

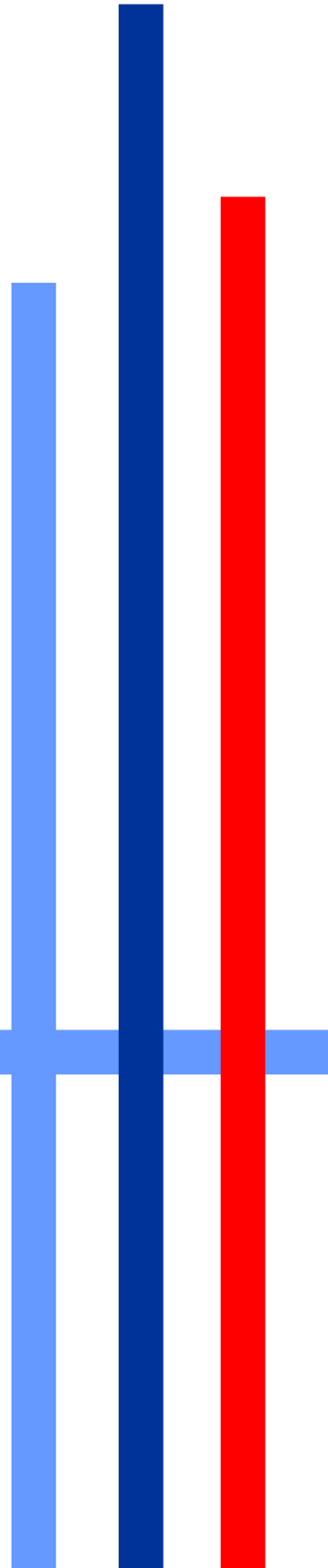


Dora

Department of Regulatory Agencies

Division of Insurance

**2012
Colorado
Small Group Market
Activity Report**



Colorado Commissioner of Insurance
Jim Riesberg

May 2013

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).

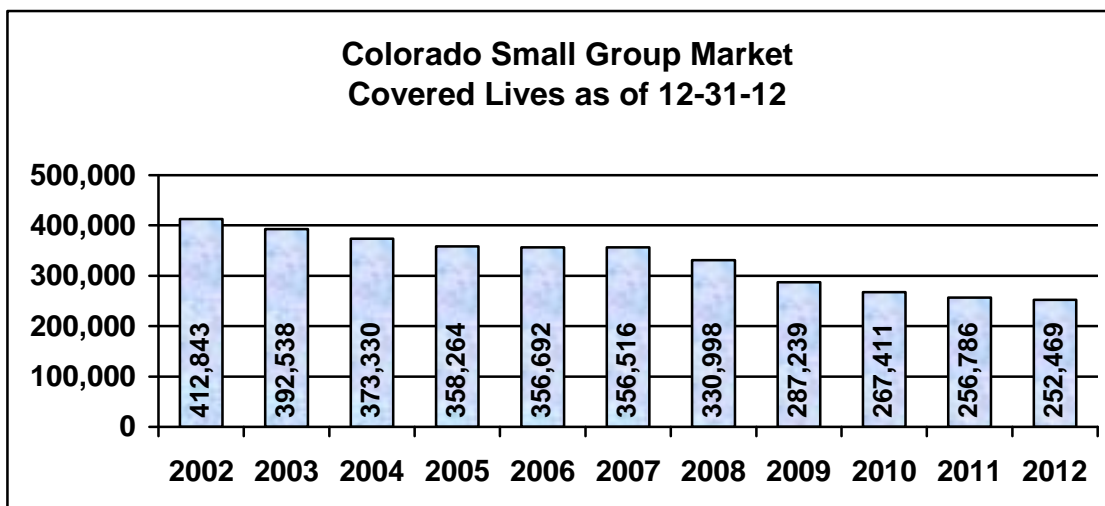
The Division collects information from health carriers, including health maintenance organizations (HMOs). This information includes the number of plans, premiums, and total number of lives covered under small group health benefit plans at the end of the previous calendar year. All data in this report reflect market activity as of December 31, 2012.

