

STATE OF COLORADO

DEPARTMENT OF REGULATORY AGENCIES

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FOR IMMEDIATE RELEASE

March 12, 2003

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Continued Erosion Seen in Colorado's Small Group Market

DENVER - The Colorado Division of Insurance's annual small group survey shows an overall decrease, for the second consecutive year, 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 55,607 small groups as of December 31, 2002, a decrease from the 65,590 groups reported in the previous year. This represents a loss of approximately 10,000 employer groups representing 43,308 individuals. Thirty carriers reported having some small group business as of December 31, 2002, although some of those had given notice of withdrawal from this market prior to that date. Division records indicate that 25 small group carriers are currently operating in our state.

"The continued shrinkage of the small group pool is a disturbing trend," said Commissioner Doug Dean. "As the small group market gets smaller, only carriers with significant market share will be able to compete effectively. This would mean fewer carrier choices and that would be bad news for Colorado consumers," added Dean.

Each year, small group carriers are required to submit annual reports on their small group activity in Colorado. The Division compiled the 2002 reports from the 30 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 412,843, a drop of 43,308 insureds since December 31, 2001. The 2002 number of individuals covered through the small group market is the lowest since the Division started tracking and reporting small group activity.

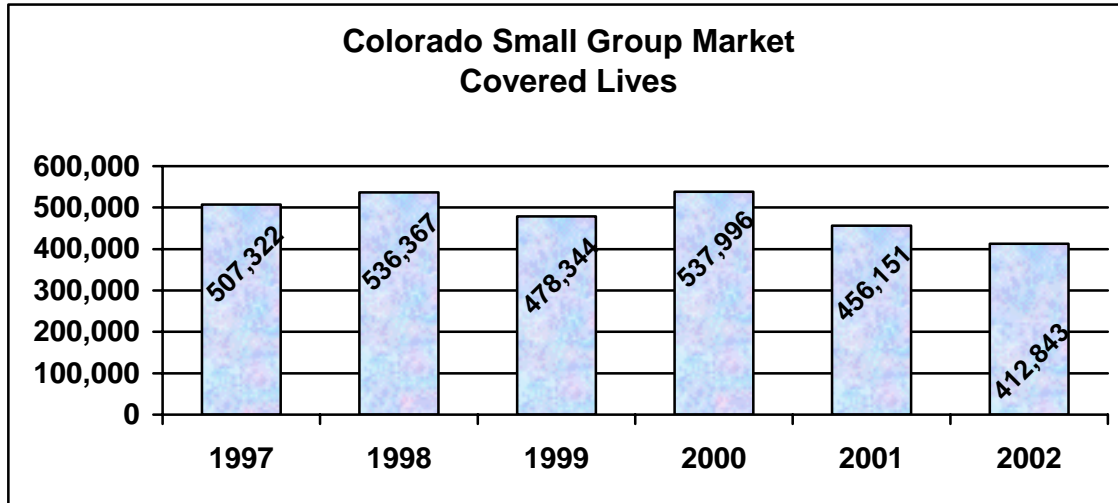
Insurers marketing to small employers with 2-50 employees are required to issue small group products to small employers, regardless of the health status of employees within a group. In addition, Colorado remains one of a handful of states that offers limited guaranteed issue to self-employed Business Groups of One (BG1s). BG1s accounted for 16,576 small group policies in 2002, a significant decrease from the 24,637 BG1 policies in effect on December 31, 2001. "We cannot definitively explain this decrease," said Dean, "but assume that higher premium costs and greater carrier attention to qualification requirements were contributing factors."

This survey also confirms that managed care continues to dominate Colorado's small group market. Of all small group plans, only two percent of employer groups are the traditional indemnity type coverage. Preferred provider plans (PPOs) and health maintenance organizations (HMOs) make up 45 percent and 53 percent of the market, respectively. Colorado's basic and standard health benefit plans have less of a presence in our state than last year. The survey showed that 23 percent of small employers chose the basic or standard plans, while 77 percent selected other plan options. 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.

