



Covered California Cuts FY15-16 Exchange Enrollment Projections

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Covered CA reduces exchange enrollment forecasts in FY15-16 budget

Covered California released its FY15-16 budget today for the fiscal year that ends June 30, 2016 which includes new high, low, and baseline exchange enrollment projections. The agency has lowered its baseline FY14-15 and FY15-16 projections quite materially after lackluster enrollment growth in the state's exchange for the 2015 open enrollment period (OEP). Specifically, the exchange is now projecting effectuated enrollment of 1.3 mln lives as of June 2015 which is down 24% from last year's projection. The agency also cut its exchange enrollment forecast for FY15-16 by 26% to 1.476 mln lives. Note that the exchange reported 1.439 mln lives at the end of this 2015 OEP, so the state is projecting that enrollment will decline roughly 10% between the end of the OEP and June due to disenrollments and attrition. Baseline projections are running higher than the state's original estimates from May 2013 given the robust enrollment during the 2014 OEP which nearly doubled original projections. However, Covered CA has also narrowed its projections quite substantially vs. those original forecasts given that it now has two years of OEP experience as the high-side projections for FY15-16 and FY16-17 are now 21-22% below the original estimates. Enrollment growth between FY14-15 and FY16-17 was also cut in half compared to original forecasts as the two-year enrollment CAGR over the period is now ~13%, down from ~26% previously.

Focus stocks

Aetna (AET.N),USD109.79 Buy Price Target USD122.00
Anthem (ANTM.N),USD158.47 Buy Price Target USD175.00
CIGNA (CI.N),USD131.69 Buy Price Target USD145.00
Centene (CNC.N),USD67.49 Hold Price Target USD65.00
Health Net (HNT.N),USD58.84 Hold Price Target USD61.00
Humana (HUM.N),USD173.38 Hold Price Target USD155.00
Molina (MOH.N),USD68.17 Hold Price Target USD62.00
UnitedHealth Group (UNH.N),USD115.86 Buy Price Target USD135.00
WellCare Health Plans (WCG.N),USD82.35 Hold Price Target USD75.00

Source: Deutsche Bank

Figure 1: Covered CA Enrollment Projections

2014 OEP Projections (May 23, 2013)				
	FY13-14	FY14-15	FY15-16	FY16-17
High	894	1,478	1,941	2,308
Base	629	999	1,280	1,578
Low	274	587	940	1,258
2015 OEP Projections (May 22, 2014)				
	FY13-14	FY14-15	FY15-16	
High		1,900	2,400	
Base	1,200	1,700	2,000	
Low		1,300	1,400	
2016 OEP Projections (May 13, 2015)				
		FY14-15	FY15-16	FY16-17
High			1,542	1,807
Base		1,300	1,476	1,667
Low			1,366	1,548

Source: Covered California; Deutsche Bank

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