Key findings in this report:

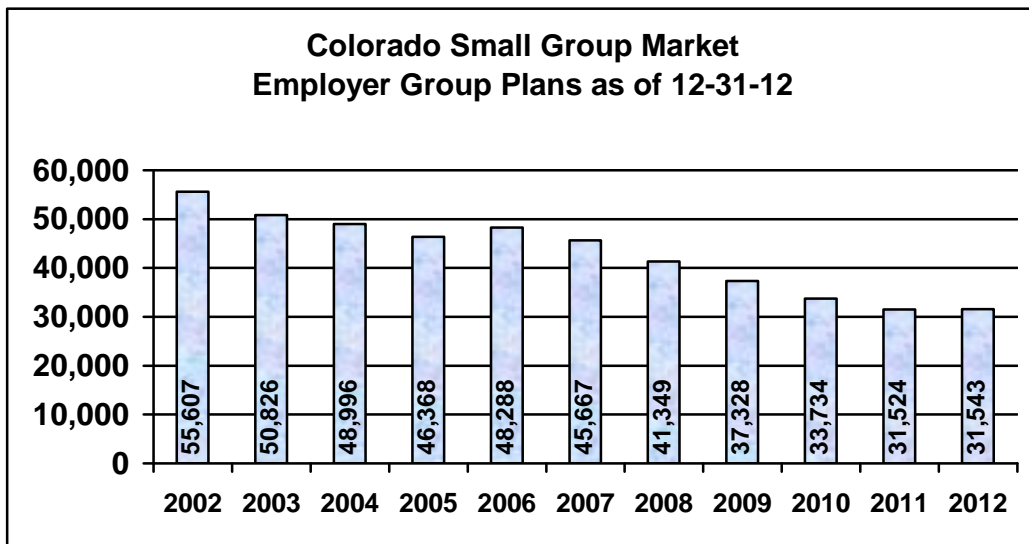
- There was a decline in covered lives, by 2%, continuing a trend toward fewer covered lives lost each of the past three years.
- For the first time in 10 years there has been a growth in the number of small group plans.
- While the total number of small group plans grew, the total number of plans for BG-1 employers fell 14%.
- The trend continued where the number of plans for employers with 1-5 employees shrank, and plans for employers with 6-50 employees increased.
- The number of group plans for employers with 16-50 employees grew by 48% but only covered 7% more lives in 2012, a change in growth of 53% in plans and 59% in lives from 2011.
- Health Savings Account (HSA) qualified plans decreased in proportion to other plans by 1%. In 2011 they decreased by 2%, in 2009 and 2010, HSAs increased 4% and 2% respectively.
- Multi-option plans covered 41% of covered lives, a 5% increase since 2011.
- The decrease in covered lives in 2011 was roughly half that in 2010, and the decrease in covered lives in 2012 was roughly half that of 2011.
- The top 10 companies covered 99.8% of all the covered lives.
- Of 14 companies in the small group market, 11 sell new policies.

Participation in the Small Group Marketplace

In 2012, the Colorado small group market covered 252,469 Coloradans with over \$1.1 billion in written premium. This represents 4,317 fewer people, a 2% decrease since December 31, 2011. The rate of decrease has continued to slow as this number is roughly half the lives lost in the previous year, and a quarter of the lives lost in 2010. 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.