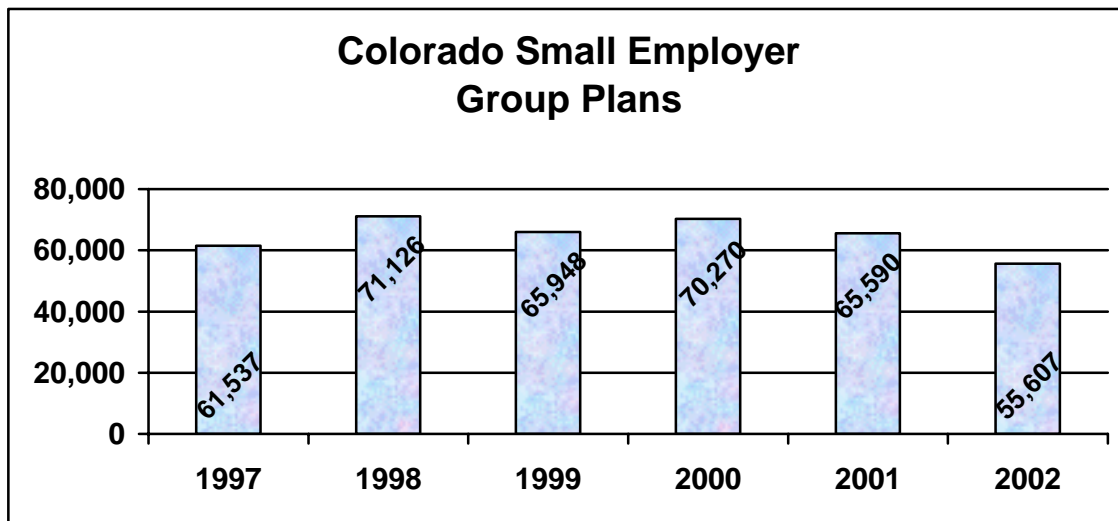
Graphs and charts illustrating findings from the 2002 Small Group Activity Reports are included in this release and are also available on the Division's website at www.dora.state.co.us/insurance.

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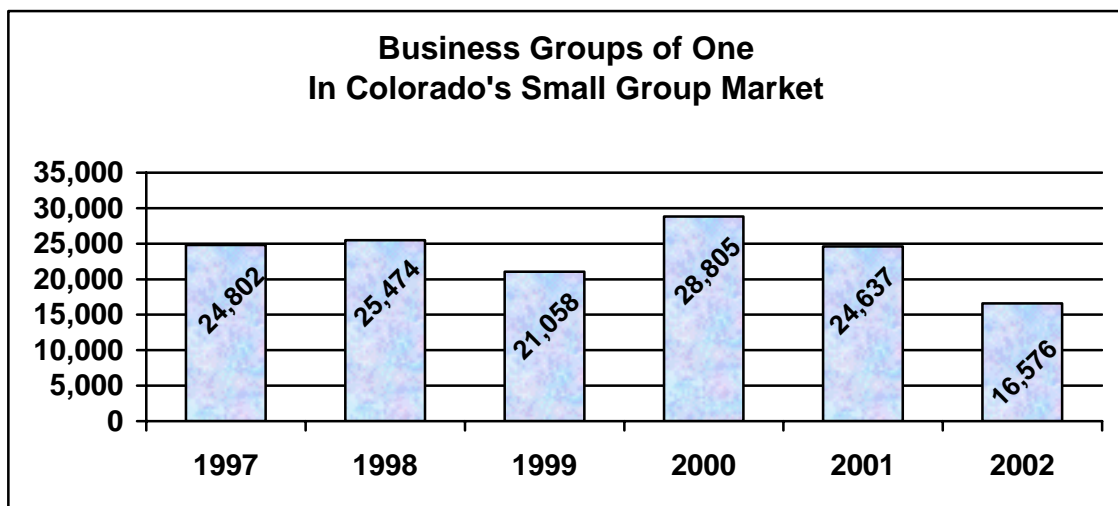
2002 Small Group Health Insurance Report



