

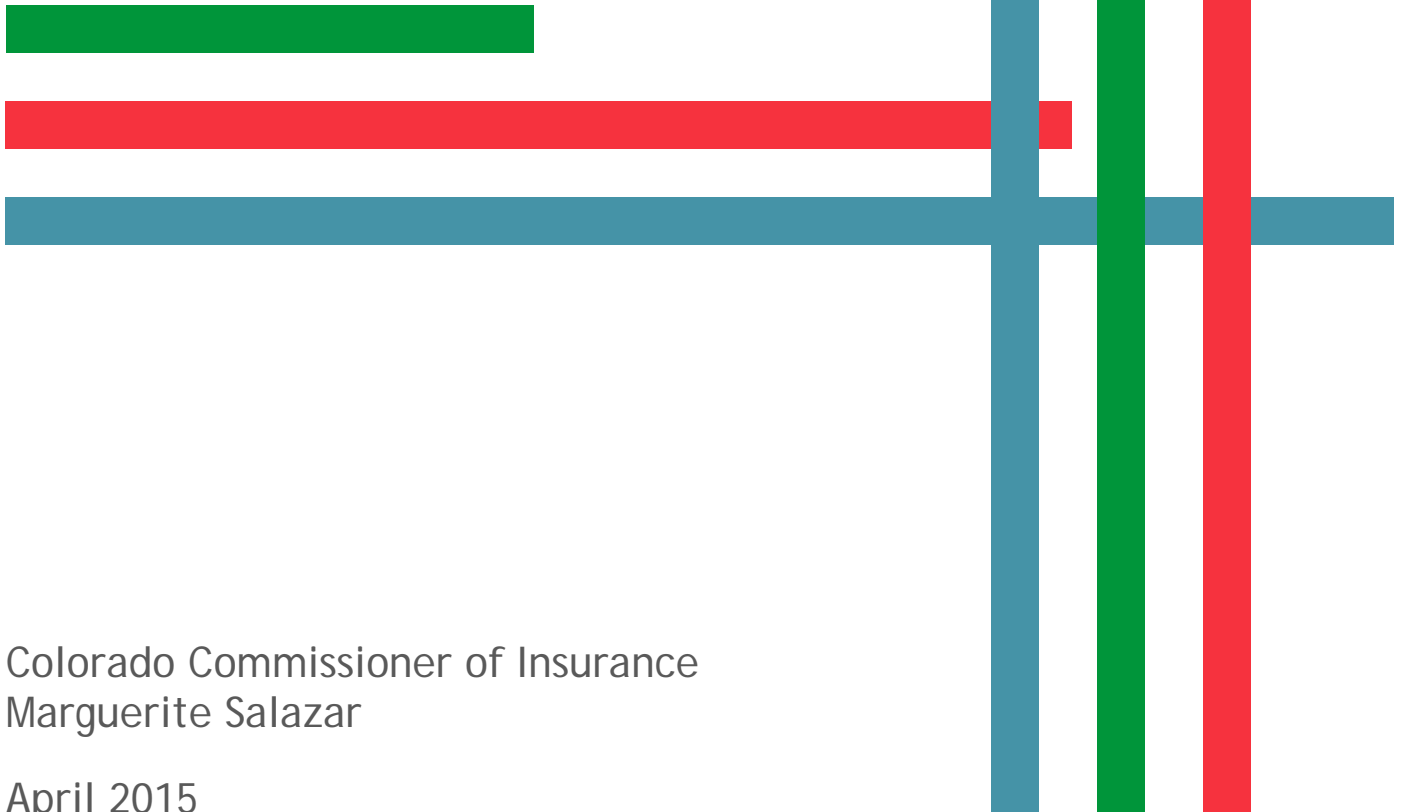


COLORADO

Department of
Regulatory Agencies

Division of Insurance

2014
Colorado
Small Group Market
Activity Report



Colorado Commissioner of Insurance
Marguerite Salazar

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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 new BG-1 coverage plans. In 2016, the definition of "small employer" will change from 50 or fewer eligible employees to 100 or fewer employees. Consequently, the 2014 and subsequent reports will reflect these changes as they are made in the small group market.

The Division collects information from health carriers, including health maintenance organizations (HMOs), participating in the small group market. 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, 2014. Due to the BG-1 change identified above and the changes to the individual coverage market, sole proprietors will purchase new coverage from the individual market in 2014 and beyond.

