

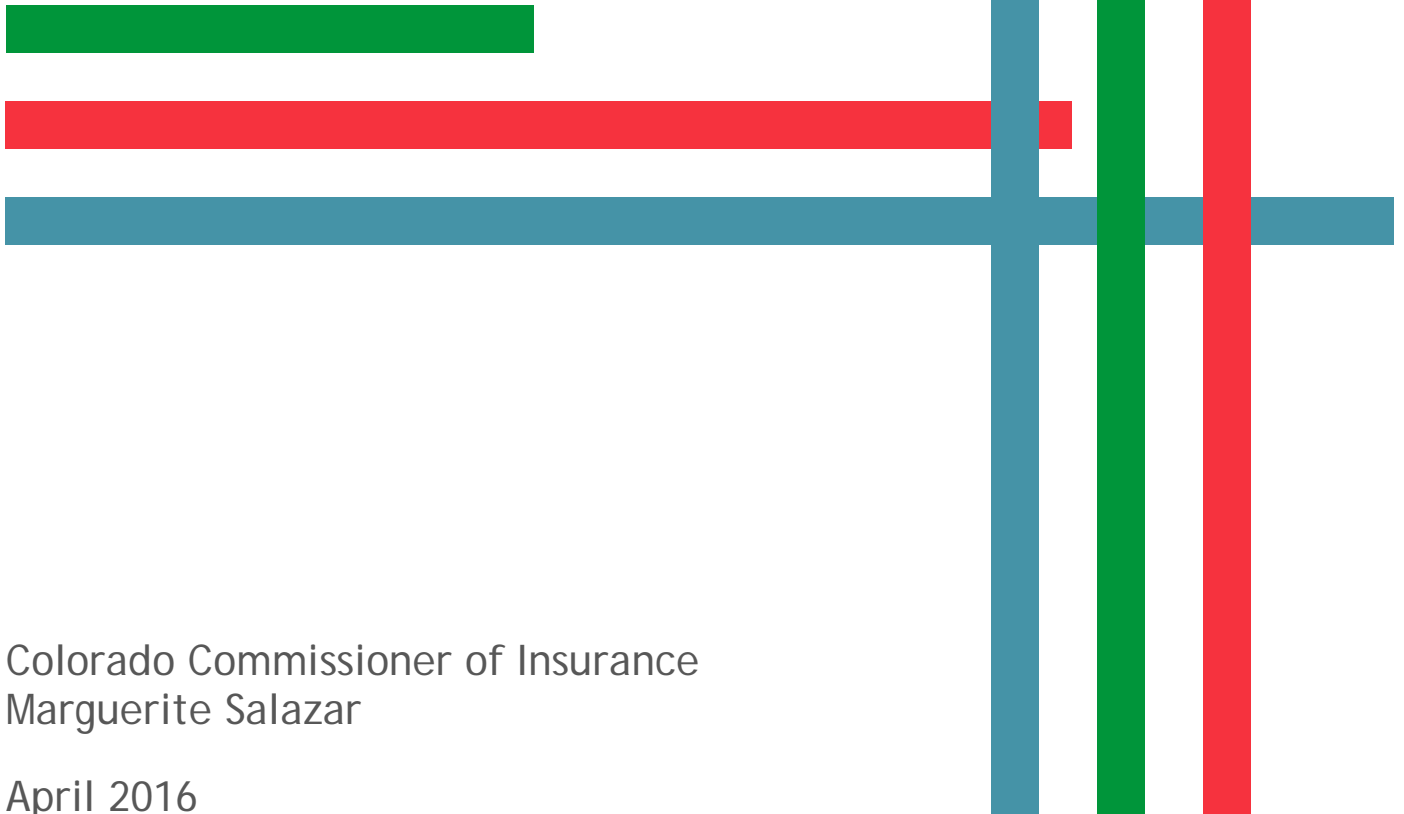


**COLORADO**

**Department of  
Regulatory Agencies**

Division of Insurance

**2015  
Colorado  
Small Group Market  
Activity Report**



Colorado Commissioner of Insurance  
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April 2016

## 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 defined as "Small Group". Before 2013 "Small Group" was defined as having between 1 and 50 eligible employees in Colorado for at least half of the year. Plans with only one employee are referred to as business groups of one (BG-1)

For plans offered after December 31, 2013 and to align with federal requirements, BG-1 groups were no longer eligible for new coverage plans but existing BG-1 plans could be maintained. For plans offered after December 31, 2015 the definition of "Small Group" changed from 2 to 50 to 2 to 100 employees.

