

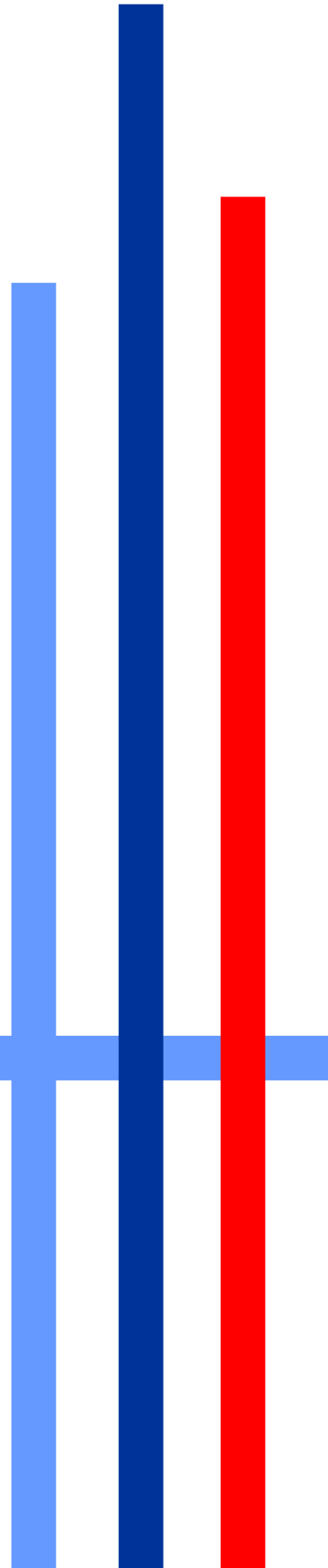
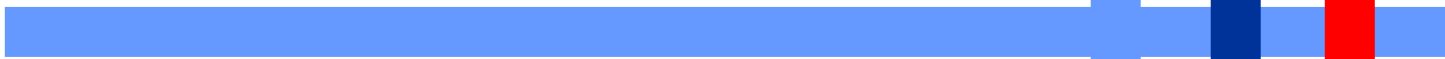


# **Dora**

Department of Regulatory Agencies

**Division of Insurance**

## 2009 Colorado Small Group Market Activity Report



Colorado Commissioner of Insurance  
Marcy Morrison

May 7, 2010

## Introduction

Each year, the Division of Insurance (Division) requires carriers to file reports related to the status of Colorado's small group health marketplace. The small group market is made up of employers who provide employee health coverage through a Colorado regulated health benefit plan, and have no more than 50 eligible employees in Colorado for at least half of the year. It also includes employers with only one employee, known as Business Groups of One (BG-1s). BG-1s participate in the small group market due to a unique Colorado law.

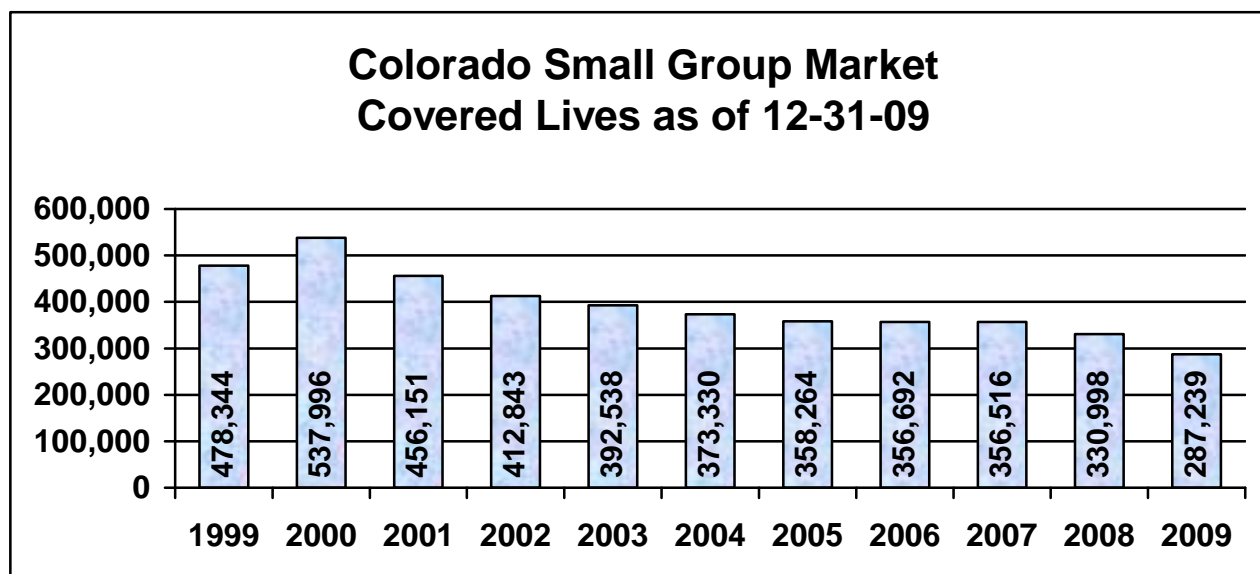
The Division collects information from health carriers, including health maintenance organizations (HMOs). This information includes the number of plans, premiums, and total number of lives covered under small group health benefit plans at the end of the previous calendar year. All data in this report reflects market activity as of December 31, 2009.

