

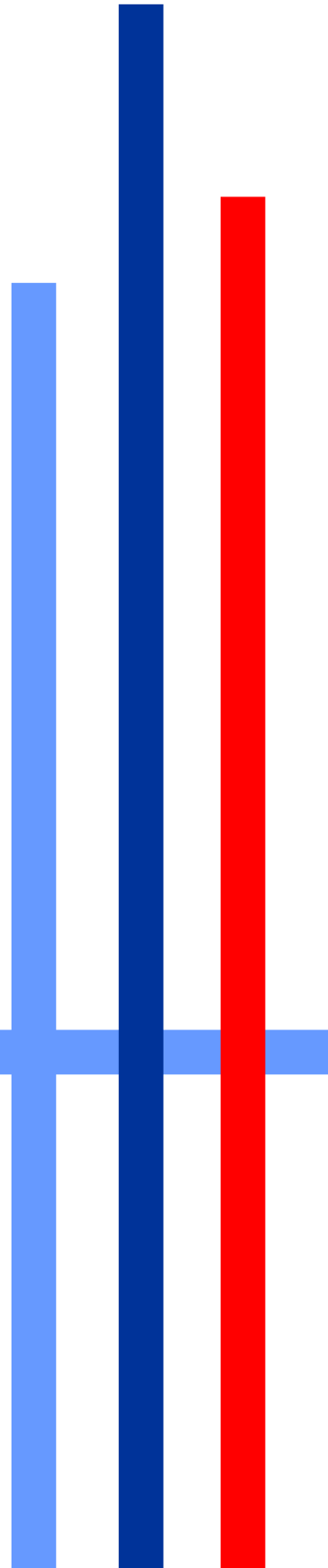


Dora

Department of Regulatory Agencies

Division of Insurance

**2013
Colorado
Small Group Market
Activity Report**



Colorado Commissioner of Insurance
Marguerite Salazar

April 2014

Introduction

Each year, the Division of Insurance (Division) requires carriers to file reports related to the status of Colorado's small group health insurance 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).

For plans offered after December 31, 2013 and to align with federal requirements, sole proprietors are no longer eligible for BG-1 coverage. In 2016, the total number of employees eligible for small group coverage will be increased to 100 or fewer. Consequently, the 2014 and subsequent reports will reflect these changes in the small group market.

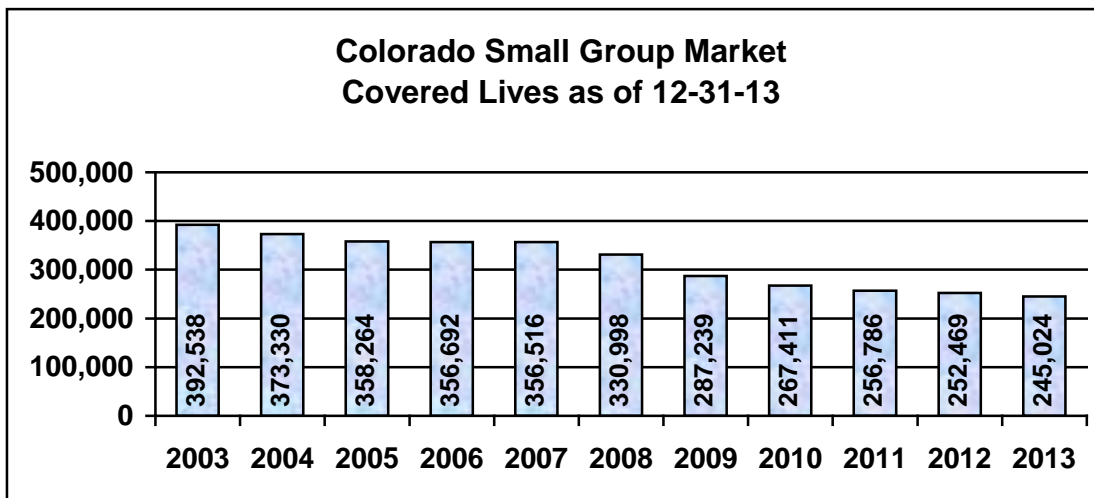
The Division collects information from health carriers, including health maintenance organizations (HMOs). This information includes the number of plans, premiums, and total number of lives covered under small group health benefit plans at the end of the previous calendar year. All data in this report reflect market activity as of December 31, 2013. Due to the BG-1 change identified above and the changes to the individual coverage market, most sole proprietors will purchase coverage in the individual market in 2014 and beyond.