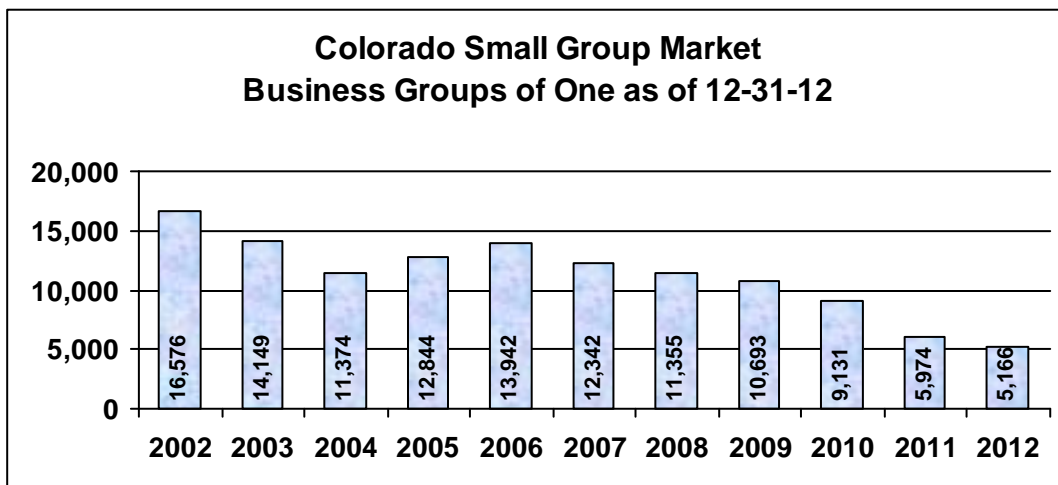


The total number of employers participating in the small group marketplace has risen slightly. As of December 31, 2012, there were 19 more small group employers who provided health plans for their employees.



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

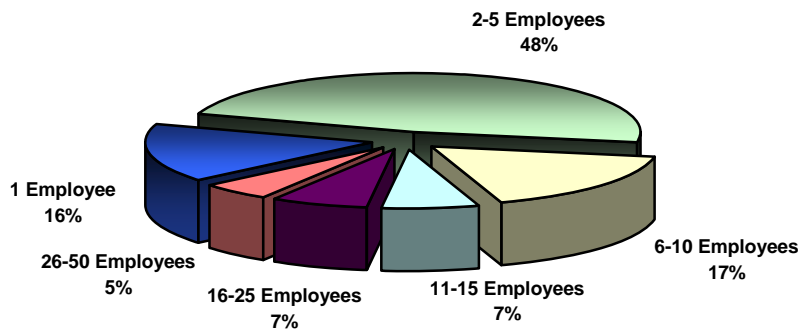
In 2012, the number of BG-1 employers declined by 14% from 5,974 to 5,166. In 2011, the rate of decline was 35% and in 2010, the rate of decline was 15%. BG-1 employers now represent 16% of the groups covered in the small group market, down from 19% in 2010. This continues a general downward trend but at a less severe rate.



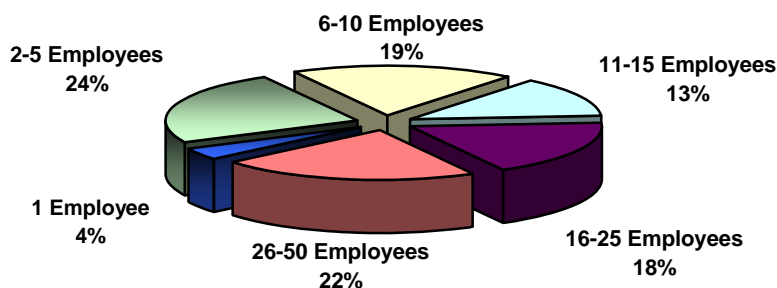
As shown on the following charts for 2012, BG-1s represent 16% of employers, but only cover 4% of the lives. These numbers are down from 2011 when they covered 19% of employers and 5% of lives. For BG-1s, one employer policy covers a single individual and may include the individual's family. In a company 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 26-50 employees increased by more than 50% for the second year in a row with employer groups with 16-25 employees also showing high growth with 46% more than in 2011. Overall, the number of employers for groups of 1-5 employees continued to decrease, while those with from 6-50 employees increased.

