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FOR IMMEDIATE RELEASE

April 30, 2002

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Colorado's small group market shrinks significantly

DENVER - The Colorado Division of Insurance's annual small group survey shows an overall decrease in the number of small employer groups covered by health insurance. Carriers operating in the small group market (1-50 employees) reported a total of 65,590 small groups as of December 31, 2001, a decrease of 4,680 groups over the previous year. This represents 81,845 fewer individuals in the small group market since December 2000. In addition, 34 carriers reported having some small group business as of December 31, 2001. This is a decrease of ten carriers from the previous year, and many of those remaining are HMOs with limited service areas.

"These numbers, along with an increase in the number of Business Groups of One (BG1s), continue a disturbing trend of larger healthier groups leaving the small group market and a disproportionate number of smaller, less healthy groups entering the market," Commissioner William J. Kirven III said. "It is disturbing to think that the cost increases resulting from these dynamics are adding to the number of uninsured people in Colorado, when the intent of small group reforms was affordable health coverage."

Each year, small group carriers are required to submit annual reports on their small group activity. The Division compiled the 2001 reports from the 34 carriers that reported having some small group business on their books as of December 31, 2001. The total number of employees and dependents covered in small groups was 456,151, a drop of 81,845 insureds since December 31, 2000. The 2001 number of individuals covered through the small group market is the lowest since the Division started tracking and reporting small group activity.

Colorado remains one of a handful of states that offers limited guaranteed issue to self-employed Business Groups of One. BG1s (including their covered dependents) accounted for 78,610 lives, representing 17.2 percent of the total lives covered in the small group market. The number of BG1s actually increased from 28,805 in 2000 to 36,436 in 2001, an increase of 7,631 groups. This means the overall decline in number of small employer groups was concentrated in the groups of 2-50.

"Since healthier self-employed people find their way into the individual and self-funded markets, the small group market continues to be adversely affected by an increasing percentage of higher risk Business Groups of One," Commissioner Kirven said. "These numbers and their trends indicate a "death spiral" in the small group market where the coverage becomes unaffordable as the healthier groups seek coverage elsewhere."

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As carriers have identified these trends and found the prospects for profitability in this market dim, some have decided to withdraw after giving the required 6-month notice to policyholders as specified by state and federal law. Although 44 carriers had small group business remaining on their books at yearend, several had already provided notice of withdrawal, including Aetna US Healthcare (HMO), Colorado's largest small group carrier in 2001. Currently, the Division shows 24 carriers actively marketing to small employers and several of those have limited service areas. Consumers in rural areas of the state are reporting that they have few options and are finding it increasingly difficult to access health coverage in the small group market.

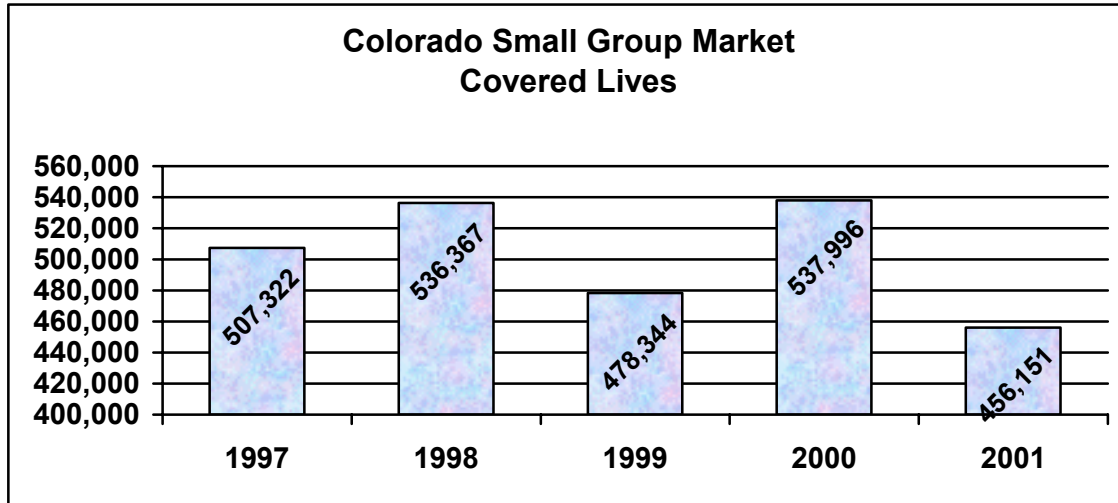
This survey also confirms that managed care continues to dominate Colorado's small group market. Including all small group plans, only three percent represent the traditional indemnity type coverage. Preferred provider plans (PPOs) and health maintenance organizations (HMOs) make up 37 percent and 60 percent of the market, respectively. Colorado's basic and standard health benefit plans comprise 25 percent of the State's small group plans. All carriers in the small group market are required to offer these standardized, comprehensive health care plans which are designed to enhance the consumer's ability to compare premium costs from one carrier to another.