Key findings in this report:

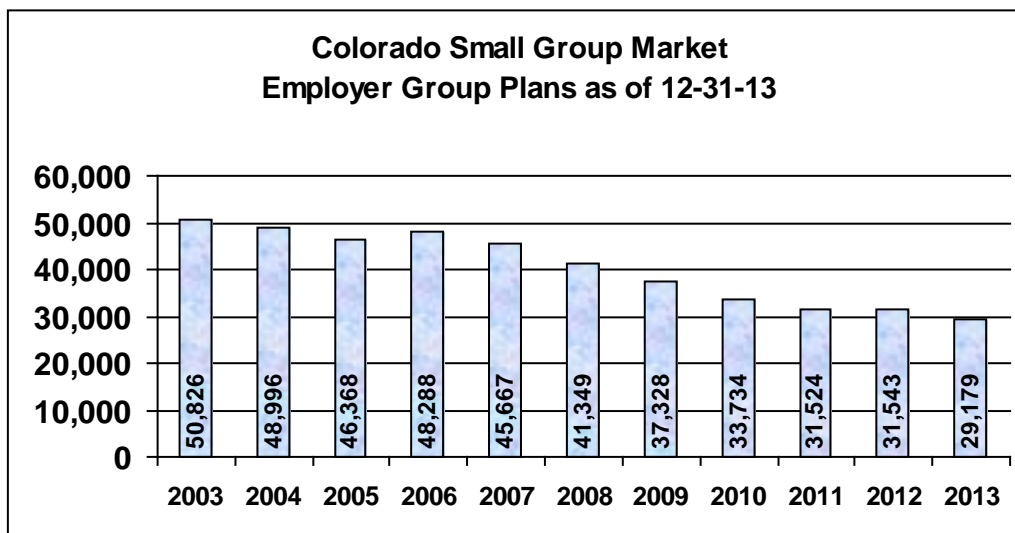
- The number of small group plans in Colorado decreased 7.5% from 31,543 to 29,179.
- The number of covered lives decreased 3% from 252,469 to 245,024.
- The number of BG-1s fell 22% from 5,166 to 4,007.
- The number of plans for employers of 1-10 employees shrank 10% from 25,558 to 23,042.
- The number of plans for employers with 11-50 employees increased 3% from 5,985 to 6,137.
- The large growth in employer groups with 16-50 employees has stopped after two years. These groups grew by 30% in 2011, 48% in 2012. In 2013 they only grew by 2%.
- The top 10 companies covered 99.7% of all covered lives in 2013.
- Of 14 companies in the small group market, 11 sell new policies.
- There has been a significant shift of approximately 20% from Multi-Option plans to PPO plans.
- The decrease in covered lives in 2013 rose in comparison to the decrease in 2012.

Participation in the Small Group Marketplace

In 2013, the Colorado small group market covered 245,024 Coloradans with over \$1.1 billion in written premium. This represents 7,445 fewer people, a 3% decrease, since December 31, 2012. The number of lives covered in the small group market decreased more in 2013 than in the past few years. 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.