Key findings in this report:

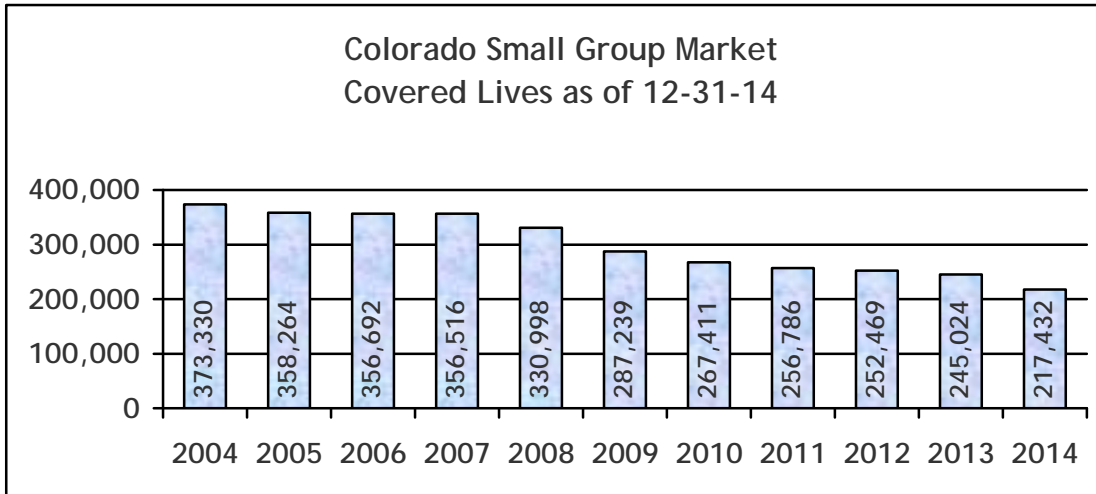
- The percentage of uninsured Coloradan's has dropped from 17% to 11%¹.
- The number of small group plans in Colorado decreased 27.2% from 29,179 to 21,252.
- The number of covered lives decreased 11.2% from 245,024 to 217,432.
- The number of BG-1s fell 53.9% from 4,007 to 1,849.
- 11 companies sell new policies, while another 3 companies had earned premiums.
- There has been a significant shift of approximately 8% from Multi-Option plans to HMO plans.
- No new BG-1 plans are being written.
- Basic and Standard Plans are being replaced with the new "metal" tier plans from the ACA.

¹ According to the Gallup-Healthways Well-Being Index report

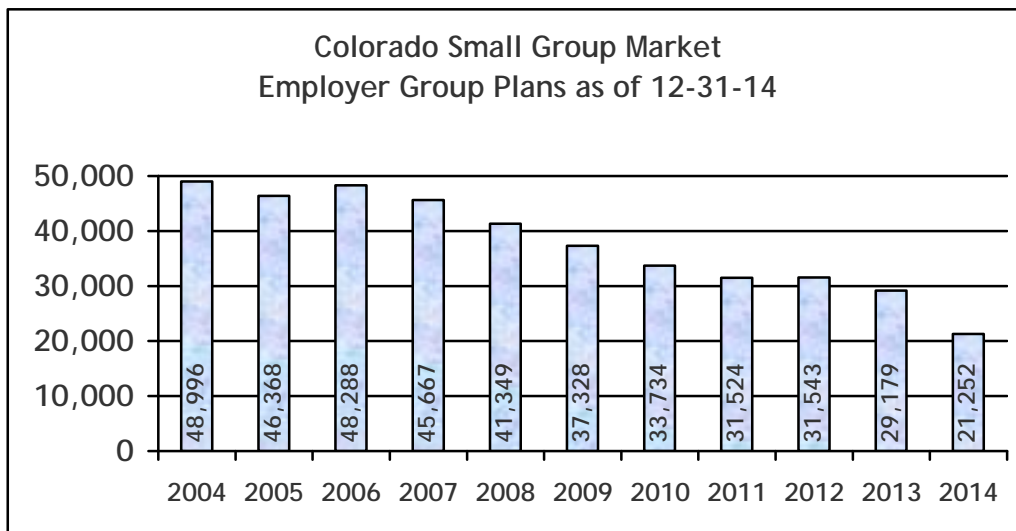
Participation in the Small Group Marketplace

As of December 31, 2014, the Colorado small group market covered 217,432 Coloradans with over \$1 billion in written premium. This represents 27,592 fewer people, an 11% decrease, since December 31, 2013. This is a significantly larger drop than the previous year's decrease of 3%.