2012 Colorado Small Group Market Employer Group Plans by Company Size as of 12-31-12



2012 Colorado Small Group Market Covered Lives by Company Size as of 12-31-12

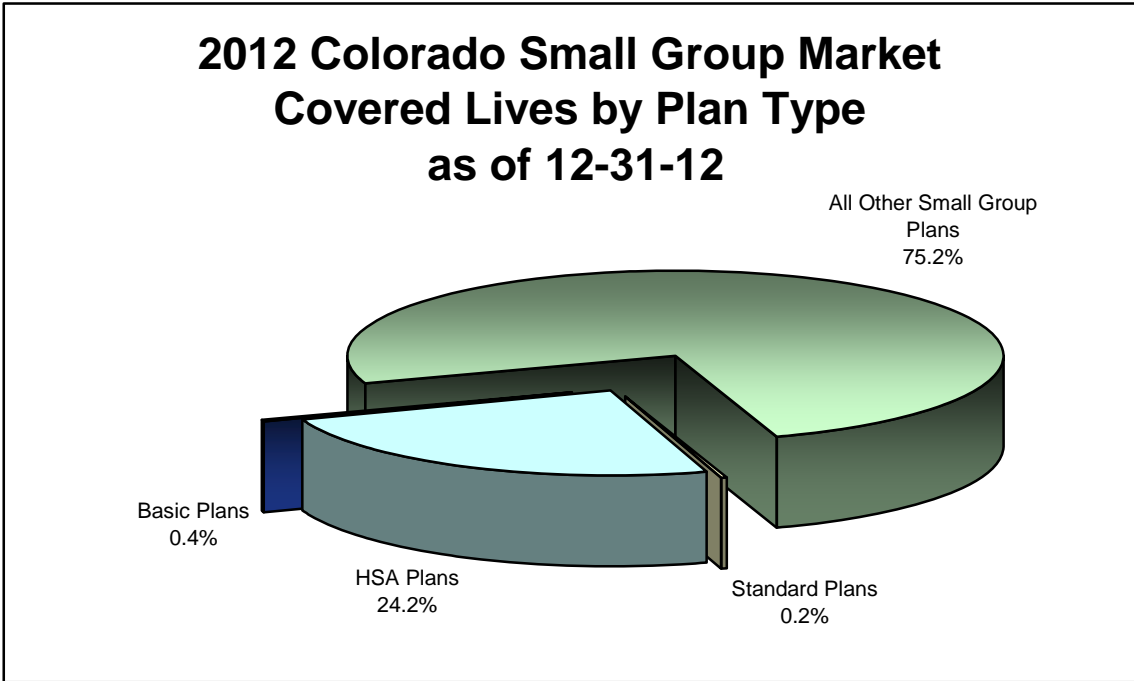
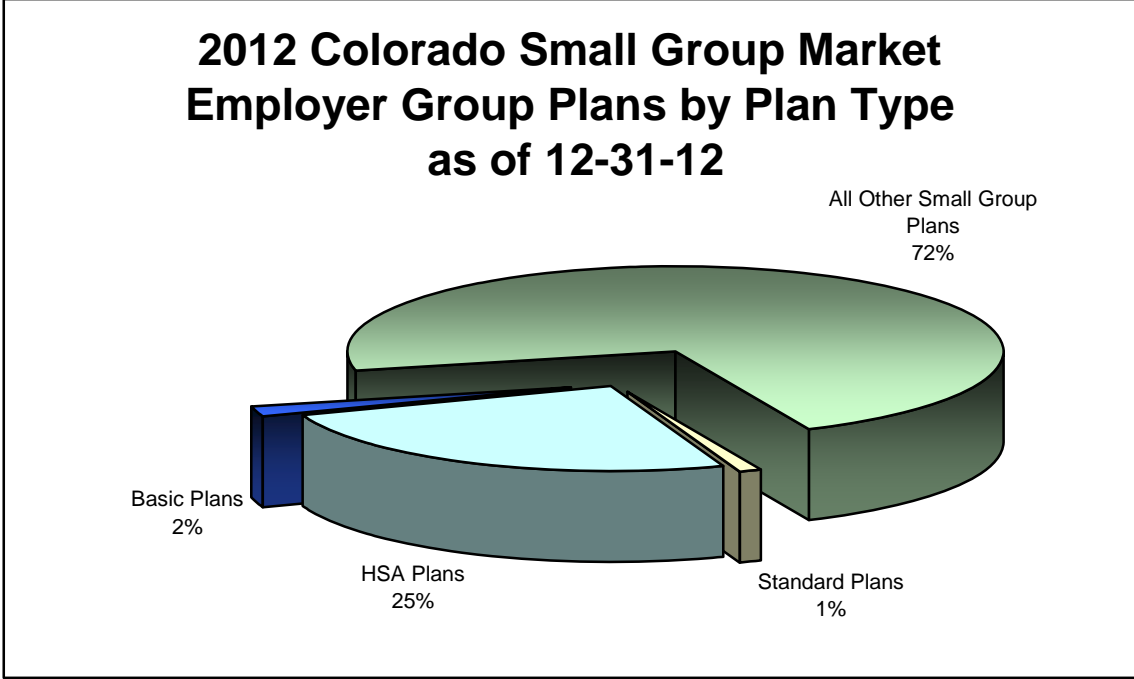


