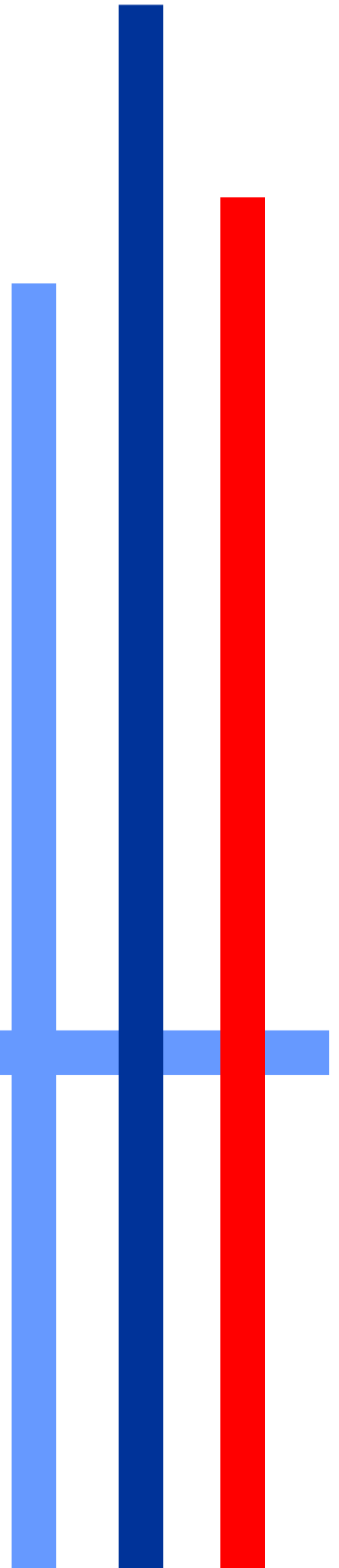
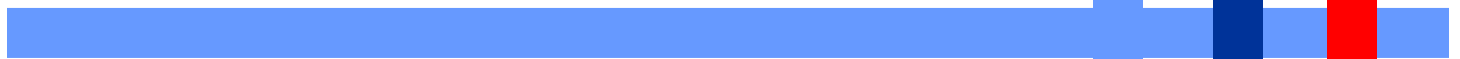




Dora
Department of Regulatory Agencies
Division of Insurance

2011 Colorado Small Group Market Activity Report



Colorado Commissioner of Insurance
Jim Riesberg

May 2012

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 50 or fewer 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).

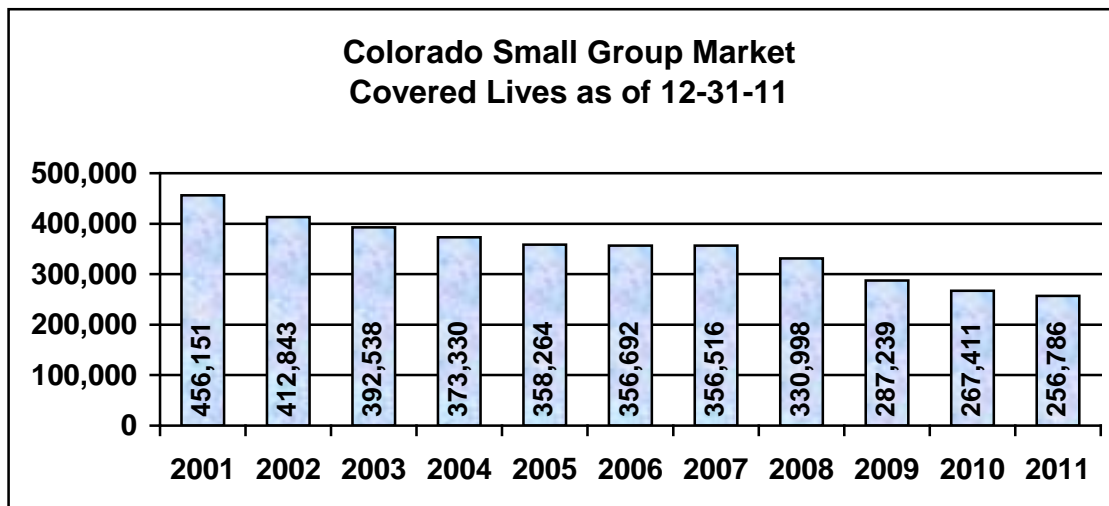
The Division collects information from health carriers, including health maintenance organizations (HMOs). This information includes the number of plans, premiums, and total number of lives covered under small group health benefit plans at the end of the previous calendar year. All data in this report reflect market activity as of December 31, 2011.