Consequently, the numbers reported for 2014 reflect the loss of new BG-1 plans and readers should be aware of that change when reading this report.

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. Due to the December 31, 2013 change identified above and the changes to the individual coverage market, BG-1 plans are now purchased from the individual market.

All data in this report reflect market activity as of December 31, 2015.

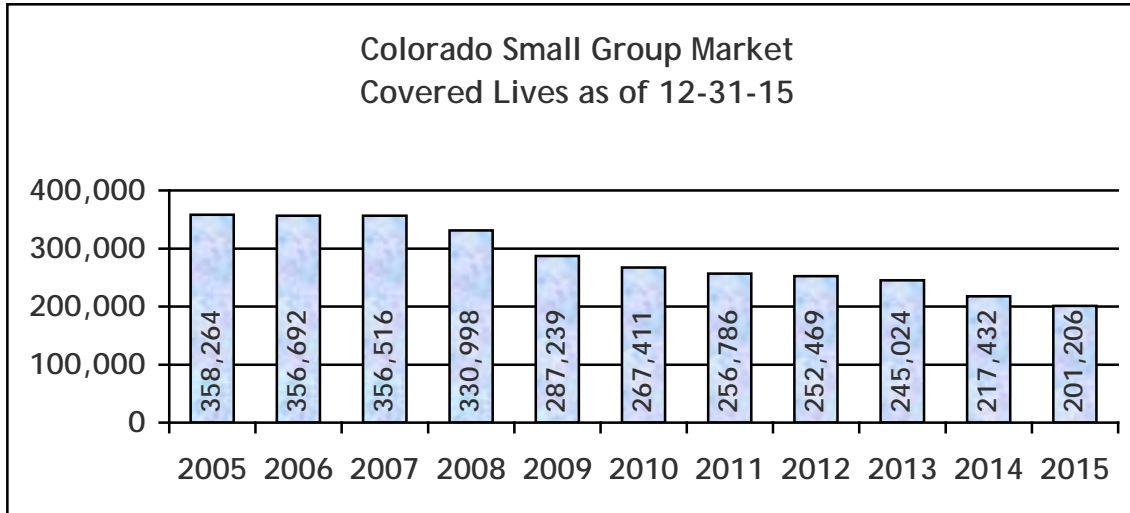
### **Key findings in this report:**

- The number of small group plans in Colorado decreased 10.5% from 21,252 to 19,031.
- The number of covered lives decreased 7.5% from 217,432 to 201,206.
- The number of BG-1s fell 63.7% from 1,849 to 671.
- The number of Groups covering 11-15 employees rose 7.1% from 1,644 to 1,761.
- Ten companies sell new policies, while one other company reported it had earned premium in the small group market.
- The number of PPO and HMO groups has reached a near balance.
- No new BG-1 plans are being written.

