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ResearchReport

Health Insurers and Pharmacy Benefit Managers: Information on Size, CEO Salaries, and Fiduciary Relationships

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Issue

For the largest health insurers and pharmacy benefit managers (PBMs) by enrollment, describe each company's revenues and chief executive officer (CEO) compensation. For the top three PBMs, describe their fiduciary relationship with health insurers. This report has been updated by OLR Report 2022-R-0030.

Health Insurers

Table 1 lists the top 10 health insurers by number of enrollees, and for the most recent years that data is publicly available, their revenue, net revenue (or income), and (3) CEO and his or her compensation. Generally, we obtained the data from financial statements made available on company websites or publicly available forms filed with the federal Securities and Exchange Commission (SEC) (i.e., 10-K and annual report filings).

The data provided is as consistent as possible across companies and categories. However, in certain instances direct comparisons are difficult. For example, revenue for UnitedHealth Group includes revenue from OptumRX, the PBM it owns, and several other divisions. Additionally, some insurers report "net revenue" while others report "operating profit." Finally, insurers also define enrollment (also referred to as covered lives, membership, or medical members) differently. For example, ExpressScripts notes it "serves" 83 million people, but it does not specify if all those individuals are members.

Table 1: Insurer Revenue, Enrollment, and Executive Compensation

Insurer	Approximate Enrollment (2016)	Revenue (Millions)		Net Revenue (Millions)		CEO	CEO Total Compensation (2016)
		FY 16	FY 15	FY 16	FY 15		
United Healthgroup	47,530,928	$184,840	$157,107	$7,073	$5,868	Stephen J. Hemsley	$17,765,612
Anthem	39,919,000	84,195	78,405	2,470	2,560	Joseph R. Swedish	16,455,697
Aetna, Inc	23,110,000	63,155	60,337	2,271	2,390	Mark T. Bertolini	18,662,306
Health Care Service Corporation[1]	14,762,103	34,500 (2017)	See Note[1]	See Note[1]	See Note[1]	Patricia Hemingway Hall	16,572,097
Humana	14,230,200	54,379	54,289	614	1,276	Bruce D. Broussard	19,722,400
Cigna	14,027,343	39,668	37,876	1,843	2,077	David M. Cordani	15,279,857
Centene Corporation	11,400,000	40,607	22,760	562	355	Michael F. Neidorff	21,968,983
Kaiser Permanente[2]	10,700,000	64,600	3,100	60,700	1,900	Bernard Tyson	6,040,023
Highmark	9,700,000	18,233	17,670	58.5	-84.7	David Holmberg	3,800,000
Wellcare	3,898,000	14,237	13,890	242	118.6	Kenneth A. Burdick	9,260,080

[1]Healthcare Service Corporation is a private company and is not required to file income or other financial forms with the SEC. Revenue listed is from 2017 and was obtained from http://www.hcsc.com/who-we-are/statistics.
[2]Kaiser Permanente is a non-profit organization but is required to file certain financial information with the IRS.

Pharmacy Benefit Managers

Generally, PBMs administer a health insurance plan's prescription drug benefits.

According to the Pharmaceutical Care Management Association (PCMA), the national association representing pharmacy benefit managers, several small PBMs operate in the United States which makes determining the total number difficult. However, the three largest PBMs (Caremark, owned by CVS Health; Express Scripts, which is independent; and OptumRx, owned by UnitedHealth Group)

represent approximately 75-80% of the total market. Of these three, only Express Scripts is unaffiliated with a health insurer. According to PCMA, several major health insurers, including Aetna, Cigna, Centene, and Humana, have affiliated PBMs. However, a full list of PBMs and their relationships with health insurers, if any, is not available.

Table 2 shows, for the top three PBMs by enrollment, the number of individuals enrolled and each company's total and net revenues for 2015-2017. We obtained the data from financial statements made available on company websites or publicly available forms filed with the SEC.

Table 2: Enrollment and Total and Net Revenue for Largest PBMs

PBM	Enrollment (2016)	FY Total Revenues (in millions)			FY Net Revenues (in millions)		
		2015	2016	2017	2015	2016	2017
Caremark[1]	90,000,000	$100,363	$119,963	$130,596	$3,989.00	$4,672	$4,755
Express Scripts	83,000,000	101,752	100,288	Unavailable	2,476	3,404	Unavailable
OptumRx[2]	65,000,000	48,272	60,440	63,755	1,749	2,682	3,118

[1]Pharmacy services segment revenues
[2]Net revenue of OptumRX is described in UnitedHealth Group's 10-K filing as "earnings from operations" and does not include certain income tax deductions normally included in net revenue statements.

Table 3 shows the total 2016 CEO compensation for the three largest PBMs. For Caremark, the table lists both the CEO of the parent company, CVS, and the Executive Vice President of Caremark. For OptumRX, the tables lists the CEO of UnitedHealth Group, which includes OptumRX. Data comes from each company's 2017 proxy statement, which is the document submitted to shareholders so they may vote on, among other things, executive compensation.

Table 3: 2016 CEO Total Compensation for Largest PBMs

PBM	CEO	Total CEO Compensation
Caremark	Larry J. Merlo (CVS)	$18,359,377
	Jonathan C. Roberts (CVS - Caremark)	8,631,107
Express Scripts	Timothy Wentworth	14,522,178
OptumRx	Stephen J. Hemsley (United Health Group)	17,765,612

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