Colorado employers can also obtain small group health coverage through the licensed purchasing cooperative, the Cooperative for Health Insurance Purchasing (CHIP). The purchasing cooperative provides employees of a single employer a choice of plans offered through the cooperative. In addition to the small group activity reported by carriers, the CHIP reported having 1,351 small employer groups participating in their cooperative, representing 12,061 lives, at yearend 2001. This is a significant decrease from the 25,576 small group cooperative lives in 2000.

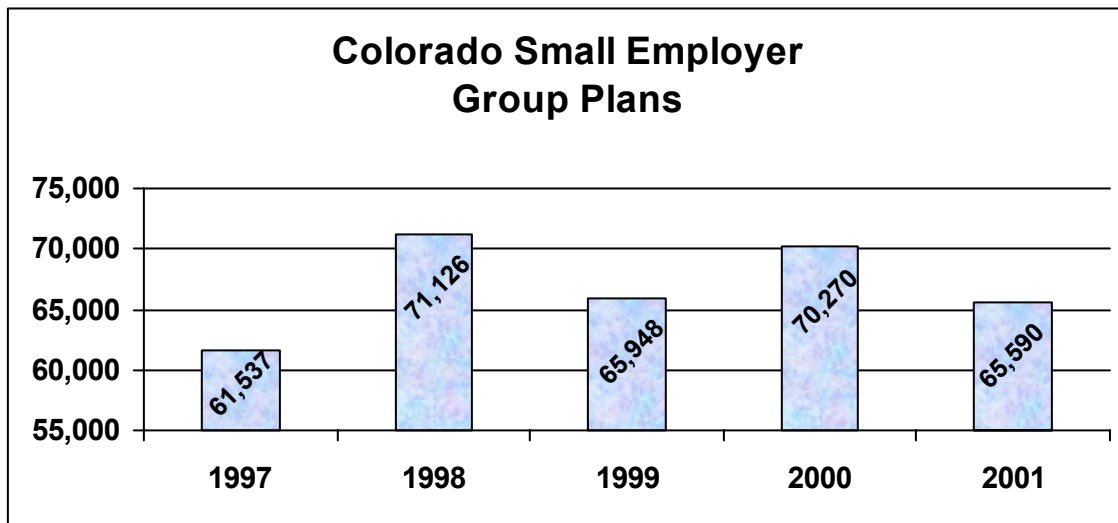
Graphs and charts illustrating findings from the 2001 Small Group Activity Report are included in this release and are also available on the Division's website at www.dora.state.co.us/insurance under *press releases* and *all publicaitons*.

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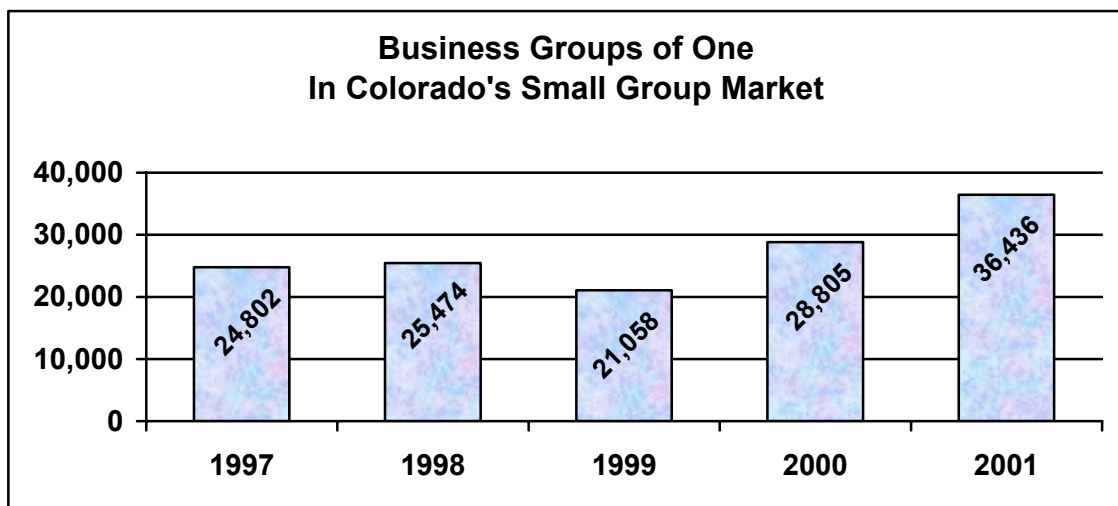
2001 Small Group Health Insurance Report



