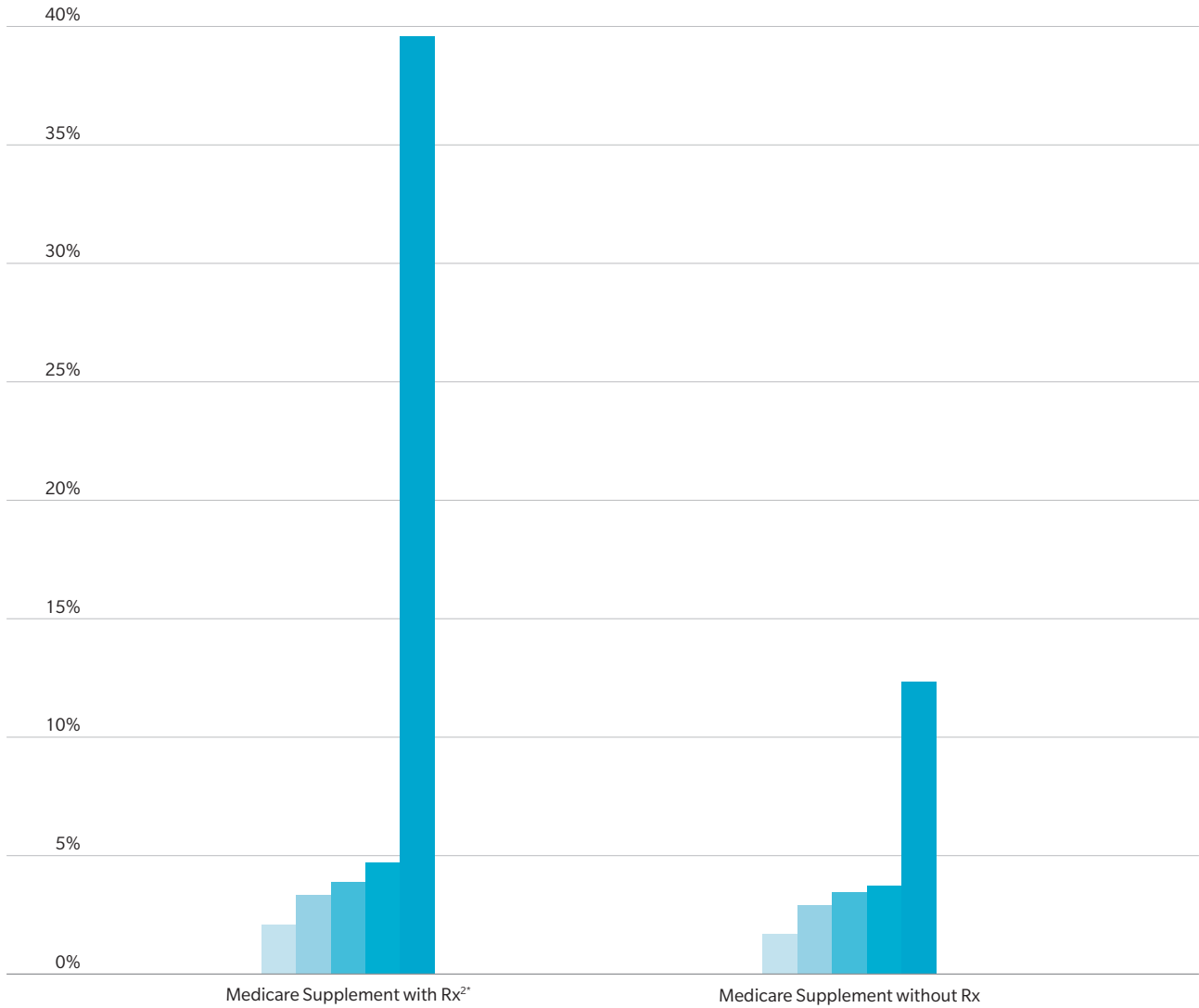
1* Based on member counts.

2* Percentiles for Group Vision Indemnity are based on the number of respondents, as opposed to member counts.

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



	Medicare Supplement with Rx ^{2*}	Medicare Supplement without Rx
# of Responses	26	34
Exposures ^{1*}	318,496	2,546,177
100th Percentile	39.50%	12.40%
75th Percentile	4.70%	3.70%
Median	3.90%	3.50%
25th Percentile	3.30%	3.00%
0th Percentile	2.10%	1.70%
Sample Average	5.10%	4.04%
Weighted Average	5.69%	3.39%

1* Based on member counts.

2* Percentiles for Medicare Supplement with Rx products are based on number of respondents, as opposed to member counts.

Exhibit 5: Medicare Advantage Products Pricing Trends

ANNUAL TREND

25%

20%

15%

10%

5%

0%

Medicare Advantage with Rx^{2*}

Medicare Advantage without Rx^{3*}

Medicare Part D
Standard Plan^{2*}

# of Responses	39	19	21
Exposures ^{1*}	2,127,070	925,241	217,751
100th Percentile	9.60%	7.10%	17.20%
75th Percentile	5.90%	5.50%	6.80%
Median	3.90%	3.90%	5.00%
25th Percentile	3.00%	3.30%	3.40%
0th Percentile	0.00%	1.50%	0.00%
Sample Average	4.17%	3.88%	5.70%
Weighted Average	4.26%	3.62%	4.96%

1* Based on member counts.

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

3* Percentiles for Medicare Advantage without Rx products are based on number of respondents, as opposed to member counts.