### **Key findings in this report:**

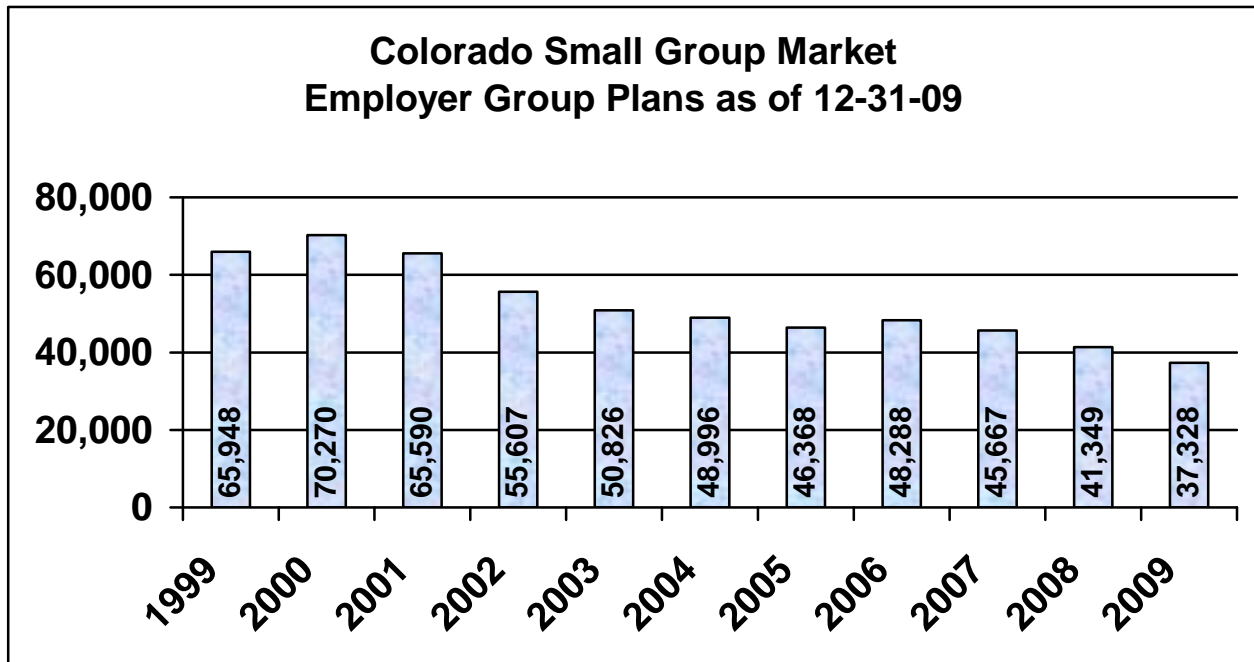
- A decline in both the number of small group plans, by 10%, and covered lives, by 13%.
- The number of small business group plans fell by 10% in 2009, with the exception of BG-1's which fell by 6%.
- The top 10 companies increased their market share to include 99% of all lives covered in 2009, compared to 97.5% in 2008.
- Of 21 companies in the small group market, 16 still sell new policies.
- Health Savings Account (HSA) qualified plans increased in proportion to other plans by 4%.
- HMO-type coverage increased in proportion to other types by 12%.