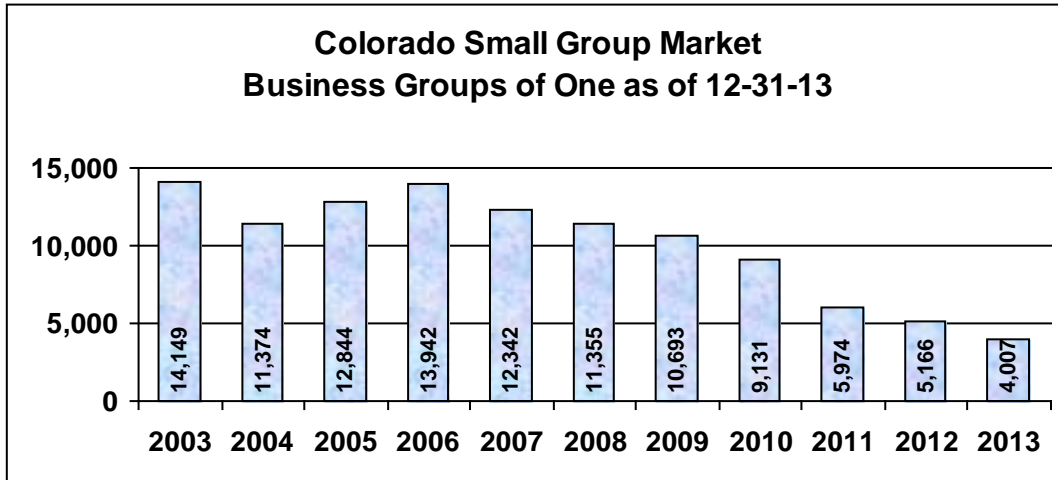


The total number of employers participating in the small group marketplace has fallen by 7.5%. As of December 31, 2013, there were 2,364 fewer small group employers who provided health plans for their employees than on December 31, 2012.



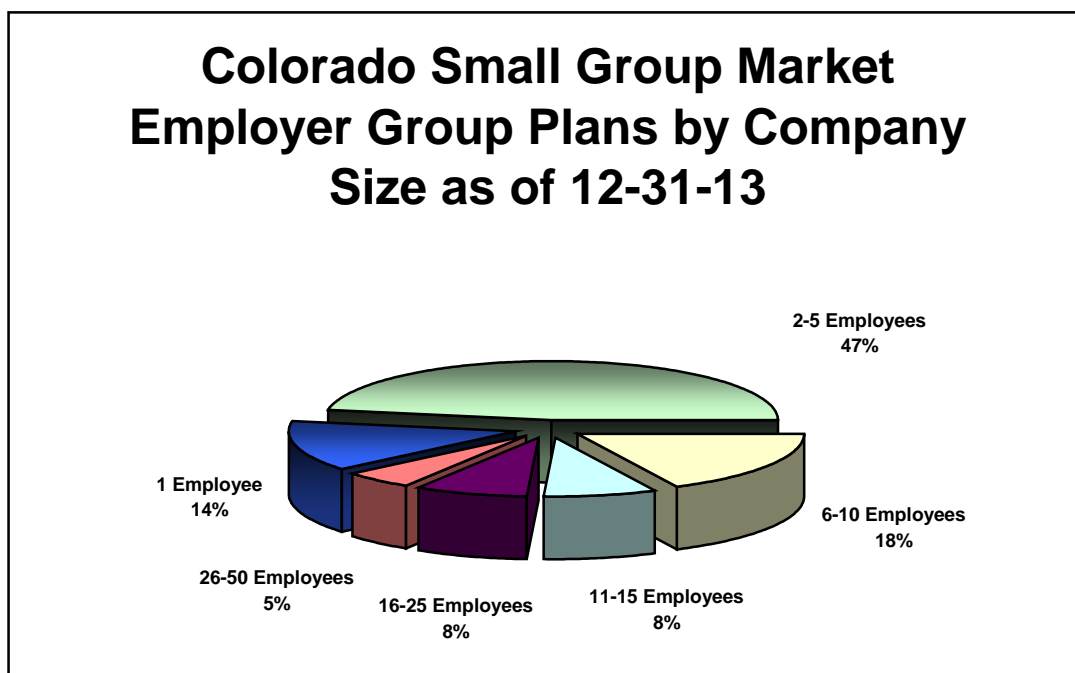
Note: Employer Group Plans are a measure of how many businesses have purchased health benefit plans for their employees.

In 2013, the number of BG-1 employers declined by 22% from 5,166 to 4,007. 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 14% of the groups covered in the small group market, down from 19% in 2011. This continues the general downward trend in importance of BG-1 employers. As noted in the introduction, for plans issued in 2014, BG-1s will no longer be in the small group market and will be transitioned into the individual market.