Exhibit 6: High Deductible Health Plans Pricing Trends

ANNUAL TREND

25%

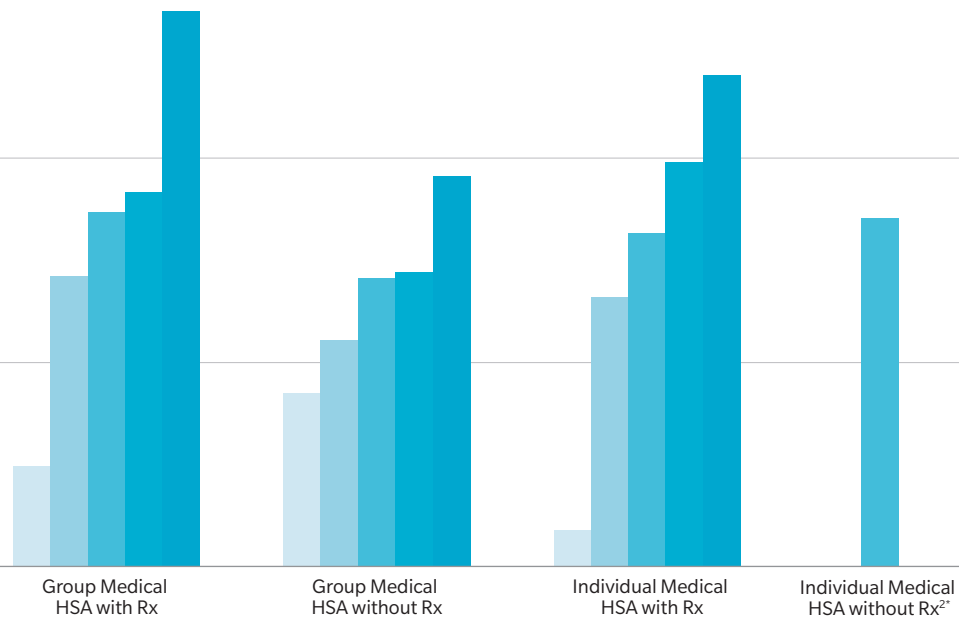
20%

15%

10%

5%

0%



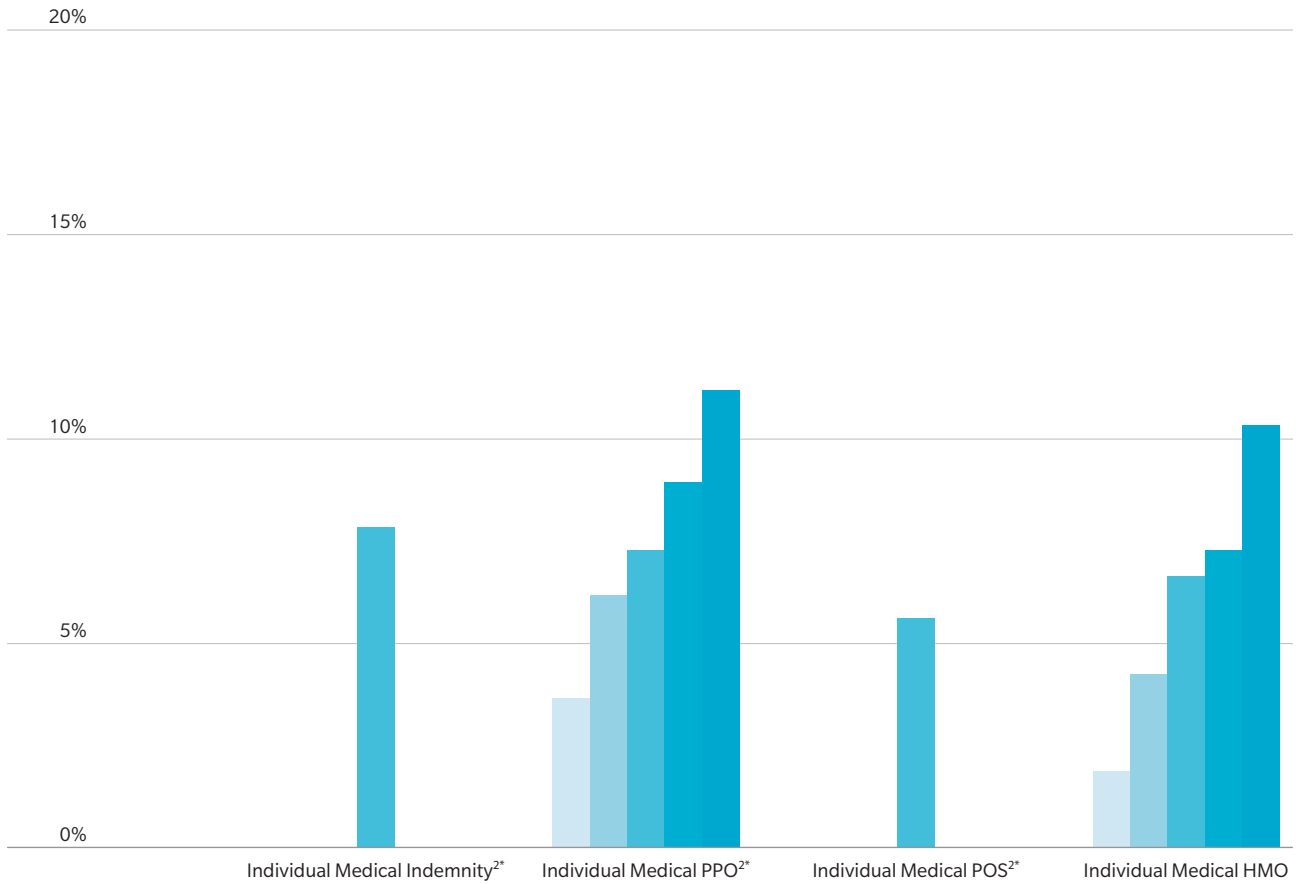
	Group Medical HSA with Rx	Group Medical HSA without Rx	Individual Medical HSA with Rx	Individual Medical HSA without Rx ^{2*}
# of Responses	46	30	27	6
Exposures ^{1*}	7,800,823	7,930,456	407,502	23,926
100th Percentile	13.80%	9.50%	12.10%	-
75th Percentile	9.30%	7.30%	9.90%	-
Median	8.80%	7.10%	8.30%	8.60%
25th Percentile	7.10%	5.50%	6.70%	-
0th Percentile	2.50%	4.20%	0.80%	-
Sample Average	7.62%	7.03%	7.56%	8.20%
Weighted Average	7.94%	6.80%	8.29%	8.22%

1* Based on member counts.