Key findings in this report:

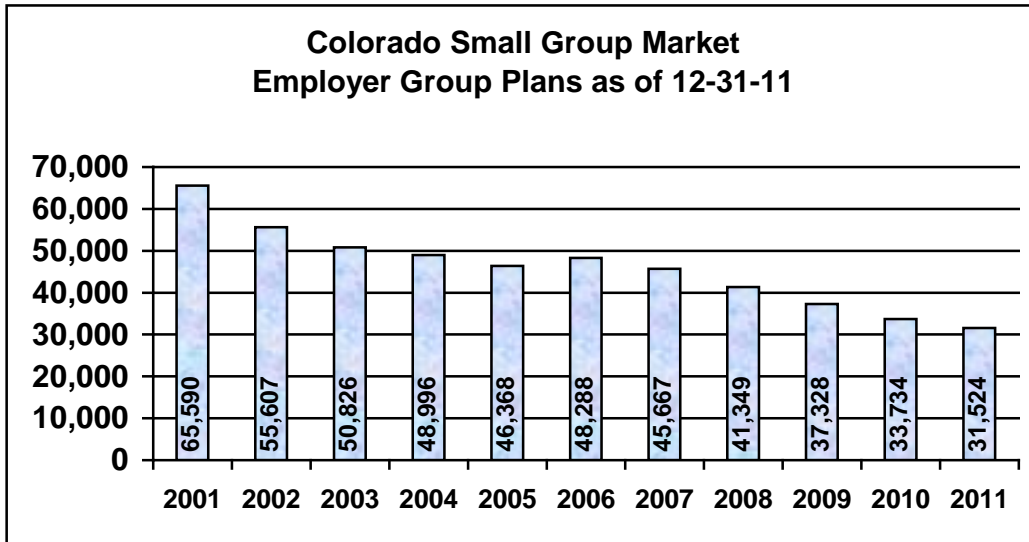
- A decline in both the number of small group plans, by 7 percent, and covered lives, by 4 percent. This represents a slower rate of decline than the last few years.
- While the total number of small group plans fell 7 percent, total number of plans for BG-1 employers fell 35 percent.
- The number of plans for employers with 1 to 5 employees shrank, while plans for employers with 6 to 50 employees increased.
- The number of group plans for employers with 26 to 50 employees grew 53 percent from 645 to 987. Covered lives for these employers increased 59 percent in 2011 from 31,620 to 50,248.
- Health Savings Account (HSA) qualified plans decreased in proportion to other plans by 2 percent. In 2009 and 2010, HSAs increased 4 percent and 2 percent respectively.
- Multi-option plans covered 36 percent of covered lives, a 9 percent increase since 2010.
- The decrease in covered lives in 2011 is roughly half that in 2010.
- The top 10 companies covered 99.8 percent of all the covered lives.
- Of 14 companies in the small group market, 11 sell new policies.

Participation in the Small Group Marketplace

In 2011, the Colorado small group market covered 256,786 Coloradans with more than \$1.1 billion in written premium. This represents 10,625 fewer people, a 4 percent decrease since December 31, 2010. The rate of decrease has slowed, as this number is roughly half the lives lost in the previous year. 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 employer, employees, and their spouses or children.