Employer Group Plan Types

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 annually.
- **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% in 2008 to 27% in 2010. These gains came mostly from non-HSA Basic and Standard plan types. In 2011, the proportion of HSA plans dropped to 24%, while the “All Other Small Group Plans” category absorbed this shift. In 2012, HSA plans grew to 25% of the market.



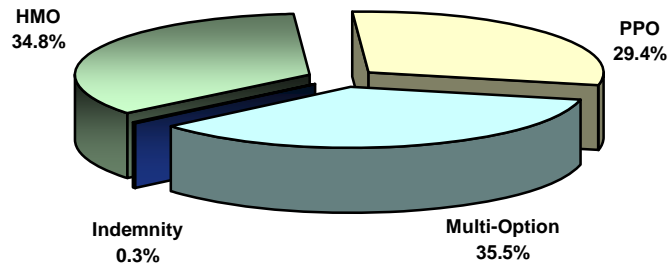
Small Group Market Coverage Types

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

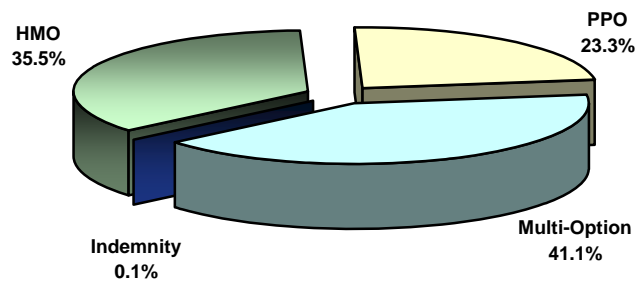
- Insurance companies may use a preferred provider organization (PPO) or offer “indemnity” plans.
- PPO plans provide more flexibility and allow members to utilize both contracted and non-contracted providers; however, the benefit levels for using contracted providers are typically much better.
- Indemnity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

Multi-Option plans covered 41% of total covered lives in 2012. This increased 5% since 2011 with the majority of the shift coming from PPO only style plans which dropped from 27% to 23%.