## Participation in the Small Group Marketplace

In 2009, the Colorado small group market covered 287,239 Coloradans with over \$1 billion in written premium. This represents 43,759 fewer people, a 13% decrease since December 31, 2008. The following chart shows the number of "covered lives" in the small group market over ten years. Covered lives represent all people covered under a health benefit plan, including the policyholder and any spouse or children. In 2009, 4,316 covered lives were uninsured for more than 90 days prior to joining a small group plan.

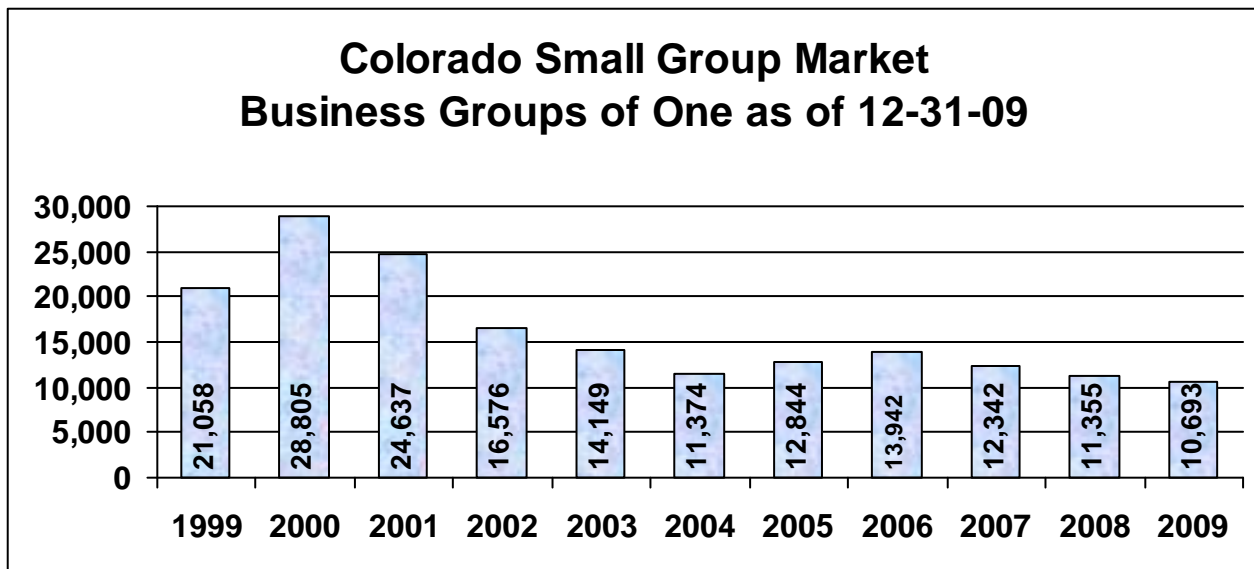


The number of employers participating in the small group marketplace also declined in 2009. As of December 31, 2009, there were 4,021 fewer small group employers who provided health plans for their employees. This represents a 10% drop in the number of small group market employers. Moreover, carriers terminated 4,053 small group plans due to non-payment of premiums.



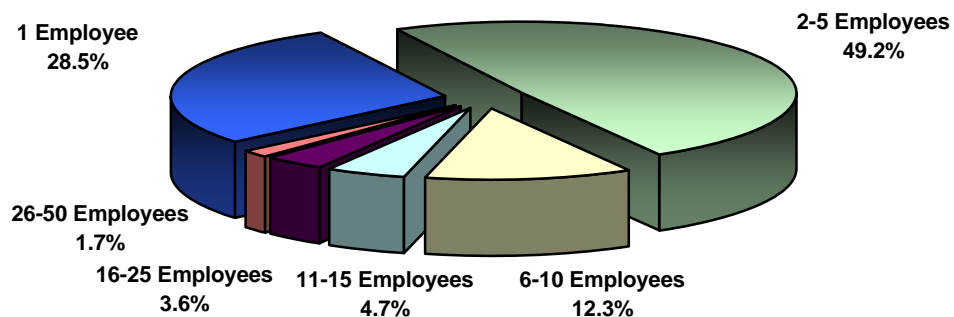
Note: Employer Group Plans are a measure of how many businesses have purchased health benefit plans for their employees.-