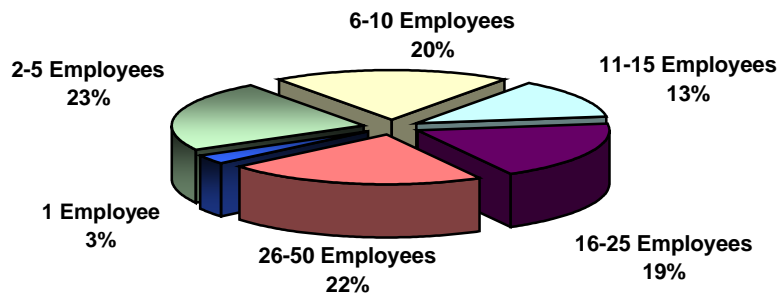


As shown on the following charts for 2013, BG-1's represent 14% of employers but only cover 3% of the lives. These numbers are down from 2012 when they covered 16% of employers and 4% of the lives. This continues a trend of decreasing size in comparison to the rest of the market. In 2011 they covered 19% of employers and 5% of lives. For BG-1s, one employer policy covers a single individual and may include the individual's family. As noted previously, the definition of a small employer has been changed to exclude sole proprietors in 2014 and the Division anticipates that most BG-1s will shift to the individual coverage market. In a company with 2 to 50 employees, one employer policy covers all employees and their spouses and dependents as a single group.

The growth for employer groups with 16-50 employees has begun to stabilize after growing by close to 50% for the previous two years. In 2013 employer groups of 16-25 grew by only 1% and groups of 26-50 grew by 4%. Overall, the number of employers for groups of 1-10 employees continued to decrease, while those with from 11-50 employees increased.