2* Percentiles for Individual Medical HSA without Rx is based on number of respondents, as opposed to member counts.

Exhibit 7: Individual Medical Pricing Trends

ANNUAL TREND
25%



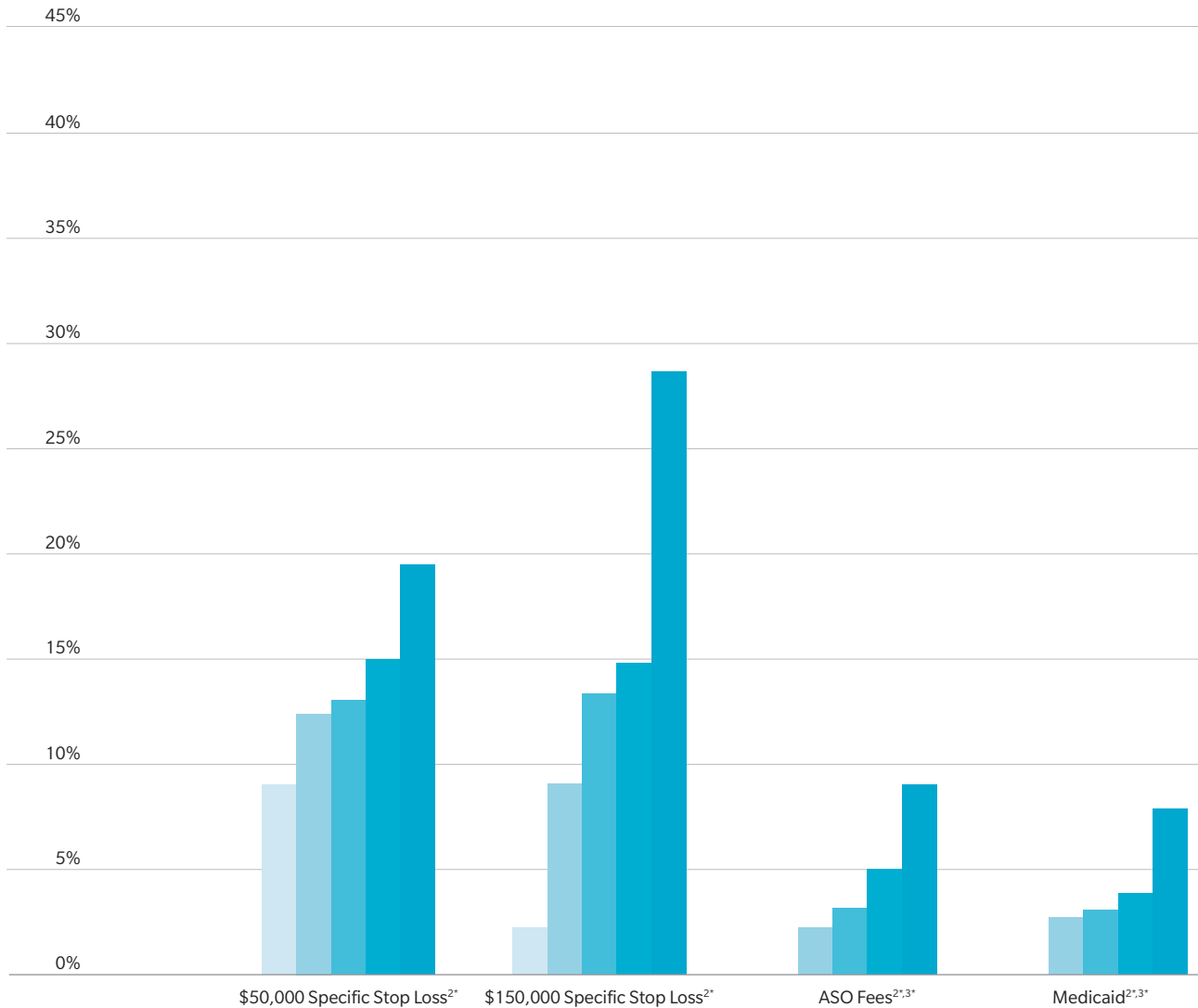
# of Responses	6	27	4	24
Exposures ^{1*}	13,967	1,706,913	15,453	1,520,117
100th Percentile	-	11.30%	-	10.40%
75th Percentile	-	9.05%	-	7.30%
Median	7.85%	7.30%	5.65%	6.60%
25th Percentile	-	6.15%	-	4.30%
0th Percentile	-	3.70%	-	1.90%
Sample Average	8.02%	7.46%	5.15%	6.16%
Weighted Average	8.02%	6.64%	0.02%	6.20%

1* Based on member counts.

2* Percentiles for Individual Medical Indemnity, PPO, and POS products are based on number of respondents, as opposed to member counts.

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

ANNUAL TREND



	10	9	29	13
# of Responses	10	9	29	13
Exposures ^{1*}	457,404	845,096	21,815,981	4,127,309
100th Percentile	19.40%	28.70%	9.00%	7.80%
75th Percentile	14.93%	14.80%	5.00%	3.85%
Median	13.00%	13.40%	3.00%	3.00%
25th Percentile	12.33%	9.00%	2.00%	2.75%
0th Percentile	9.00%	2.30%	-2.80%	-2.60%
Sample Average	13.80%	12.77%	2.88%	3.30%
Weighted Average	13.85%	14.25%	3.55%	3.00%

1* Based on member counts.