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.

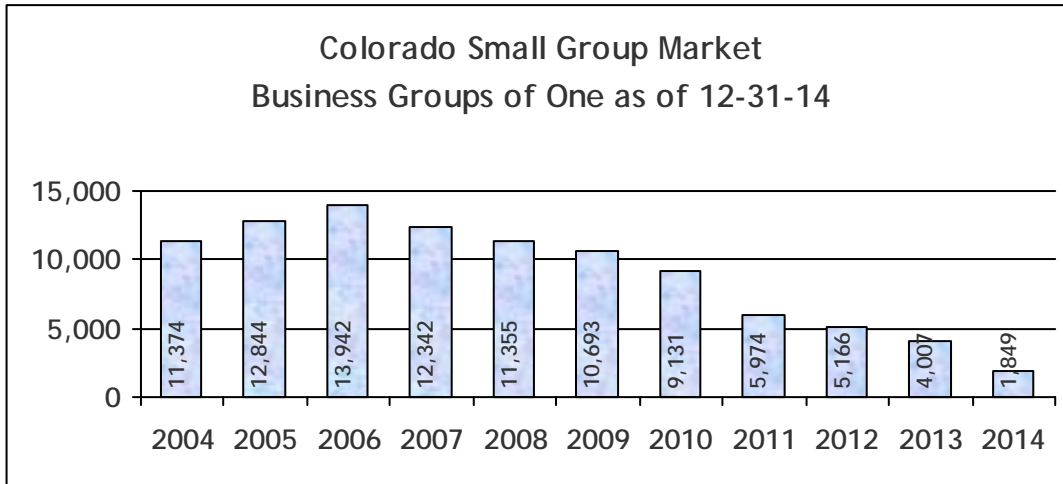


The total number of employers participating in the small group marketplace has fallen by 27.2%. As of December 31, 2014, there were 7,927 fewer small group employers who provided health plans for their employees than on December 31, 2013. This drop is more than three times as many employers who left the market in 2012. The majority of these employers had between 1 and 10 employees.

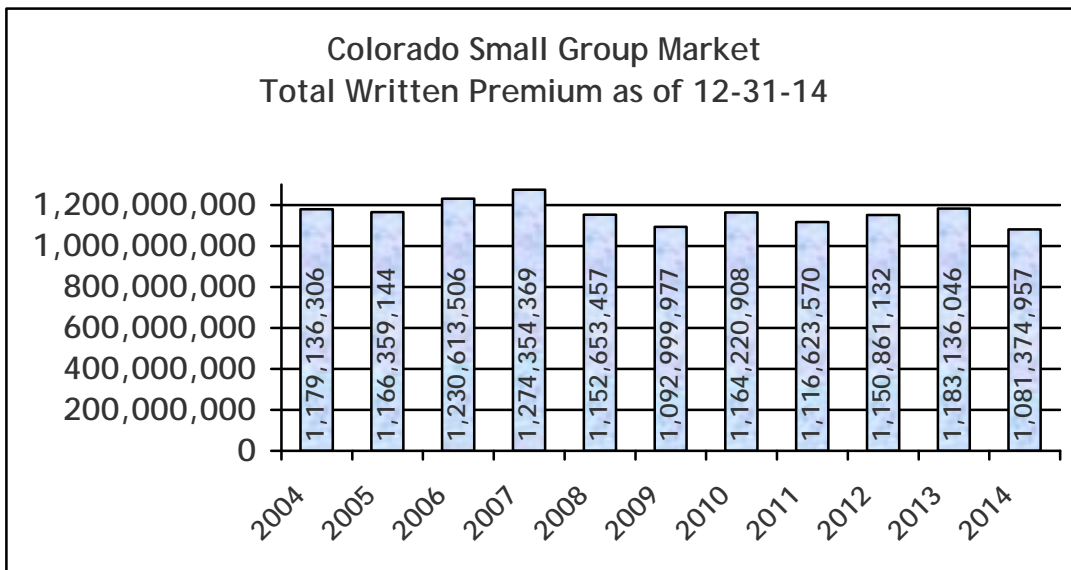


Note: Employer Group Plans are a measure of how many businesses have purchased health benefit plans for their employees.