Colorado Small Group Market Covered Lives by Company Size as of 12-31-13



Employer Group Plan Types

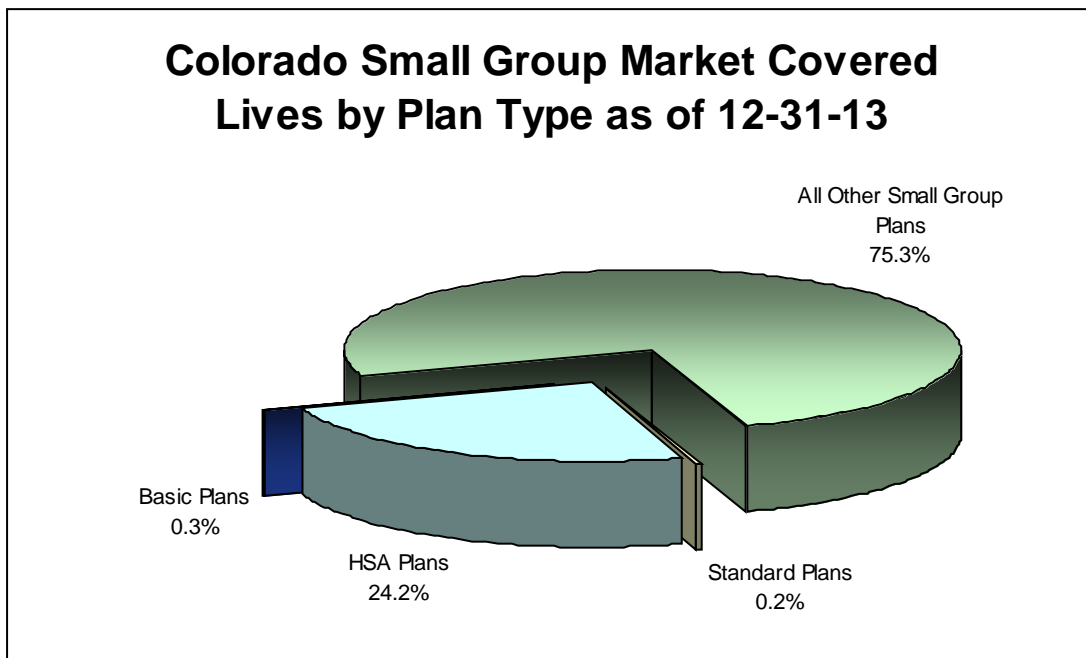
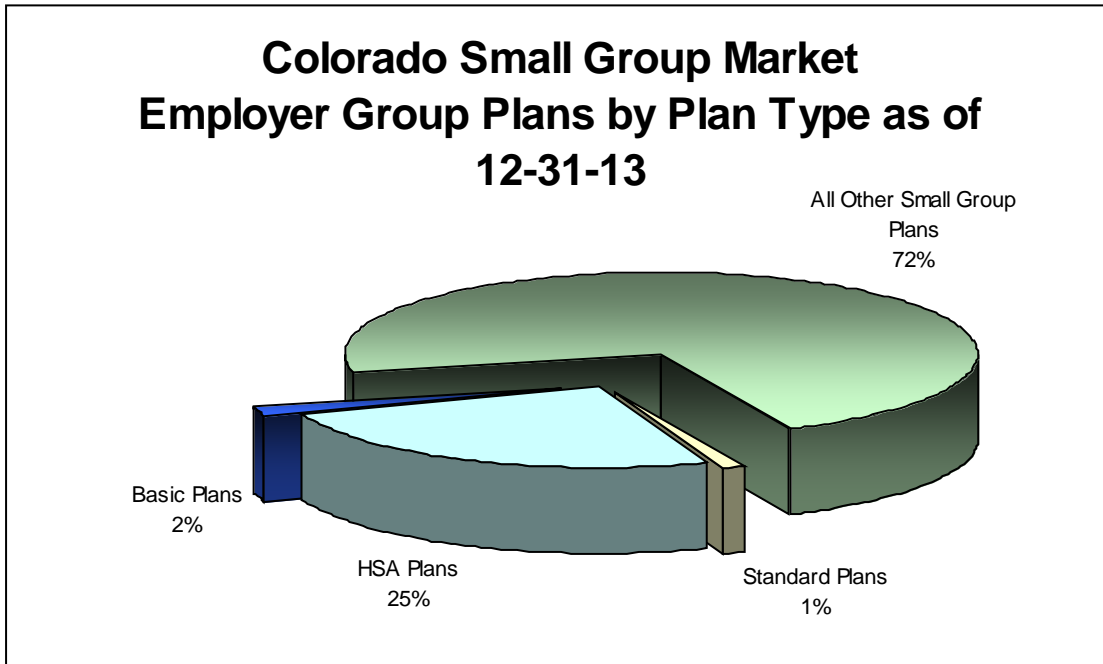
Small group plans differ in levels and types of coverage. In the small group market, the Basic and Standard plans have been eliminated for 2014 and beyond. They have been replaced with plans with actuarial value equivalents of 60% for a bronze level plan, 70% for a silver level plan, 80% for a gold level plan and 90% for a platinum level plan.¹

- **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.)² 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 was set out in Colorado Insurance Regulation 4-6-5 and was 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 determined 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 allowed carriers to offer HSA-qualified Basic Plans as well, see §10-16-105(7.2)(b)(II), C.R.S. (2012) 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.

¹ CRS 10-16-103.4, effective January 1, 2014.

² Repealed as of January 1, 2014 by HB13-1266.

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. There has been less than a 1% change in the distribution of plan types between 2012 and 2013.