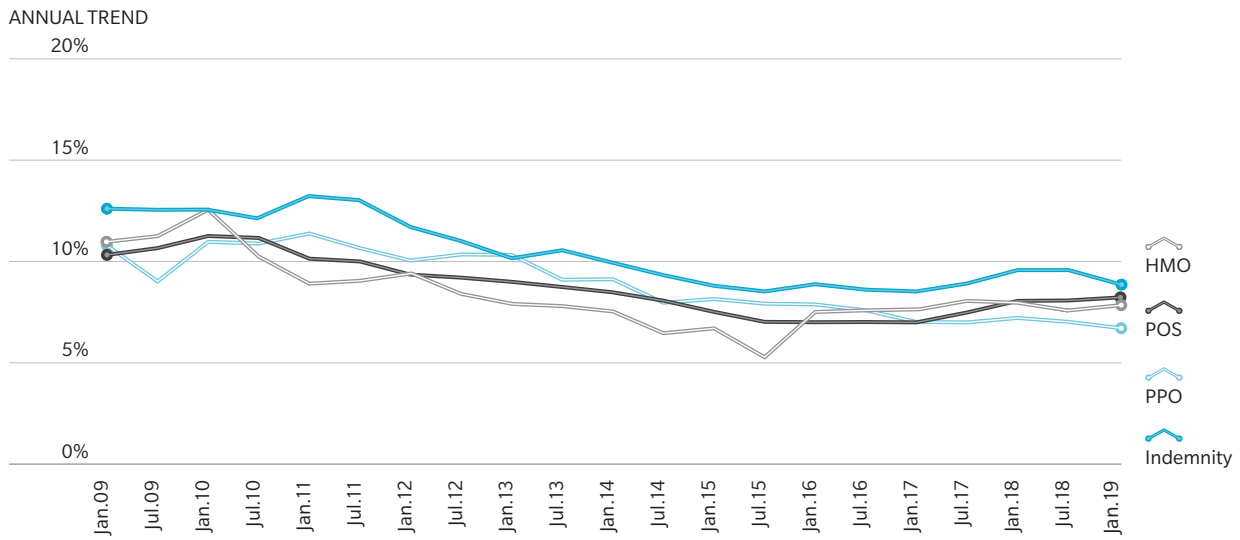
2* Percentiles for Stop Loss products, Medicaid products and ASO fees are based on the number of respondents, as opposed to member counts.

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

4. HISTORICAL EXPERIENCE

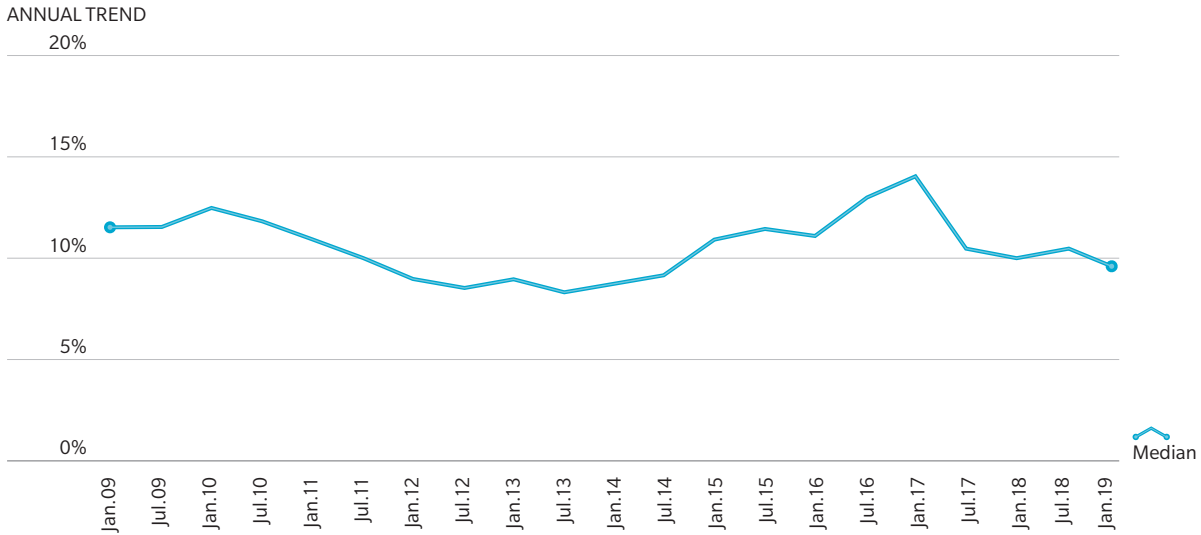
This section shows the median of the trends reported by carriers from January 2009 forward.

Exhibit 9: Median Group Medical Trends



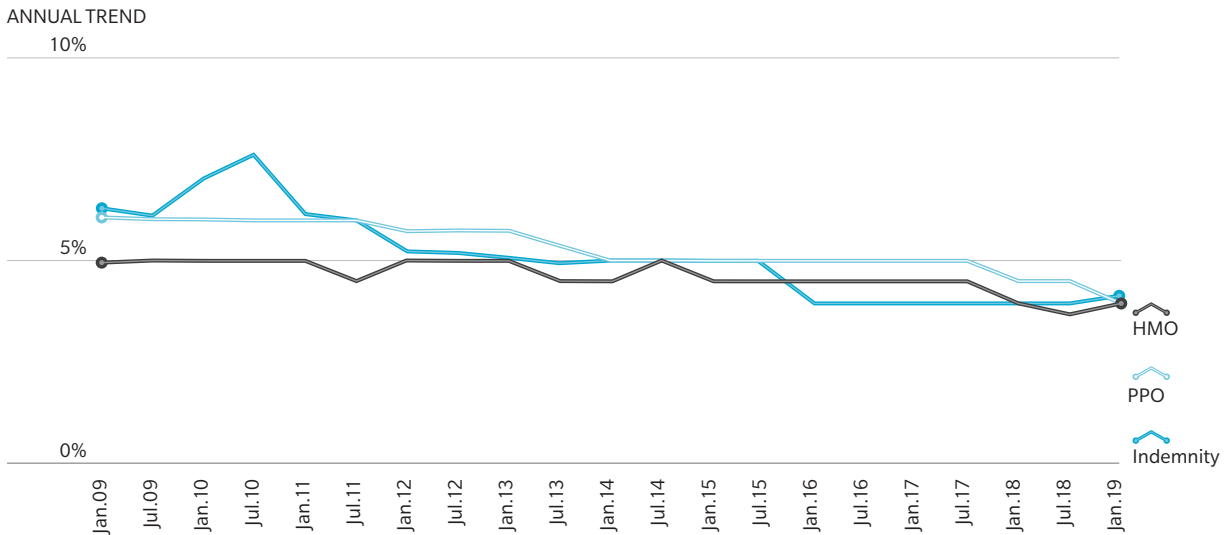
The median trends have remained relatively stable since the January 2016 survey. The median trends for group medical PPO and indemnity products have decreased, while the median trends for group medical HMO and POS products have increased slightly. The group medical median trends range from 6.70% (PPO) to 8.80% (Indemnity).