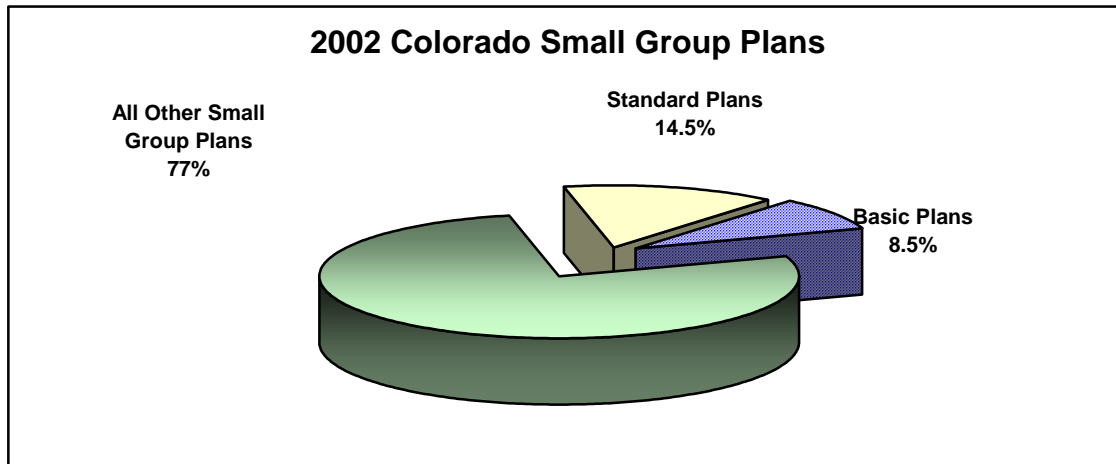
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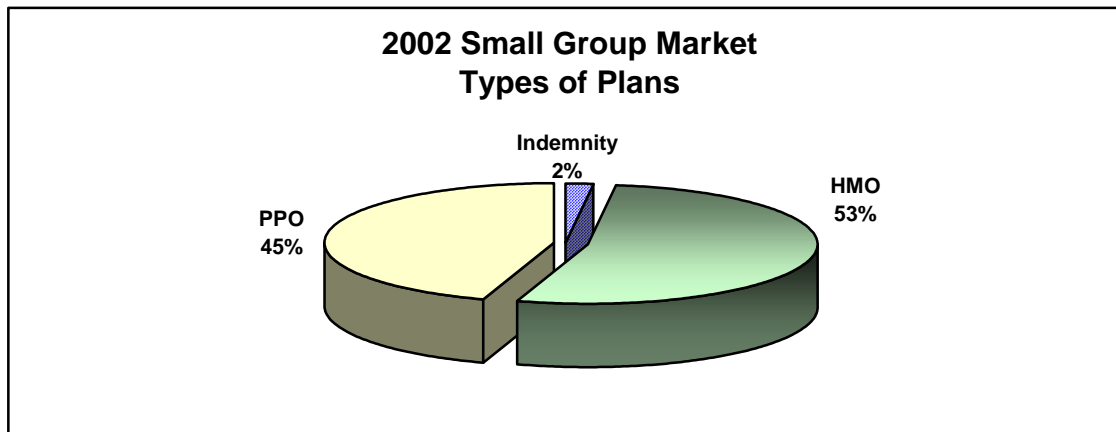
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Top Ten Small Group Carriers (By covered lives as of 12/31/02)

Carrier Name	Small Group Covered Lives
1. United Healthcare Insurance Company	79,222
2. Kaiser Foundation Health Plan	76,970
3. Pacific Life & Annuity	47,827
4. Humana Insurance Company	35,729
5. United Healthcare of Colorado Inc.	31,043
6. HMO Colorado	29,847
7. Rocky Mountain Health Plan	29,804
8. Anthem BC/BS	22,378
9. PacifiCare	21,520
10. Mid-West National	6,083
Total	380,423*

* Total constitutes 92% of all small group covered lives.