The number of BG-1 employers declined by 53.9% from 4,007 to 1,849. With only renewal business remaining this number will continue to fall until no more BG-1 groups remain in the Colorado Market. BG-1 employers now represent 8.7% of the groups covered in the small group market, down from 19% in 2011. BG-1's are now eligible for guarantee-issued coverage in the individual health insurance market.

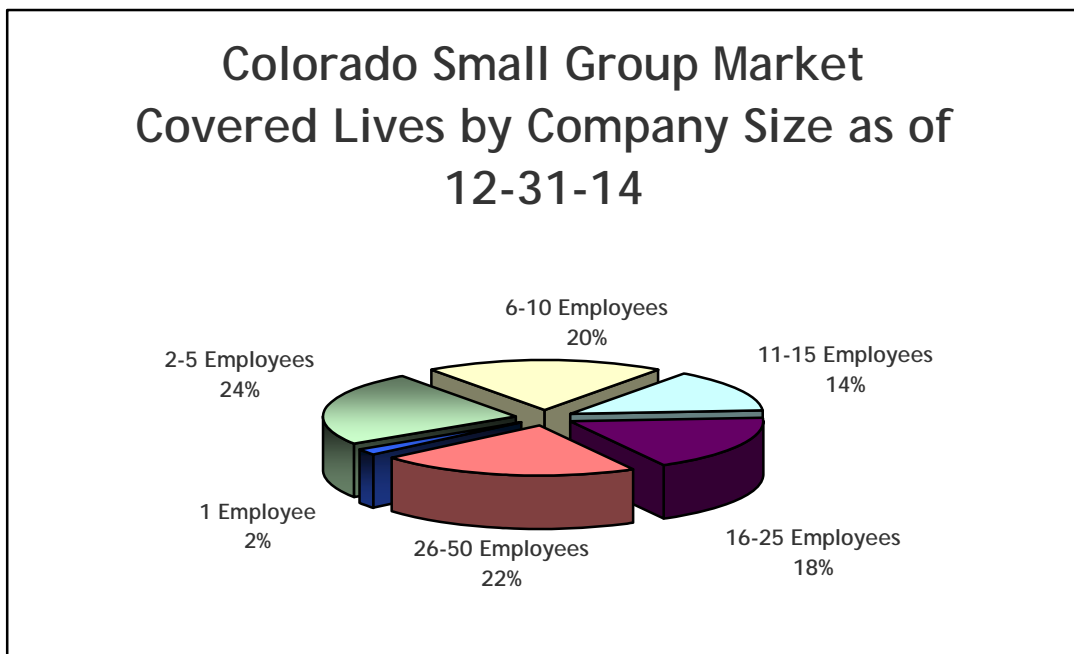
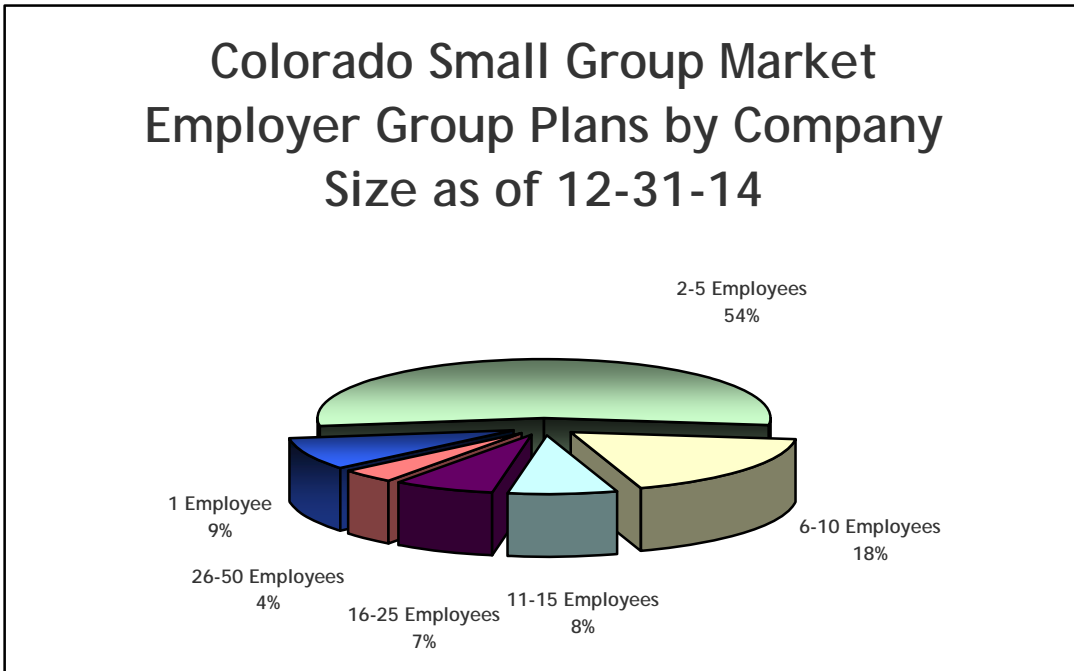