In 2009, the number of BG-1s declined by 6% from 11,355 to 10,693. Groups with 2-50 employees declined 10%. BG-1s now represent 28.5% of the small group market, up from 27.4% in 2008 due to the more rapid decline in larger groups.

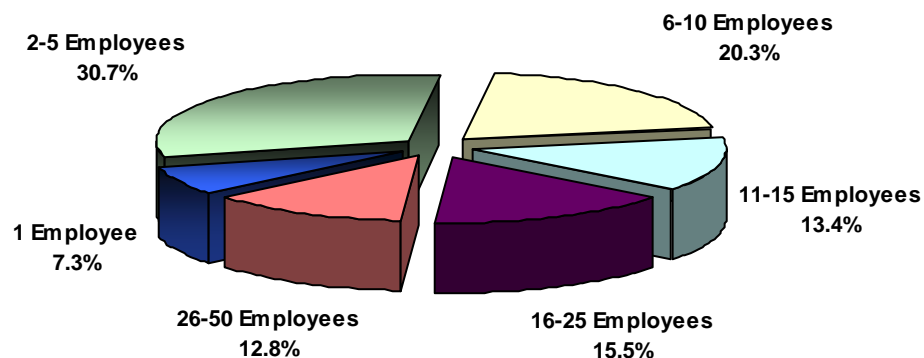


As shown on the following charts, BG-1s represent 28.5% of the “companies” in the small group market, but only 7.3% of the covered lives. For BG-1s, one policy covers a single employee and might include the individual’s family. In a company with 5 or 10 employees, one policy covers all employees, spouses and dependents as one group.

## 2009 Colorado Small Group Market Employer Group Plans by Company Size as of 12-31-09



## 2009 Colorado Small Group Market Covered Lives by Company Size as of 12-31-09



## Carriers in the Small Group Market

Twenty-one carriers participated in Colorado's small group market on December 31, 2009. One company joined and one left the market since December 31, 2008. Of these companies, five no longer sell new policies. These five represent 1.6% of the covered lives and are in the process of officially leaving the small group market. The top 10 small group carriers covered 99.0% of all lives at the end of 2009, up from 97.5% at the end of 2008.