Exhibit 10: Median Prescription Drug Trend



The prescription drug median trend decreased by 0.90 percentage points from the July 2018 survey. The median trend is currently at 9.60%, which is the lowest level since July 2014.

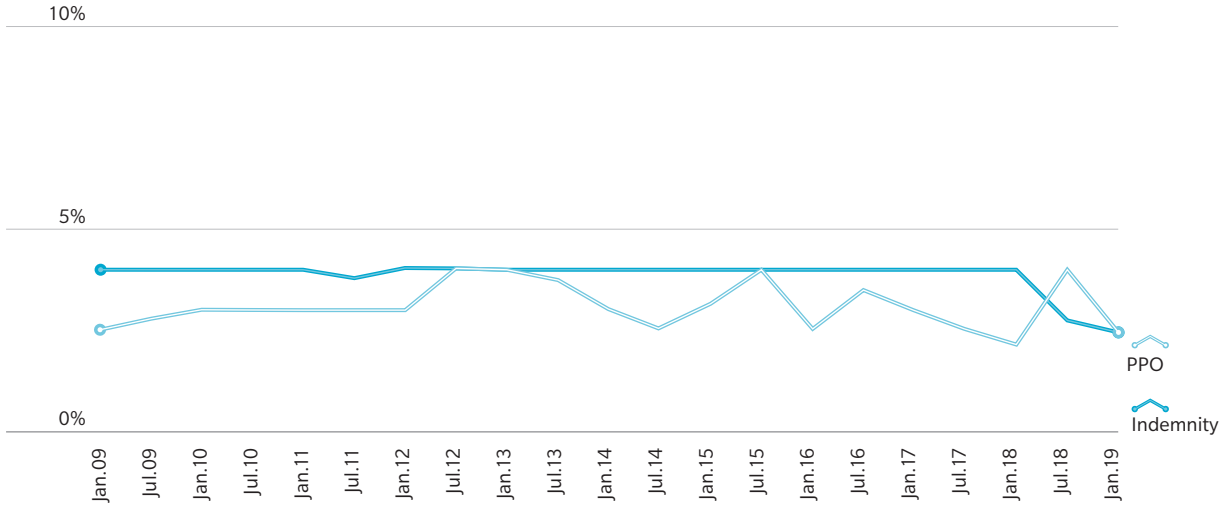
Exhibit 11: Median Group Dental Trends



The median trend for group dental PPO products decreased slightly from July 2018 levels, while the median trend for group dental HMO and indemnity products increased marginally. The median group dental trend ranges from 4.00% (HMO and PPO) to 4.30% (Indemnity).

Exhibit 12: Median Group Vision Trends

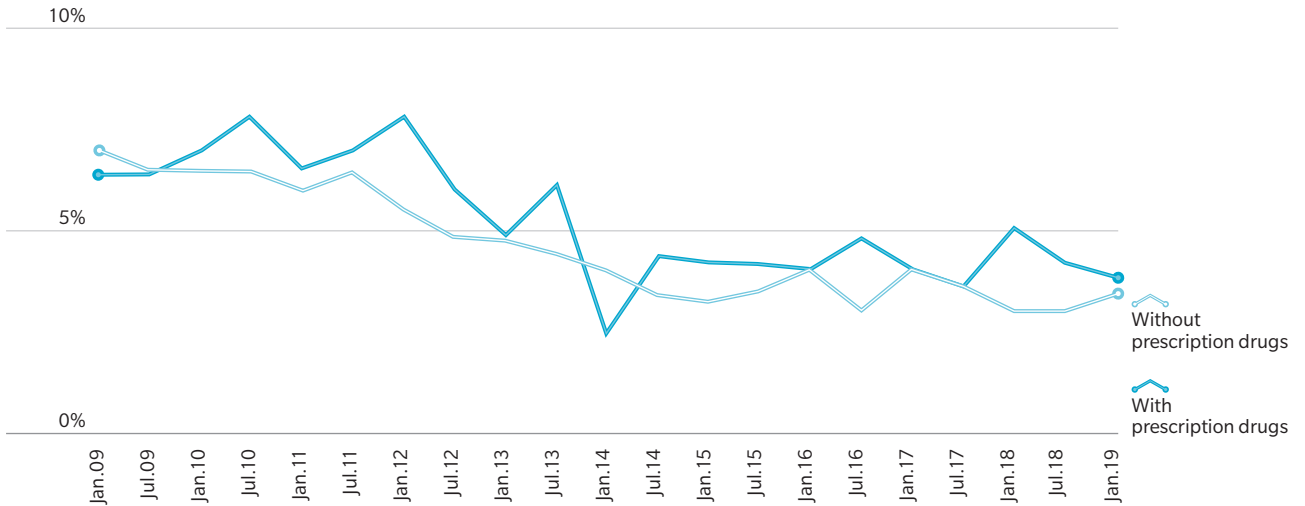
ANNUAL TREND



The median trend decreased from July 2018 levels for both group vision indemnity and PPO products. The median trends are equal for both products at 2.50%.