2012 Colorado Small Group Market Employer Group Plans by Coverage Type as of 12-31-12



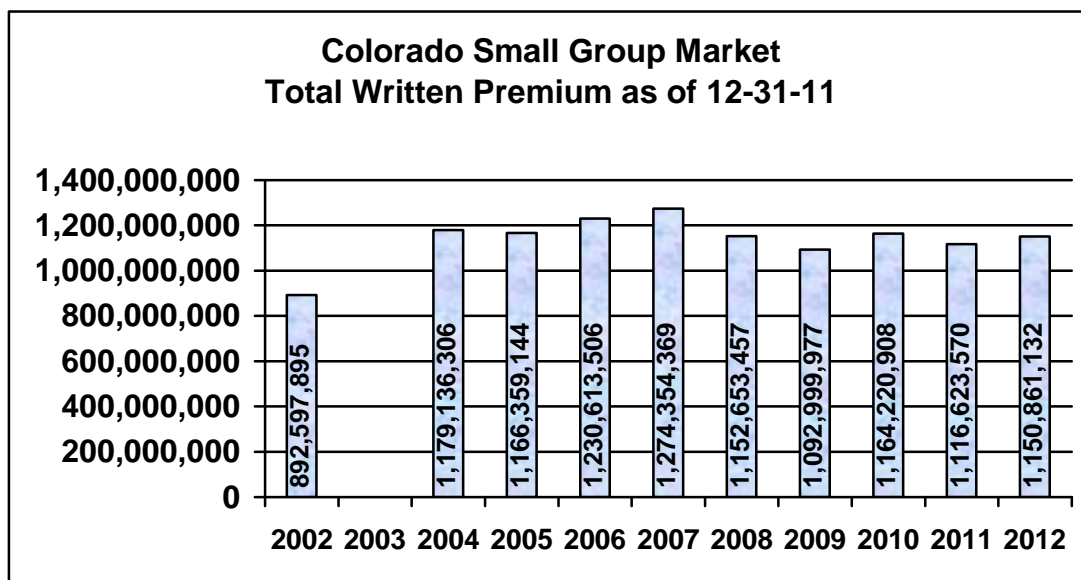
2012 Colorado Small Group Market Covered Lives by Coverage Type as of 12-31-12



Carriers in the Small Group Market

Fourteen carriers participated in Colorado's small group market on December 31, 2012. One company left the small group market and one joined since December 31, 2011. Of the 14 companies, three no longer sell new policies. These three represent .08% 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% of all lives at the end of 2012. 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	31.77%	80,212	Yes	Yes	Yes
2. Kaiser Foundation Health Plan of Colorado	25.82%	65,180	Yes	Yes	Yes
3. Rocky Mountain Hospital and Medical Services, Inc. d/b/a Anthem Blue Cross Blue Shield	23.49%	59,316	Yes	No	Yes
4. Rocky Mountain HealthCare Options, Inc.	6.48%	16,349	Yes	Yes	Yes
5. Humana Health Plan, Inc.	5.48%	13,847	Yes	Yes	Yes
6. Rocky Mountain Health Maintenance Organization	4.88%	12,333	Yes	Yes	Yes
7. Colorado Choice Health Plans d/b/a San Luis Valley HMO	0.86%	2,173	Yes	Yes	Yes
8. UnitedHealthcare of Colorado, Inc.	0.46%	1,162	Yes	Yes	Yes
9. Humana Insurance Company	0.36%	913	Yes	Yes	Yes
10. SeeChange Health Insurance Company	0.21%	541	Yes	No	No
11. HMO Colorado, Inc.	0.10%	241	Yes	No	No
12. The MEGA Life and Health Insurance Company	0.05%	131	No	No	No
13. Mid-West National Life Insurance Company of Tennessee	0.03%	69	No	No	No
14. Transamerica Life Insurance company	0.00%	2	No	No	No
Total	100.00 %	252,469	11	8	9



Conclusion

The major market changes from 2011 to 2012 include the following:

- The number of small group plans in Colorado increased slightly from 31,524 to 31,543.
- The number of covered lives decreased 2% from 256,786 to 252,469.
- The number of BG-1s fell 14% from 5,974 to 5,166.
- The number of plans for employers of 1-5 employees shrank 12% from 22,759 to 20,151
- The number of plans for employers with 6-50 employees increased 30% from 8,765 to 11,392.
- The top 10 companies covered 99.8% 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 second time in several years.
- The decrease in covered lives in 2012 is roughly half that in 2011.

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 6-50 employees continued to increase in 2012, while there was a continuing drop in the number of BGIs and minor decrease for groups of 2-5.

While the data shows a decrease in 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 continues to drop. For the second year in a row the decrease in covered lives has halved. Small businesses continue to play an important role in Colorado's overall insurance market, and provide needed health benefits to employees across the state.