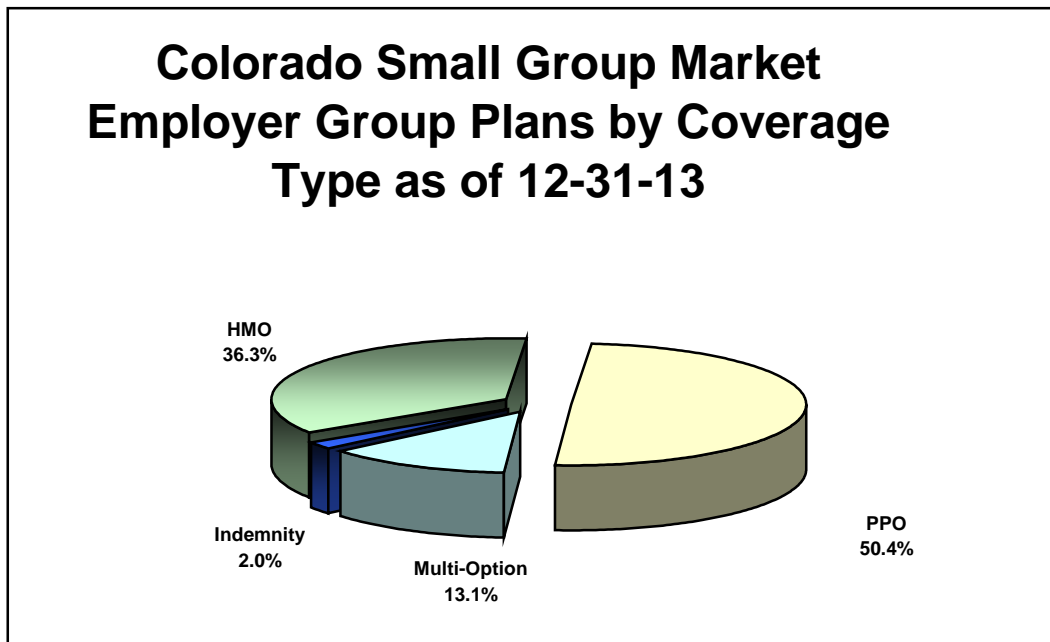


Small Group Market Coverage Types

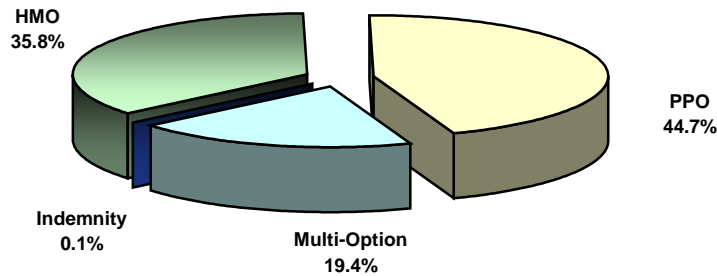
There are three types of carriers offering health benefit plans: HMOs, insurance companies, and non-profit health service corporations.

- 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.

There has been a large shift from Multi-Option plans to PPO plans in 2013. Previously Multi-Option plans covered 41% of total covered lives in 2012, an increase from 36% in 2011. In 2013, this fell by 20% with these lives now being covered by PPO plans.



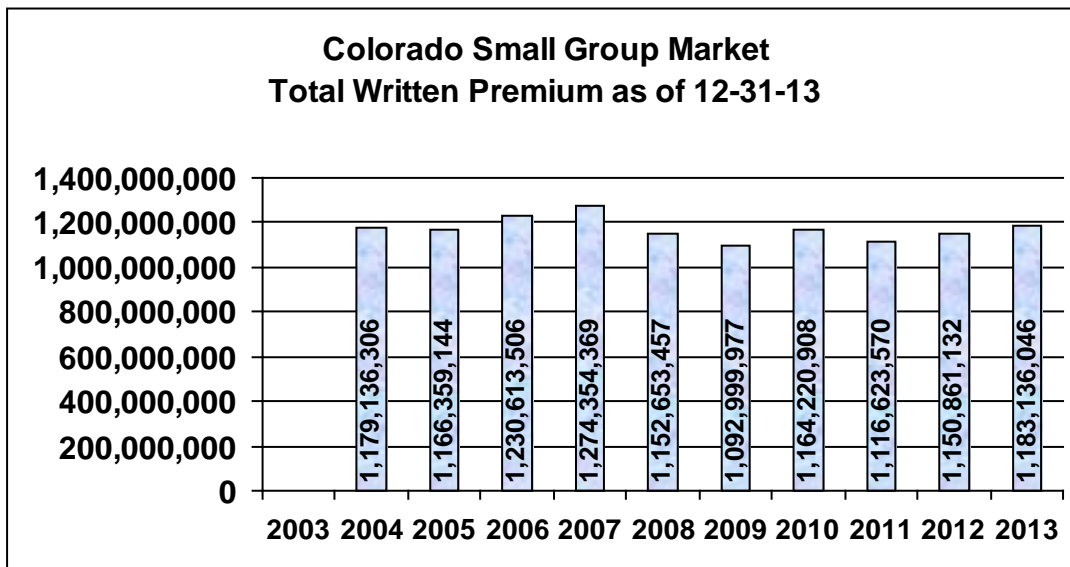
Colorado Small Group Market Covered Lives by Coverage Type as of 12-31-13