Exhibit 13: Median Medicare Supplement Trends

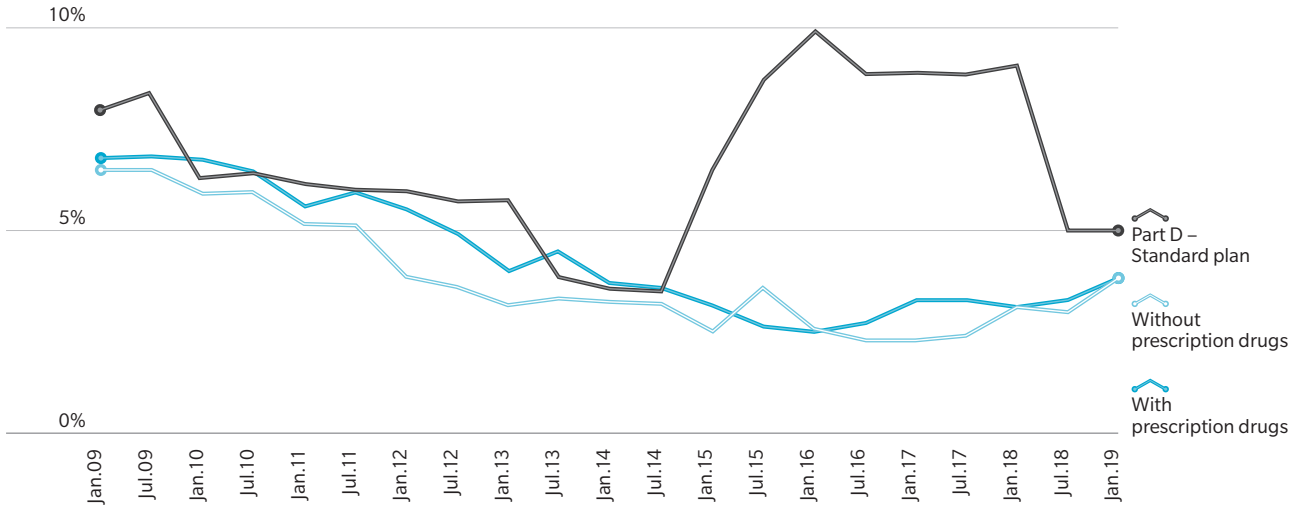
ANNUAL TREND



The median trend for Medicare Supplement products with prescription drug coverage decreased slightly from July 2018 levels. The median trend for Medicare Supplement products without prescription drug coverage increased half a percentage point from July 2018 survey levels.

Exhibit 14: Median Medicare Advantage Trends

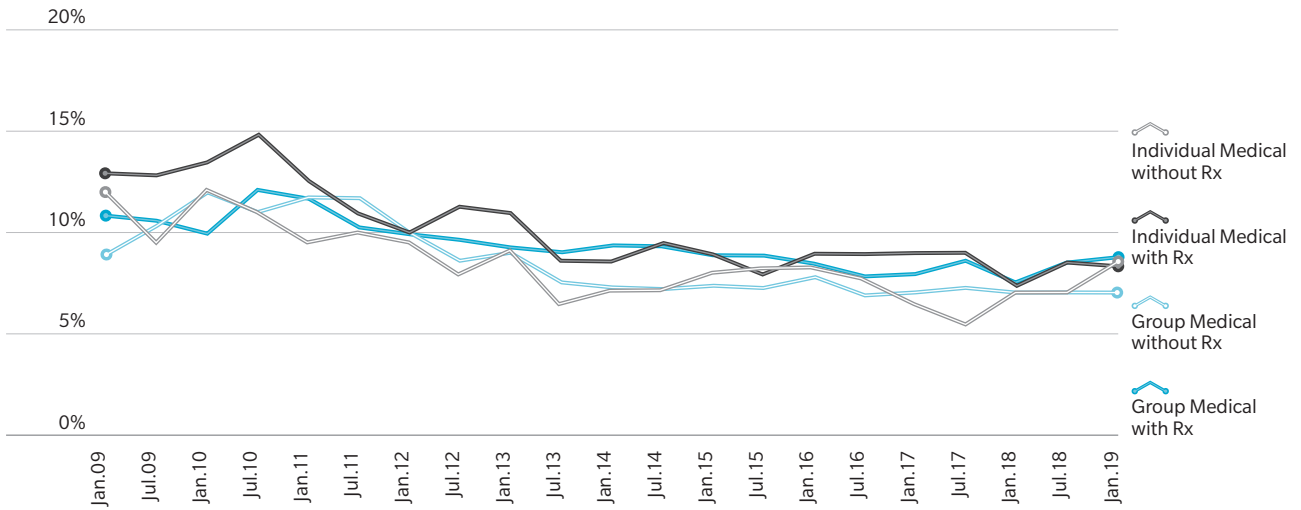
ANNUAL TREND



The median trend for Medicare Advantage products both with and without prescription drugs increased to 3.90%. The Medicare Part D trend is unchanged from the prior survey and remains at its lowest level since July 2014.