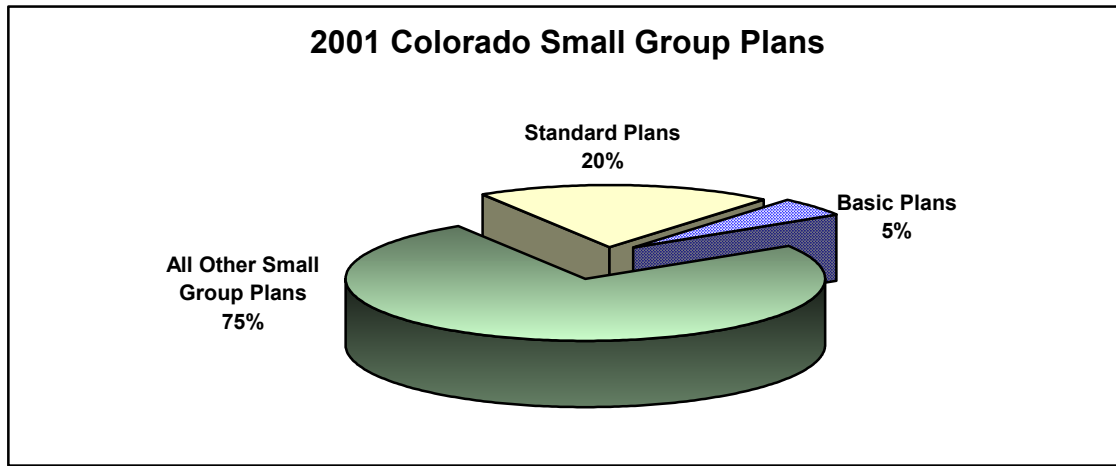
Source: Colorado Division of Insurance (4/30/02)



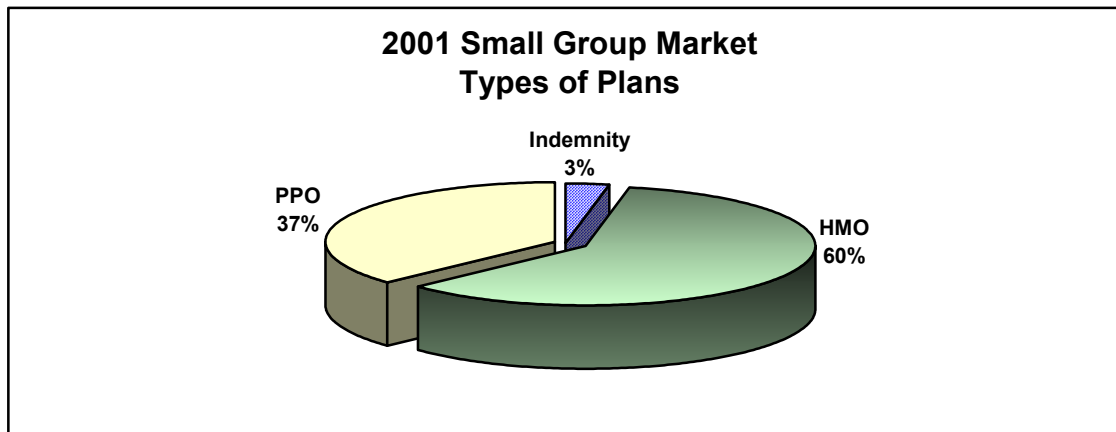
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Top Ten Small Group Carriers by Lives Covered (Compiled from data submitted by carriers in 2001 Colorado Small Group Reports)

<i>Carrier Name</i>	<i>Lives Covered in Small Group Market as of 12/31/01</i>
1. Aetna US Healthcare*	79,097
2. Kaiser**	73,960
3. Humana (Employers Health)	52,239
4. United Healthcare of Colorado	36,793
5. United Healthcare Insurance Co.	33,636
6. Pacific Life and Annuity	28,590
7. HMO Colorado**	28,440
8. Rocky Mountain HMO	24,064
9. Anthem BC/BS**	20,780
10. PacifiCare	19,911
TOTAL ***	397,510

Source: Colorado Division of Insurance (4/30/02)

*No longer in the small group market

** Includes lives covered through purchasing cooperative

*** Represents approximately 87% of the small group market