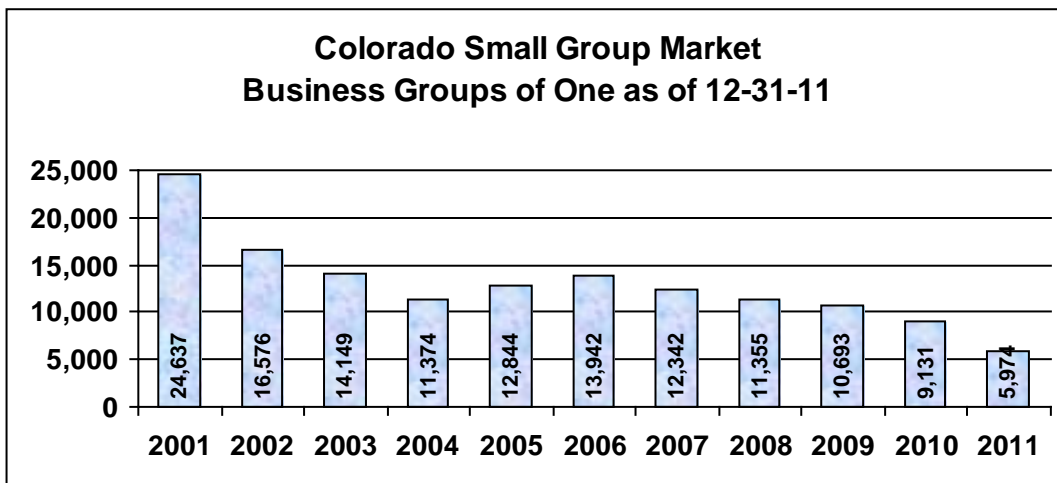


The total number of employers participating in the small group marketplace also declined in 2011. As of December 31, 2011, there were 2,210 fewer small group employers who provided health plans for their employees. This represents a 7 percent drop in the number of small group market employers. However, the reduction in the total number of small group employers masks a significant shift in the proportion of those employers in the overall market. Plans for employers with 1 to 5 employees dropped, while plans for employers with 6 to 50 employees increased. Moreover, carriers terminated 31 percent fewer plans due to non-payment of premiums than in 2010.



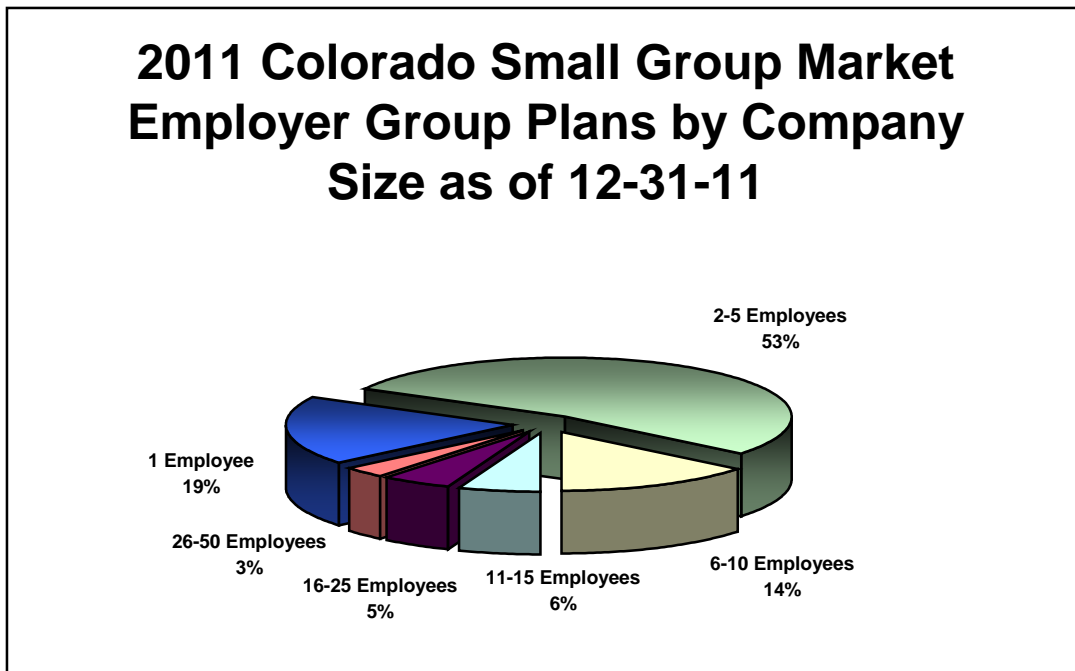
Note: Employer Group Plans are a measure of how many businesses have purchased health benefit plans for their employees.

In 2011, the number of BG-1 employers declined by 35 percent from 9,131 to 5,974. In 2010, the rate of decline was 15 percent. BG-1 employers now represent 19 percent of the groups covered in the small group market, down from 27 percent in 2010. This accelerates a downward trend started in 2007.