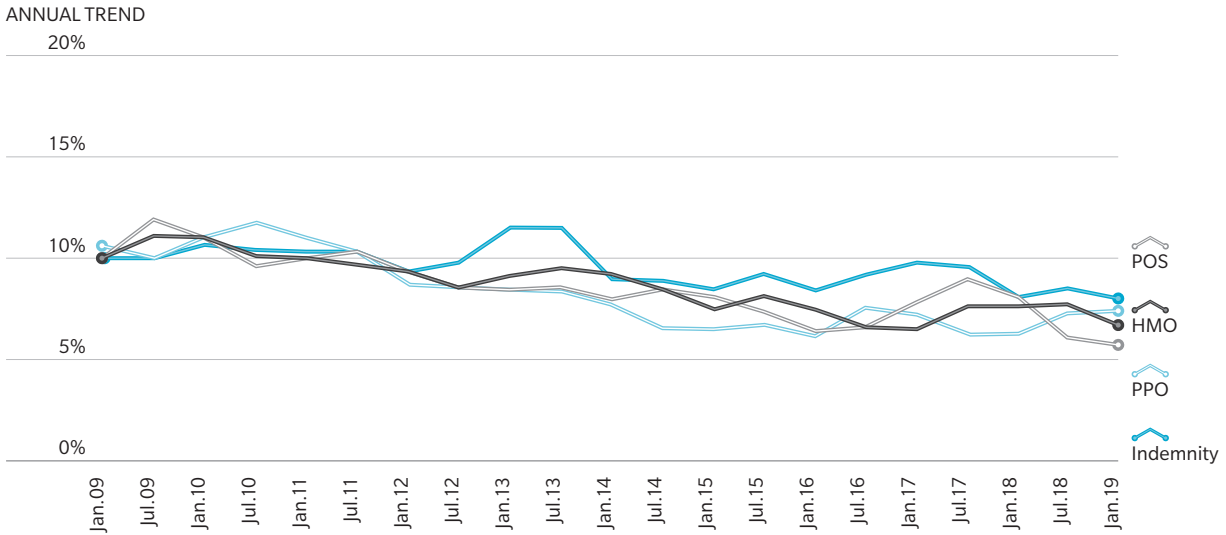
Exhibit 15: Median High Deductible Health Plans Trends

ANNUAL TREND



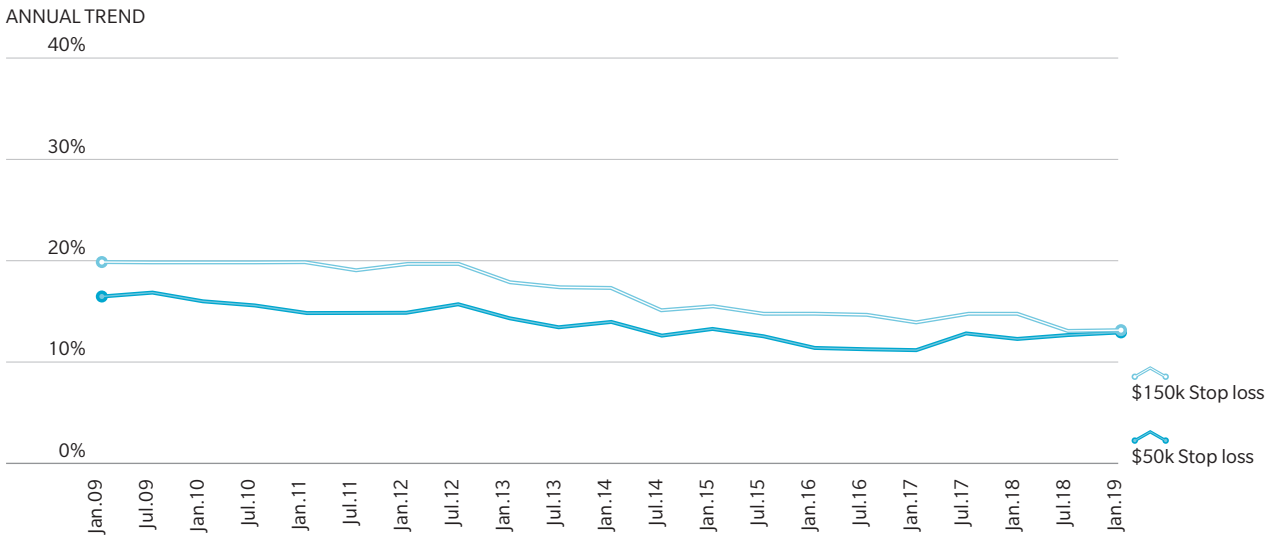
The median trend for individual medical HSA products without prescription drug coverage increased nearly 1.50 percentage points. The changes to the median trends of all other HSA products were marginal. The HSA products have median trends ranging between 7.10% and 8.80%.

Exhibit 16: Median Individual Medical Trends



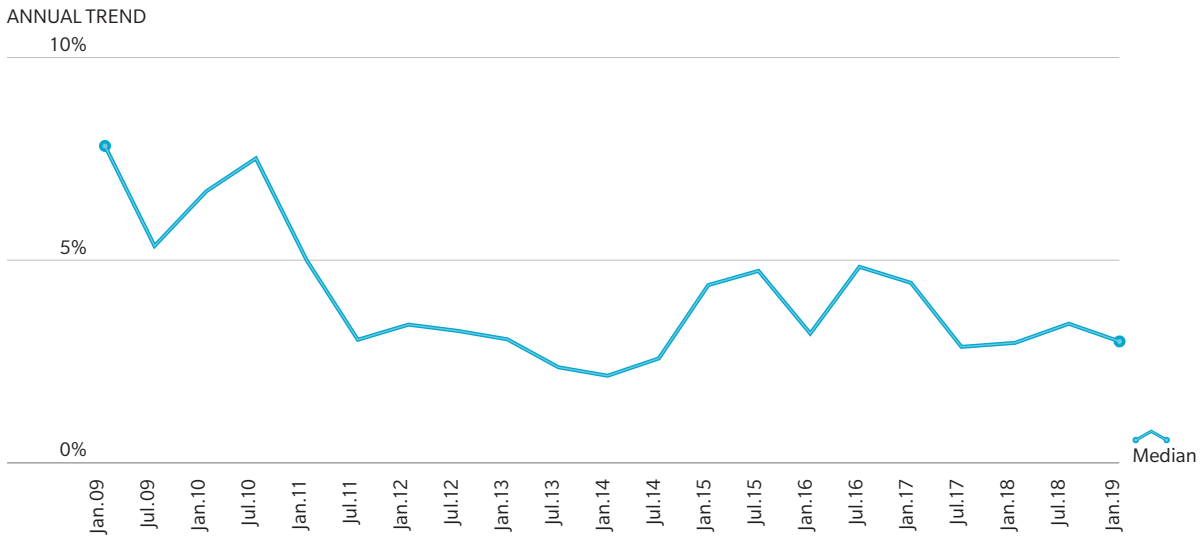
The median trends for individual medical HMO, indemnity and POS products decreased from the July 2018 survey, while the median trend for individual medical PPO products increased marginally. Individual medical POS products show the lowest median trend among the individual products at 5.65%, while individual medical indemnity products have the highest trend at 7.85%.