Carriers in the Small Group Market

Eleven carriers in Colorado’s small group market on December 31, 2013 were writing new policies. Three companies covered small employer employees but were not writing new policies in 2013. These three represent .07% of the covered lives and are in the process of officially leaving the small group market. The top 10 small group carriers covered 99.7% of all lives at the end of 2013. All carriers that reported covered lives at the end of 2013 are listed below. If a carrier does not write new policies, the Division does not consider it “active” in the small group market.

Company Name	Market Share	Total Covered Lives	Writing New Policies	Limited Mandate Plans	HSA plans	Wellness Program
1. UnitedHealthcare Insurance Company	31.75%	68,455	Yes	Yes	Yes	No
2. Rocky Mountain Hospital and Medical Services, Inc. d/b/a Anthem Blue Cross Blue Shield	22.78%	63,551	Yes	No	Yes	Yes
3. Kaiser Foundation Health Plan of Colorado	24.60%	60,345	Yes	Yes	Yes	No
4. Rocky Mountain HealthCare Options, Inc.	6.28%	15,817	Yes	No	Yes	Yes
5. Humana Health Plan, Inc.	5.53%	14,782	Yes	Yes	Yes	No
6. Rocky Mountain Health Maintenance Organization	5.48%	13,409	Yes	No	Yes	Yes
7. SeeChange Health Insurance Company	0.87%	3,137	Yes	Yes	No	Yes
8. Colorado Choice Health Plans d/b/a San Luis Valley HMO	0.88%	2,252	Yes	No	Yes	No
9. UnitedHealthcare of Colorado, Inc.	0.92%	2,008	Yes	Yes	No	No
10. Humana Insurance Company	0.46%	595	Yes	Yes	Yes	No
11. HMO Colorado, Inc.	0.38%	506	Yes	No	No	Yes
12. The MEGA Life and Health Insurance Company	0.04%	102	No	Yes	No	No
13. Mid-West National Life Insurance Company of Tennessee	0.02%	64	No	Yes	No	No
14. Transamerica Life Insurance Company	0.00%	1	No	No	No	No
Totals	100.00%	245,024	11	8	8	5



Conclusion

The major market changes from 2012 to 2013 include the following:

- The number of small group plans in Colorado decreased 7.5% from 31,543 to 29,179.
- The number of covered lives decreased 3% from 252,469 to 245,024.
- The number of BG-1s fell 22% from 5,166 to 4,007.
- The number of plans for employers of 1-10 employees shrank 10% from 25,558 to 23,042.
- The number of plans for employers with 11-50 employees increased 3% from 5,985 to 6,137.
- The large growth in employer groups with 16-50 employees has stopped after two years. These groups grew by 30% in 2011, 48% in 2012. In 2013 they only grew by 2%.
- The top 10 companies covered 99.7% of all covered lives in 2013.
- Eleven companies sell new policies, while another three companies report that they have covered lives in the small group market.
- There has been a significant shift of approximately 20% from Multi-Option plans to PPO plans.
- The decrease in covered lives in 2013 rose in comparison to the decrease in 2012.

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 PPO plans from a reliance on Multi-Option plans in 2012. Also, the number of plans for employers with 11-50 employees continued to increase in 2013, while there was a continuing drop in the number of BG-1s and minor decrease for groups of 2-10.

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. The drop in insured lives may be directly attributable to the growing availability of other health coverage being made available. In the future some of these individuals may be going to Connect for Health Colorado. Small businesses continue to play an important role in Colorado's overall insurance market, and provide needed health benefits to employees across the state.

Due to the significant changes brought to the small group and individual insurance markets beginning in 2014 due to the federal Affordable Care Act and HB13-1266 which brought Colorado's laws into conformance, this report, and the data collected to support it, will be substantially revised for the 2014 market report and future years.