

# Health Plan Financial Performance During COVID

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**The Menges Group**

Strategic Health Policy & Care Coordination Consulting

# Introduction and Overview

- This edition conveys our tabulations of health plan revenues and operating margins across the four-year timeframe 2018-2021. Our key objectives were a) to compare financial performance between the last two pre-COVID years (2018-2019) with the COVID-impacted years (2020-2021); and b) to assess differences in financial performance between Medicaid and non-Medicaid lines of business during these timeframes.
- We analyzed financial statements for a group of 28 health plans – entering key financial data and comparing their collective performance across time.
- The criteria for selection of the health plans included our having annual financial statements available throughout the four-year time period, and the plans having at least \$10 million in annual revenue. The 28 plans averaged approximately \$2 billion in annual revenue, with 20 of the health plans attaining over \$1 billion in revenue during 2021. The financial statements encompassed eight states: Georgia, Iowa, Maine, Minnesota, New Mexico, Ohio, Rhode Island, and Tennessee.
- Our health plan sample collectively had a Medicaid focus, with the Medicaid line of business representing 60-65% of these 28 health plans' collective total revenues each year. Nine of the health plans received at least 90% of their revenues from Medicaid; 11 health plans did not have a Medicaid line of business.

# Summary of Key Findings

- Our assessment suggests the health insurance industry experienced particularly favorable financial performance during calendar years 2020 & 2021 (years that have been significantly affected by COVID). Revenues increased considerably relative to the pre-COVID years, and operating margins were also up slightly during 2020 & 2021.
- These trends were particularly visible across the health plans' Medicaid line of business. The health plans' collective Medicaid revenues rose by 27% across 2021-2021 versus the prior two years, and Medicaid operating margins more than doubled during the two COVID-affected years.
- Non-Medicaid health insurance programs didn't have the particularly strong COVID era financial performance exhibited by Medicaid MCOs, but have still performed quite well during 2020 & 2021.
- While operating margins improved during 2020 & 2021 for the Medicaid MCOs, these improvements were not dramatic in size – moving from 2.1% across 2018-2019 to 3.5% across 2020-2021.

# Overall Financial Performance (Across All Lines of Business)

| Calendar Year                        | Company-Wide (All Lines of Business) |                           |                          |
|--------------------------------------|--------------------------------------|---------------------------|--------------------------|
|                                      | Revenues                             | Underwriting Gain or Loss | Percent Operating Margin |
| 2018                                 | \$46,337,140,288                     | \$1,129,686,755           | 2.4%                     |
| 2019                                 | \$50,203,457,902                     | \$1,264,564,601           | 2.5%                     |
| 2020                                 | \$56,992,977,276                     | \$1,914,085,657           | 3.4%                     |
| 2021                                 | \$63,186,978,879                     | \$1,674,730,418           | 2.7%                     |
| 2018-2019 (last two pre-COVID years) | \$96,540,598,190                     | \$2,394,251,356           | 2.5%                     |
| 2020-2021 (COVID years)              | \$120,179,956,155                    | \$3,588,816,075           | 3.0%                     |

- The health plans assessed have collectively experienced strong and improved financial performance across 2020-2021 relative to the prior two (pre-COVID) years.
- Revenues across 2020-2021 were 25% above the pre-COVID years of 2018 & 2019.
- Total dollar operating margins across the 28 plans were 50% higher across 2020-2021 relative to the prior two years.
- Operating margins as a percentage of revenues were 3.0% across the two COVID-impacted years, slightly above the 2.5% margin achieved during the 2018-2019 timeframe.

# Medicaid Line of Business Performance

| Calendar Year                        | Medicaid Line of Business |                           |                          |
|--------------------------------------|---------------------------|---------------------------|--------------------------|
|                                      | Revenues                  | Underwriting Gain or Loss | Percent Operating Margin |
| 2018                                 | \$28,984,742,740          | \$645,719,958             | 2.2%                     |
| 2019                                 | \$31,654,170,831          | \$606,773,579             | 1.9%                     |
| 2020                                 | \$36,604,274,453          | \$1,188,577,366           | 3.2%                     |
| 2021                                 | \$40,118,535,594          | \$1,484,243,941           | 3.7%                     |
| 2018-2019 (last two pre-COVID years) | \$60,638,913,570          | \$1,252,493,536           | 2.1%                     |
| 2020-2021 (COVID years)              | \$76,722,810,047          | \$2,672,821,307           | 3.5%                     |

- Medicaid health plans experienced/achieved particularly favorably financial performance across the 2020 & 2021 COVID-affected years.
- Medicaid revenues across 2020-2021 were 27% above the pre-COVID years of 2018 & 2019.
- Medicaid total dollar operating margins across the 17 plans serving Medicaid were 113% higher across 2020-2021 relative to the prior two years. Medicaid represented 74% of overall operating margins across 2020-2021, well above Medicaid's 52% share of all operating margins across 2018 & 2019.
- Operating margins as a percentage of revenues were 3.5% across the two COVID years, relative to the 2.1% margin achieved during the 2018-2019 timeframe.

# Financial Performance -- Other (non-Medicaid) Lines of Business

| Calendar Year                           | Other (Non-Medicaid) Lines of Business |                              |                                |
|---|--|------------------------------|--------------------------------|
|   | Revenues                               | Underwriting<br>Gain or Loss | Percent<br>Operating<br>Margin |
| 2018                                    | \$17,352,397,549                       | \$483,966,797                | 2.8%                           |
| 2019                                    | \$18,549,287,072                       | \$657,791,023                | 3.5%                           |
| 2020                                    | \$20,388,702,823                       | \$725,508,291                | 3.6%                           |
| 2021                                    | \$23,068,443,285                       | \$190,486,477                | 0.8%                           |
| 2018-2019 (last two<br>pre-COVID years) | \$35,901,684,620                       | \$1,141,757,820              | 3.2%                           |
| 2020-2021 (COVID<br>years)              | \$43,457,146,108                       | \$915,994,768                | 2.1%                           |

- Non-Medicaid health plans didn't have the particularly strong COVID era financial performance exhibited by Medicaid MCOs, but still performed quite well during COVID.
- Non-Medicaid revenues across 2020-2021 were 21% above the pre-COVID years of 2018 & 2019.
- Running opposite the Medicaid trend, total dollar operating margins for non-Medicaid health insurance products were *20% lower* during 2020 & 2021 relative to the prior two years.
- Across the non-Medicaid book of business we assessed, operating margins as a percentage of revenues were also lower across the two COVID years (2.1%) than during the pre-COVID 2018-2019 timeframe (3.2%).

# 5 Slide Series Overview

Our 5 Slide Series is typically a monthly publication whereby we briefly discuss/address a selected topic outside the confines of our client engagements. The Menges Group has developed a variety of datasets that we use to support our 5 Slide Series and client projects.

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