Exhibit 17: Median Specific Stop Loss Trends



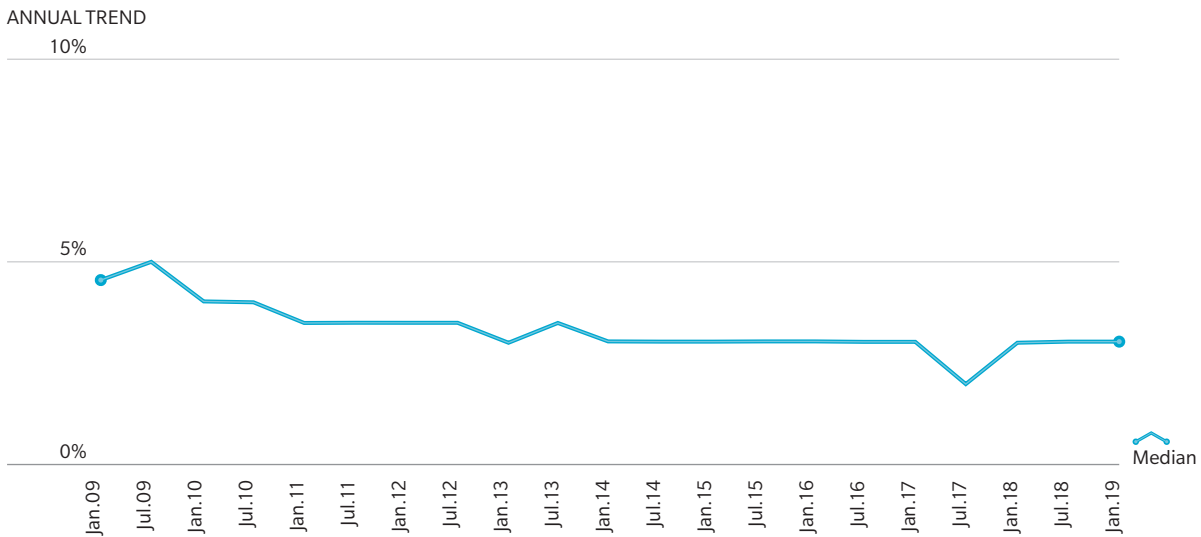
Both stop loss median trends increased slightly from the July 2018 survey levels. The \$50,000 stop loss median trend is currently 13.00% while the \$150,000 stop loss median trend is at 13.40%.

Exhibit 18: Median Medicaid Trend



The median Medicaid trend decreased by 0.40 percentage points 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



The median trend for ASO is 3.00%, which is consistent with the July 2018 survey. Except for the July 2017 survey, the median trend for ASO products has remained at 3.00% since January 2014.

5. PARTICIPATING PROVIDERS

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

6. EXPOSURES BY LINE OF BUSINESS

		NUMBER OF CARRIERS RESPONDING	NUMBER OF RESPONSES	TOTAL REPORTED EXPOSURE
GROUP MEDICAL	Indemnity	18	35	1,159,197
	PPO	31	57	57,464,965
	POS	23	33	18,245,827
	HMO	27	39	8,135,858
				85,005,847
INDIVIDUAL MEDICAL	Indemnity	5	6	13,967
	PPO	18	27	1,706,913
	POS	4	4	15,453
	HMO	18	24	1,520,117
				3,256,450
HIGH DEDUCTIBLE HEALTH PLANS	Group Medical HSA with Rx	27	46	7,800,823
	Group Medical HSA without Rx	14	30	7,930,456
	Individual Medical HSA with Rx	19	27	407,502
	Individual Medical HSA without Rx	3	6	23,926
				16,162,707
PRESCRIPTION DRUG		35	68	50,713,875
MEDICARE SUPPLEMENT	Products with Rx benefits	19	26	318,496
	Products without Rx benefits	27	34	2,546,177
				2,864,673
MEDICARE ADVANTAGE	Products with Rx benefits	23	39	2,127,070
	Products without Rx benefits	12	19	925,241
				3,052,311
MEDICARE PART D STANDARD PLAN		10	21	217,751
MEDICAID		11	13	4,127,309
GROUP DENTAL	Indemnity	16	27	3,513,686
	PPO	26	43	37,746,070
	DHMO	9	9	3,961,947
				45,221,703
GROUP VISION	Indemnity	9	10	8,998,768
	PPO	15	25	10,720,464
				19,719,232
SPECIFIC STOP-LOSS	\$50,000	10	10	457,404
	\$150,000	8	9	845,096
				1,302,500
ASO FEES		15	29	21,815,981

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 nearly 30 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm has more than 5,000 professionals around the world who work with clients to 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 has property & casualty, life, and healthcare actuaries that advise financial institutions, regulators, and self-insured entities across a broad spectrum of risk management issues. With over 300 professionals across 21 offices in North America, the Caribbean, and Europe, the firm's consulting actuaries provide independent, objective advice, combining a wide range of expertise with specialized knowledge of specific risks.

For more information, go to www.oliverwyman.com/actuaries.

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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