### Colorado Small Group Carriers (By covered lives as of 12/31/09)

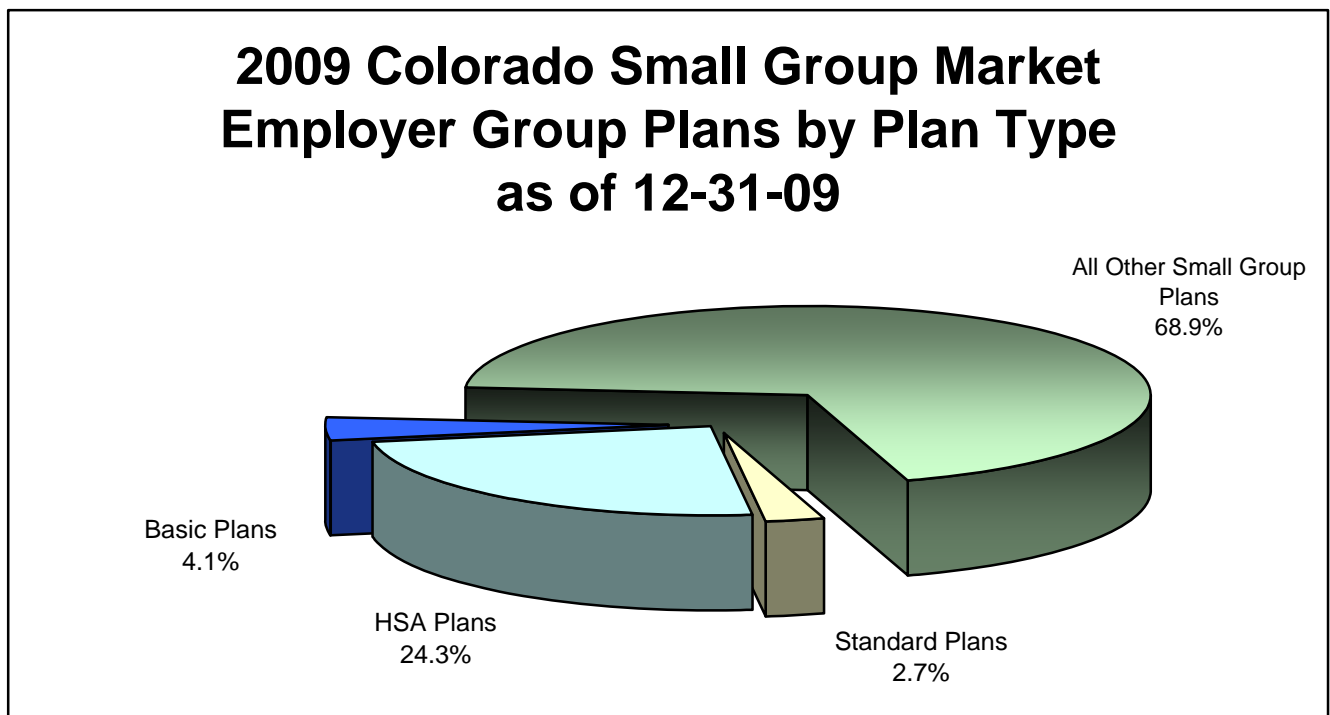
<i>Carrier Name</i>	<i>Market Share</i>	<i>Small Group Covered Lives</i>	<i>Writing New Policies</i>	<i>Limited Mandate Plans</i>	<i>HSA Plans</i>
1. United Healthcare Insurance Company	26.2%	75,256	Yes	Yes	Yes
2. Kaiser Foundation Health Plan of Colorado	26.1%	74,882	Yes	Yes	Yes
3. Rocky Mountain Hospital and Medical Services, Inc. d/b/a Anthem Blue Cross Blue Shield	25.0%	71,763	Yes	No	Yes
4. Rocky Mountain Health Maintenance Organization, Inc.	5.7%	16,500	Yes	Yes	Yes
5. Humana Health Plan, Inc.	5.0%	14,240	Yes	Yes	Yes
6. Rocky Mountain HealthCare Options, Inc.	4.0%	11,568	Yes	Yes	Yes
7. Aetna Life Insurance Company	2.7%	7,897	Yes	Yes	Yes
8. Humana Insurance Company	2.4%	6,805	Yes	Yes	Yes
9. PacifiCare Life Assurance Company	1.2%	3,572	No	Yes	Yes
10. Colorado Choice Health Plans d/b/a San Luis Valley HMO	0.7%	2,018	Yes	Yes	Yes
11. John Alden Life Insurance Company	0.2%	601	Yes	Yes	Yes
12. PacifiCare of Colorado, Inc.	0.2%	520	No	Yes	No
13. The MEGA Life and Health Insurance Company	0.2%	448	Yes	Yes	No
14. Principal Life Insurance Company	0.1%	289	No	Yes	Yes
15. Mid-West National Life Insurance Company of Tennessee	0.1%	266	Yes	Yes	No
16. United Healthcare of Colorado, Inc.	0.1%	256	Yes	Yes	No
17. Guardian Life Insurance Company	0.1%	180	No	Yes	Yes
18. HMO Colorado, Inc.	0.0%	110	Yes	No	No
19. Time Insurance Company	0.0%	60	Yes	Yes	Yes
20. Transamerica Life Insurance Company	0.0%	7	Yes	No	No
21. First Health Life & Health Insurance Co	0.0%	1	No	No	Yes
<b>Total</b>	<b>100%</b>	<b>287,239</b>	<b>16</b>	<b>17</b>	<b>15</b>

Note: All data in this report was prepared by the Colorado Division of Insurance. All small group carriers that reported covered lives at the end of 2009 are listed above. Not all carriers write new policies. Consequently, the Division does not consider them active in the small group market. Some carriers do not provide HSA-qualified, or Limited Mandate plans.