The total written premium in the small group market decreased by 8.6%, from \$1,183,136,046 to \$1,081,374,957. This does include premium paid on policies that were only in effect for part of 2014.



As shown on the following charts, BG-1's represent 9% of employers but only cover 2% of the lives. These numbers are down from 2013 when they covered 14% of employers and 3% of the lives.

The total number of all employer groups decreased by 27.2%. The smallest decreases were in groups of 2-5 with the largest non-BG1 grouping being for groups of 26-50 which decreased by 40.6%. Although 54% of employers have between 2-5 employees this segment of the market only covers 24% of the total lives in the small group market.

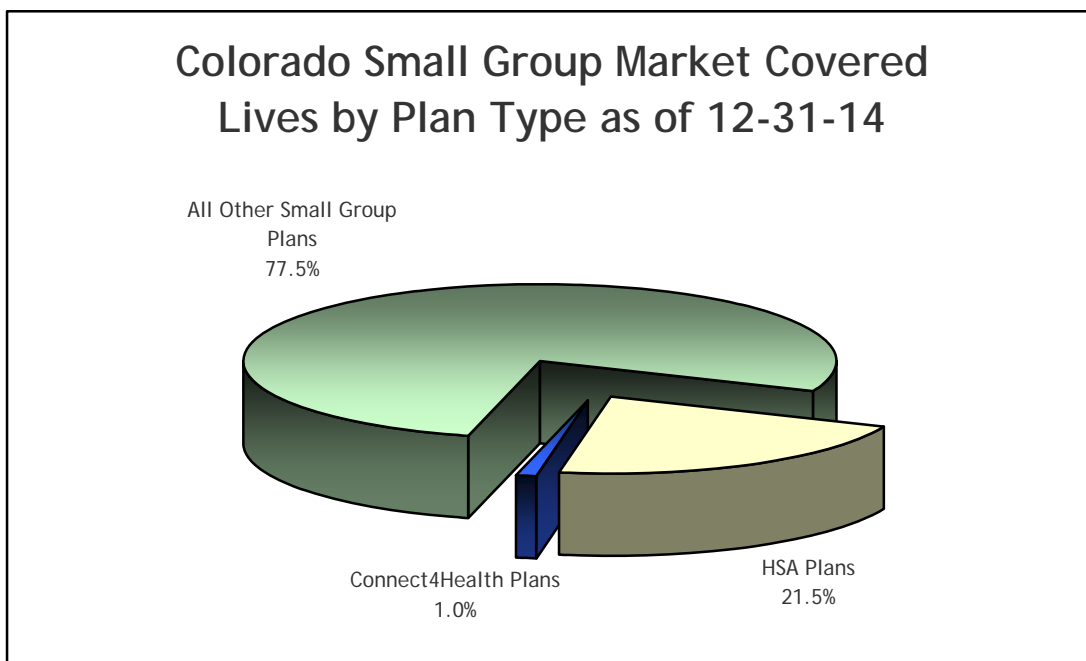
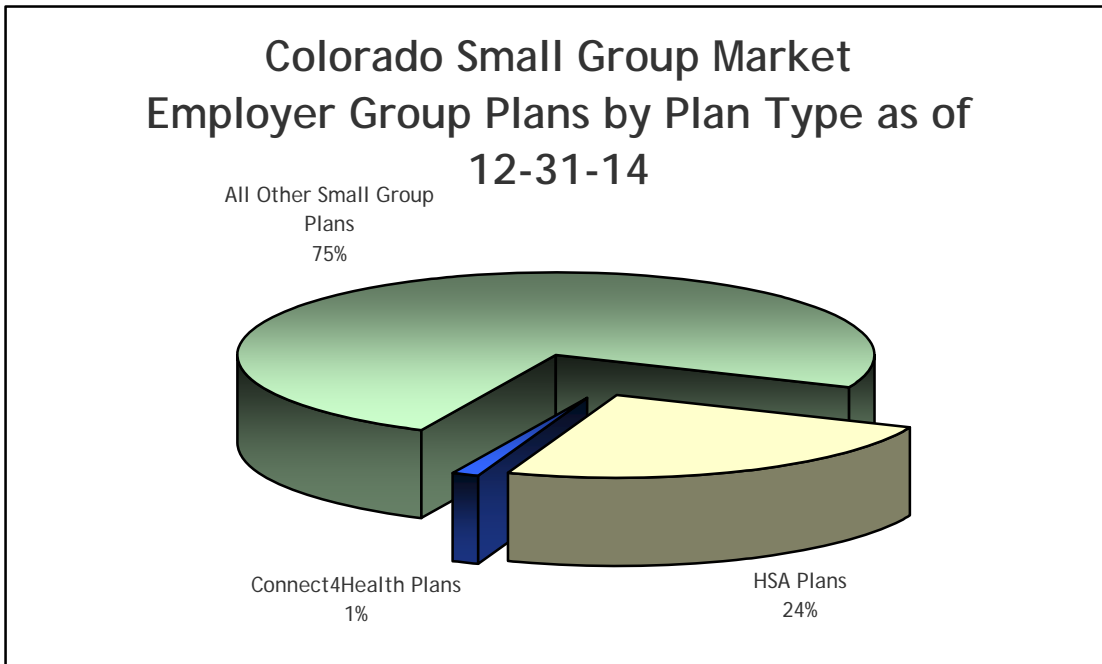