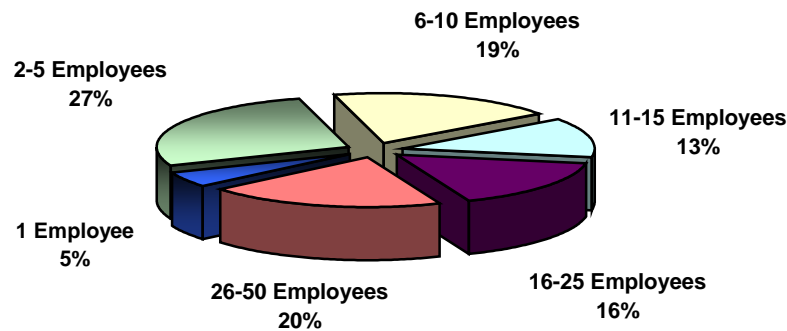


As shown on the following charts for 2011, BG-1s represent 19 percent of employers, but only cover 5 percent of the lives. These numbers are down from 2010 when they covered 27 percent of employers and 8 percent of lives. For BG-1s, one employer policy covers a single individual and may include the individual's family. In a company with 2 to 50 employees, one employer policy covers all employees and their spouses and dependents as a single group.

The number of plans for employer groups with 26 to 50 employees increased 53 percent from 645 to 987 group plans. The number of covered lives increased 59 percent from 31,620 to 50,248. These employers now cover 20 percent of all covered lives in the small group market. Overall, the number of plans for employer groups of 1 to 5 employees decreased, while those with plans covering 6 to 50 employees increased.



2011 Colorado Small Group Market Covered Lives by Company Size as of 12-31-11



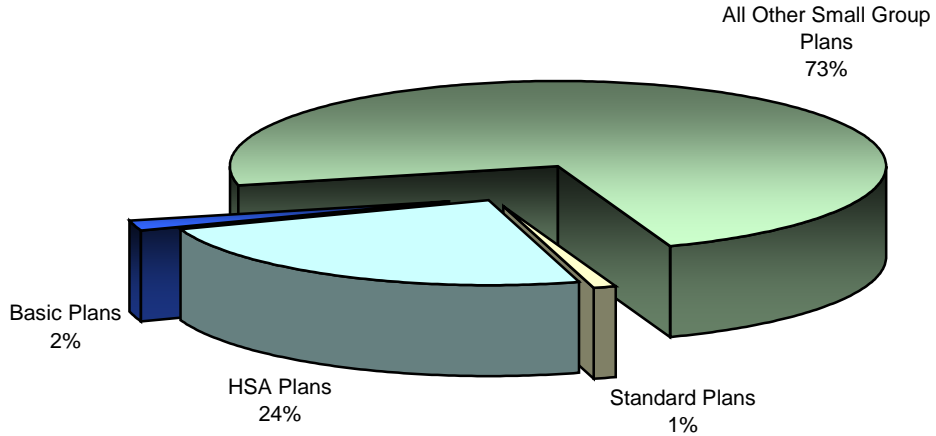
Employer Group Plan Types

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

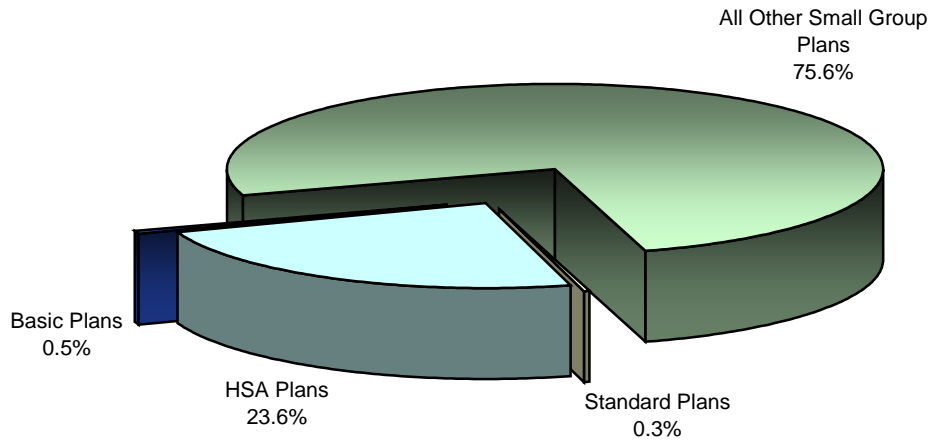
- **Basic Plan.** This is one of two plan types with coverage levels determined by the Division. Coverage from one company to the next is identical. A “basic” plan approximates the lowest level of coverage offered in the small group marketplace, in accordance with Colorado law (§10-16-105(7.2), C.R.S.). The Division surveys the market, reviews the results with an advisory group, and makes recommendations to the Commissioner regarding what the basic benefit package includes. The basic benefit package is set out in Colorado Insurance Regulation 4-6-5 and reviewed biannually.
- **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 and timeframes as with the Basic Plan.
- **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. In addition Colorado law permits carriers to offer HSA qualified Basic Plans as well, see §10-16-105(7.2)(b)(II), C.R.S. The HSA-qualified plans included in the chart below meet either of 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.