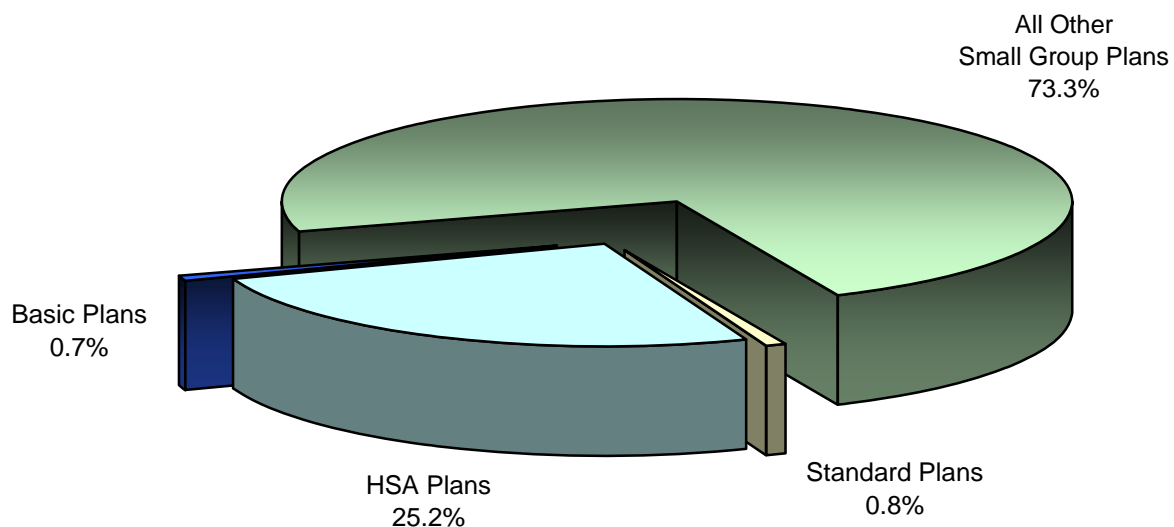
## Employer Group Plan Types

Small group plans differ in levels and types of coverage. The Division divides them into four categories.

- **Basic Plan.** This is one of two plan types with coverage levels determined by the Division. Coverage from one company to the next is identical. A “basic” plan approximates the lowest level of coverage offered in the small group marketplace, in accordance with Colorado law (§10-16-105(7.2), C.R.S.) The Division surveys the market, reviews the results with an advisory group, and makes recommendations to the Commissioner regarding any necessary benefit changes.
- **Standard Plan.** This plan offers more coverage than the Basic Plan, but the Division also determines the benefit levels. The “standard” plan reflects the benefit design of common or average small group plans. Like the Basic Plan, the coverage provided from one company to the next is identical and the Division determines the benefit levels through the same process.
- **Health Savings Account (HSA) Qualified Plan.** With this type of plan, individuals contribute pre-tax money that accumulates from year to year for medical costs. These accounts must be paired with a high-deductible insurance plan. The federal government sets the standards that the health benefit plan must meet in order to qualify for favorable tax advantages. The HSA-qualified plans included in the chart below meet those qualifications.
- **All other Small Group Plans.** These represent plans offering coverage other than that of the Basic and Standard plan, and do not qualify as an HSA. Because of their versatility, they make up the majority of the small group market.
- The **percent of HSA-qualified plans** in the market continues to rise in proportion to other types of plans, from 20% in 2008 to 24% in 2009.