Employer Group Plan Types

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 four metal tier plans.

- **Bronze, Silver, Gold & Platinum Plans.** These four plan types are graduated by their actuarial value—the approximate amount the plan is expected to pay of all covered expenses. The actuarial values for the plans are 60% for Bronze, 70% for Silver, 80% for gold, and 90% for Platinum. They were established by §10-16-103.4 C.R.S., which was made effective January 1, 2014.
- **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.
- **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. There has been less than a 1% change in the distribution of plan types between 2012 and 2013. In 2014 with the change due to the ACA the Connect for Health Colorado 'metal' based plans have absorbed that previous market segment.



Small Group Market Coverage Types

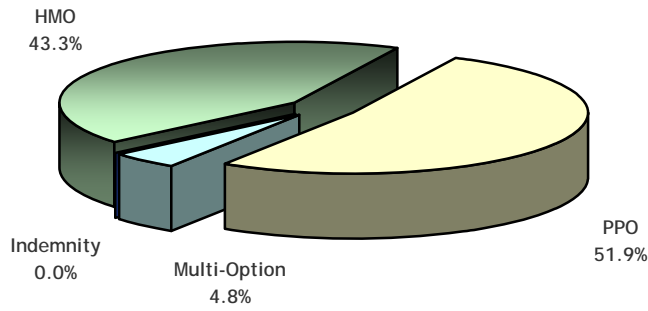
There are three types of carriers offering health benefit plans: HMOs, insurance companies, and non-profit health service corporations.

- 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.

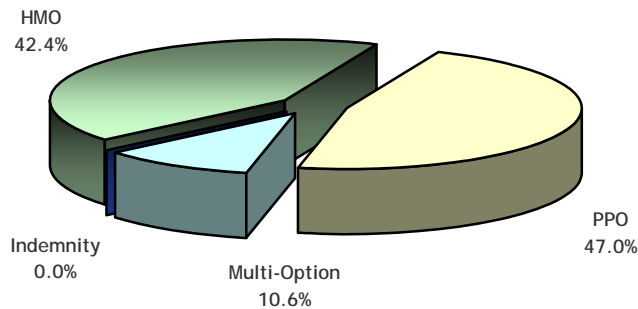
There was a large shift from Multi-Option plans to PPO plans in 2013. Previously, Multi-Option plans covered 41% of total covered lives in 2012, an increase from 36% in 2011. In 2013, this fell by 20% with these lives now being covered by PPO plans.