In prior years, the percent of HSA-qualified plans in the market rose in proportion to other types of plans from 20 percent in 2008 to 27 percent in 2010. These gains came mostly from non-HSA Basic and Standard plan types. In 2011, the proportion of HSA plans dropped to 24 percent, while the “All Other Small Group Plans” category absorbed this shift.

2011 Colorado Small Group Market Employer Group Plans by Plan Type as of 12-31-11



2011 Colorado Small Group Market Covered Lives by Plan Type as of 12-31-11



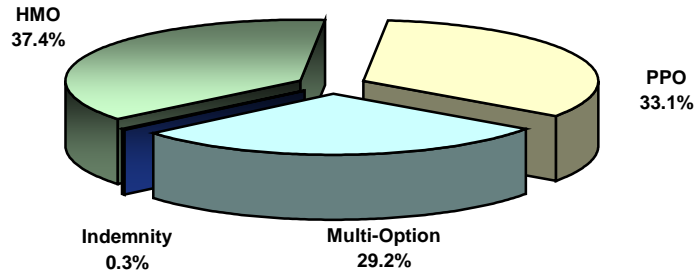
Small Group Market Coverage Types

There are three types of carriers offering health benefit plans: HMOs, insurance companies, and non-profit health service corporations.

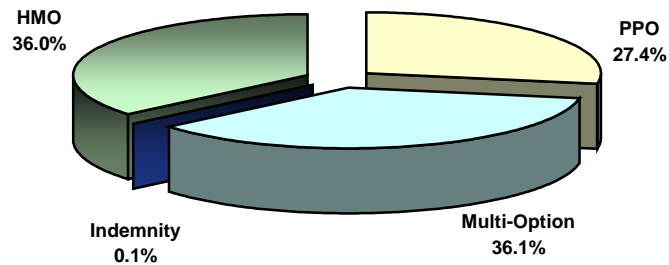
- Insurance companies may use a preferred provider organization (PPO) or offer “indemnity” plans.
 - PPO plans provide more flexibility and allow members to utilize both contracted and non-contracted providers; however, the benefit levels for using contracted providers are typically much better.
 - Indemnity 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, HSA and indemnity options for a single employer. Employees choose between types of coverage.

As the chart on the following page shows, Multi-Option plans covered 36 percent of total covered lives in 2011. This increased 9 percent since 2010 with the shift coming from PPO and HMO-only style plans.

2011 Colorado Small Group Market Employer Group Plans by Coverage Type as of 12-31-11



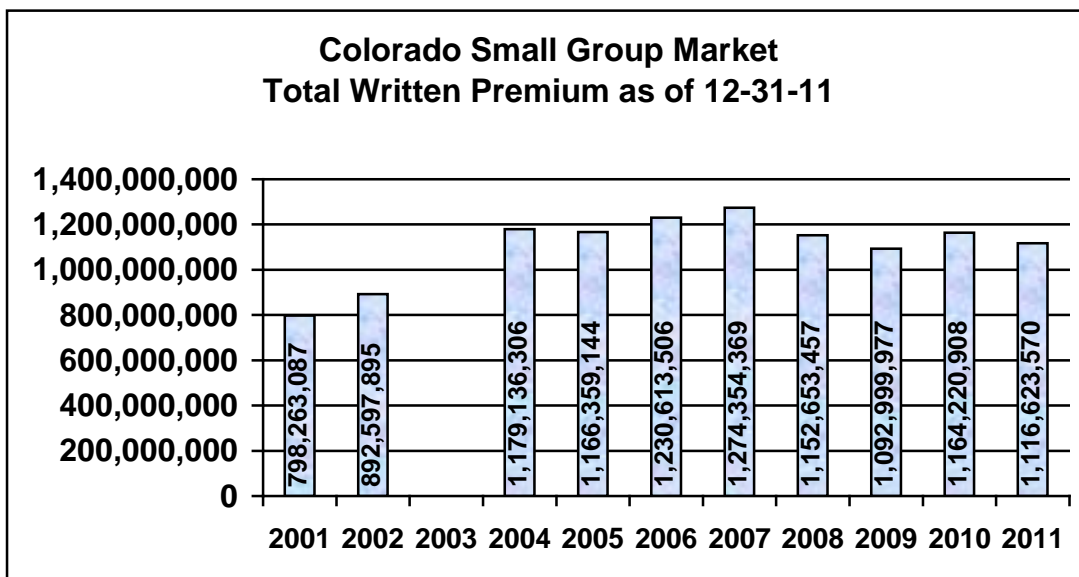
2011 Colorado Small Group Market Covered Lives by Coverage Type as of 12-31-11