## 2009 Colorado Small Group Market Covered Lives by Plan Type as of 12-31-09

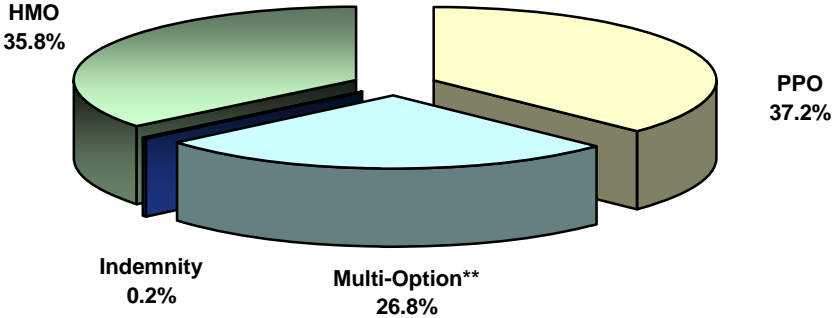


### Small Group Market Coverage Types

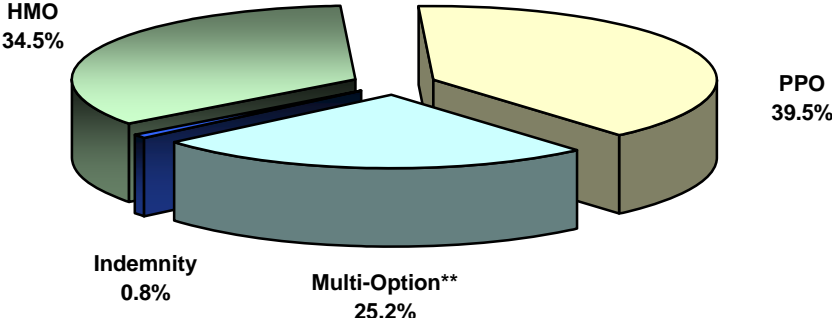
There are two types of carriers offering health benefit plans: HMOs and insurance companies.

- Insurance companies may use a preferred provider organization (PPO) or offer “indemnity” plans.
- PPO plans provide more flexibility and allow members to utilize both contracted and non-contracted providers; however, the benefit levels for using contracted providers are typically much better.
- Indemnity plans provide equal coverage from any provider or hospital.
- HMO plans require non-emergency medical care to take place at in-network facilities contracted with the HMO.
- Both PPO and HMO networks include specific hospitals, participating doctors and other health care providers.
- Multi-Option plans combine a mix of PPO, HMO, and indemnity options for a single employer. Employees choose between types of coverage.
- **In 2009, HMOs covered 12% more of the market than in 2008.**

## 2009 Colorado Small Group Market Covered Lives by Coverage Type as of 12-31-09



## 2009 Colorado Small Group Market Employer Group Plans by Coverage Type as of 12-31-09



\*\*A Multi-option plan offers multiple small group coverage options – either in plan type (basic, standard, HSA-qualified or other), or options between HMO, PPO or indemnity plans.



## Conclusion

This year's report presents more detailed research and analysis of the small group market than previous years. The major market changes from 2008 to 2009 include the following:

- The number of small group plans in Colorado decreased 10% from 41,349 to 37,328.
- The number of covered lives decreased 13% from 330,998 to 287,239.
- The number of small business group plans fell by 10% in 2009, with the exception of BG-1's which fell by 6%.
- The top 10 companies increased their market share to include 99% of all lives covered in 2009, as compared to 97.5% in 2008.
- Of 21 companies in the small group market, 16 still sell new policies.
- Health Savings Account (HSA) qualified plans increased in proportion to other plans by 4%.
- HMO-type coverage in proportion to other types increased by 12%.

The changes identified in this report reflect how small businesses are providing health care benefits at a particular point in time. As health care costs continue to rise, so do premiums, and small employers continue to try to reduce the costs of providing health care to their employees. The report shows small employers shifted to less expensive coverage types such as HMO plans, lowered benefit levels found in HSA-qualified plans, or eliminated their employer-sponsored health plan.

While the data shows a decrease in plans and covered lives, it is difficult to know where the individuals moved in the market. Some may have purchased individual coverage, moved to a spouse's plan, changed employment or become uninsured. Likewise, employers may have dropped coverage or shut their doors completely due to the economy or other reasons. Regardless, the small businesses continue to be an important part of Colorado's overall insurance market, and provide needed health benefits to employees across Colorado.