As of December 31, 2014, Multi-Option plans continued to decline but the shift was not primarily to PPO plans, but to HMO plans. The percentage of HMO plans went from 36.3% in 2013 to 43.3% in 2014—a 7% increase, while the PPO plans rose by only 1.5%.

Colorado Small Group Market Employer Group Plans by Coverage Type as of 12-31-14



Colorado Small Group Market Covered Lives by Coverage Type as of 12-31-14



Carriers in the Small Group Market

Eleven carriers in Colorado's small group market on December 31, 2014 were writing new policies. All but one policy covered by the three remaining companies that had earned premium in 2013 have been closed. These three represented 1.47% of the premium in 2014 and are finishing the process of officially leaving the small group market. All carriers that reported premium income at the end of 2014 are listed below.

Company Name	Premium Market Share	Total Covered Lives	Writing New Policies	Connect 4Health Plans	Basic HSA Plans	Offering Wellness Program
1. UnitedHealthcare Insurance Company	27.75%	52,105	Yes	No	Yes	No
2. Rocky Mountain Hospital and Medical Services, Inc. d/b/a Anthem Blue Cross Blue Shield	24.11%	58,993	Yes	No	Yes	Yes
3. Kaiser Foundation Health Plan of Colorado	23.30%	55,187	Yes	Yes	Yes	No
4. Humana Health Plan, Inc.	6.83%	19,118	Yes	No	Yes	Yes
5. Rocky Mountain HealthCare Options, Inc.	6.49%	12,005	Yes	Yes	Yes	Yes
6. Rocky Mountain Health Maintenance Organization	6.15%	12,578	Yes	Yes	Yes	Yes
7. UnitedHealthcare of Colorado, Inc.	1.62%	2,241	Yes	No	No	No
8. Colorado Choice Health Plans d/b/a San Luis Valley HMO	0.96%	2,337	Yes	Yes	Yes	Yes
9. HMO Colorado, Inc.	0.60%	1,150	Yes	Yes	No	Yes
10. Humana Insurance Company	0.53%	1,584	Yes	No	Yes	Yes
11. Colorado Health Insurance Cooperative, Inc.	0.06%	133	Yes	Yes	Yes	No
Subtotal	98.39%	217,431	11	6	9	7
Companies no longer writing small group insurance						
12. SeeChange Health Insurance Company	1.57%	0	No	Yes	No	Yes
13. Mid-West National Life Insurance Company of Tennessee	0.04%	0	No	Yes	No	No
14. Transamerica Life Insurance Company	0.00%	1	No	No	No	No
Totals	100.00%	217,432	11	8	9	8

Conclusion

The major market changes from 2013 to 2014 include the following:

- The percentage of uninsured Coloradan's has dropped from 17% to 11%².
- The number of small group plans in Colorado decreased 27.2% from 29,179 to 21,252.
- The number of covered lives decreased 11.2% from 245,024 to 217,432.
- The number of BG-1s fell 53.9% from 4,007 to 1,849.
- Eleven companies sell new policies, while another three companies reported that they had earned premium in the small group market.
- There has been a significant shift of approximately 8% from Multi-Option plans to HMO plans as opposed to the shift of 20% from Multi-Option plans to PPO plans in 2013.
- No new BG-1 plans are being written.
- Basic and Standard Plans are being replaced with the 'metal' level plans from the ACA.

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 that while as a whole small employers continue to shift away from Multi-Option plans, that instead of moving primarily into PPO plans as in 2013, they are moving into more HMO plans in 2014.

In 2014 there was a significant drop across the entire small group market. This is due to the significant changes in the health care landscape. These changes include changes due to the federal Affordable Care Act and HB13-1266 which brought Colorado's laws into conformance with the federal standards. These changes open up guarantee issue health coverage for individuals and change the definition of small group from 1-50 to 2-100 eligible employees.

While the data shows a decrease in covered lives, it is difficult to know where covered individuals now get their insurance. They may have purchased individual coverage, moved to a spouse's plan, moved to the large group market, become self-insured, or become uninsured. The drop in insured lives may be directly attributable to the growing availability of other guarantee-issued coverage being made available. Some of these individuals are going to Connect for Health Colorado, Colorado's health insurance exchange. Small businesses continue to play an important role in Colorado's overall insurance market, and provide needed health benefits to employees across the state.

² According to X!