Carriers in the Small Group Market

Fourteen carriers participated in Colorado’s small group market on December 31, 2011. Two companies left the small group market since December 31, 2010. Of the 14 companies, three no longer sell new policies. These three represent 0.25 percent of the covered lives and are in the process of officially leaving the small group market. The top 10 small group carriers covered 99.8 percent of all lives at the end of 2011. All carriers that reported covered lives at the end of 2011 are listed below. If a carrier does not write new policies, the Division does not consider it “active” in the small group market.

<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. UnitedHealthcare Insurance Company	31.99%	82,136	Yes	Yes	Yes
2. Kaiser Foundation Health Plan of Colorado	27.54%	70,727	Yes	Yes	Yes
3. Rocky Mountain Hospital and Medical Services, Inc. d/b/a Anthem Blue Cross Blue Shield	22.59%	58,011	Yes	No	Yes
4. Rocky Mountain HealthCare Options, Inc.	6.11%	15,699	Yes	Yes	Yes
5. Humana Health Plan, Inc.	5.05%	12,977	Yes	Yes	Yes
6. Rocky Mountain Health Maintenance Organization	4.77%	12,243	Yes	Yes	Yes
7. Colorado Choice Health Plans d/b/a San Luis Valley HMO	0.76%	1,958	Yes	Yes	Yes
8. Humana Insurance Company	0.59%	1,525	Yes	Yes	Yes
9. Aetna Life Insurance Company	0.21%	533	No	Yes	Yes
10. UnitedHealthcare of Colorado, Inc.	0.18%	448	Yes	Yes	No
11. HMO Colorado, Inc.	0.11%	286	Yes	No	No
12. The MEGA Life and Health Insurance Company	0.06%	150	Yes	Yes	No
13. Mid-West National Life Insurance Company of Tennessee	0.04%	90	No	Yes	No
14. Transamerica Life Insurance company	0.00%	3	No	No	No
Total	100%	256,786	11	11	9



Note: written premium information for 2003 is unavailable.

Conclusion

The major market changes from 2010 to 2011 include the following:

- The number of small group plans in Colorado decreased 7 percent from 33,734 to 31,524.
- The number of covered lives decreased 4 percent from 267,411 to 256,786.
- The number of BG-1s fell 35 percent from 9,131 to 5,974.
- While the number of plans for employers of 1 to 5 employees shrank, the number of plans for employers with 6 to 50 employees increased.
- The top 10 companies covered 99.8 percent of all covered lives in 2011.
- Of 14 companies in the small group market, 11 sell new policies.
- Health Savings Account (HSA) qualified plans decreased in proportion to other plans for the first time in several years.
- The decrease in covered lives in 2011 is roughly half that in 2010.

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 as a whole shifted to more multi-option plans that provide employees more choice, and decreased the use of HSAs as the only option for an employer's employees. Also, the number of plans for employers with 6 to 50 employees increased in 2011, while there was a sharp drop in the number of BG-1s and minor decrease for groups of 2 to 5.

While the data shows a decrease in plans and covered lives, it is difficult to know where the individuals may have ended up. Some may have lost employment and coverage, purchased individual coverage, moved to a spouse's plan, changed employment or become uninsured. However, the migration out of the small group market appears less severe than prior years, especially with the number of employers offering insurance beginning to increase for the larger company sizes. Small businesses continue to play an important role in Colorado's overall insurance market, and provide needed health benefits to employees across the state.