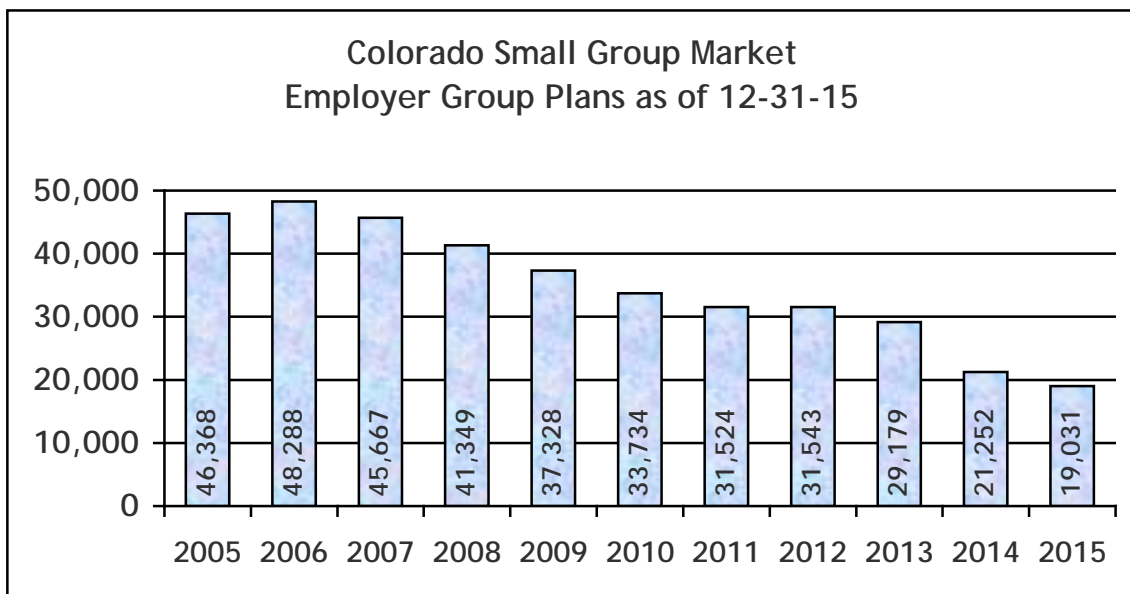
## Participation in the Small Group Marketplace

As of December 31, 2015, the Colorado small group market covered 201,206 Coloradans with over \$1 billion in written premium. This represents 16,226 fewer people, a 7% decrease, since December 31, 2014. This is a smaller drop than the previous year's decrease of 11%. That 11% included the decrease attributable to no new BG-1 plans entering the market.

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.

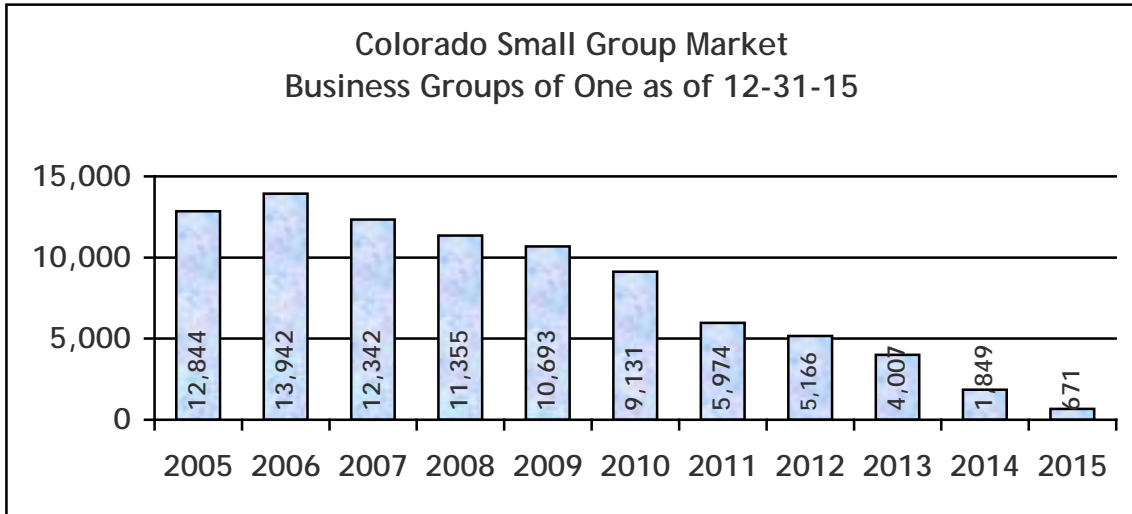


The total number of employers participating in the small group marketplace has fallen by 10.5%. As of December 31, 2015, there were 2,221 fewer small group employers who provided health plans for their employees than on December 31, 2014. This drop is less than a third of the employers who left the market in 2014, similar to the number of employers who left the market in 2012. 53% of these were BG1's, with another 44% that employed between 2 and 5 employees.

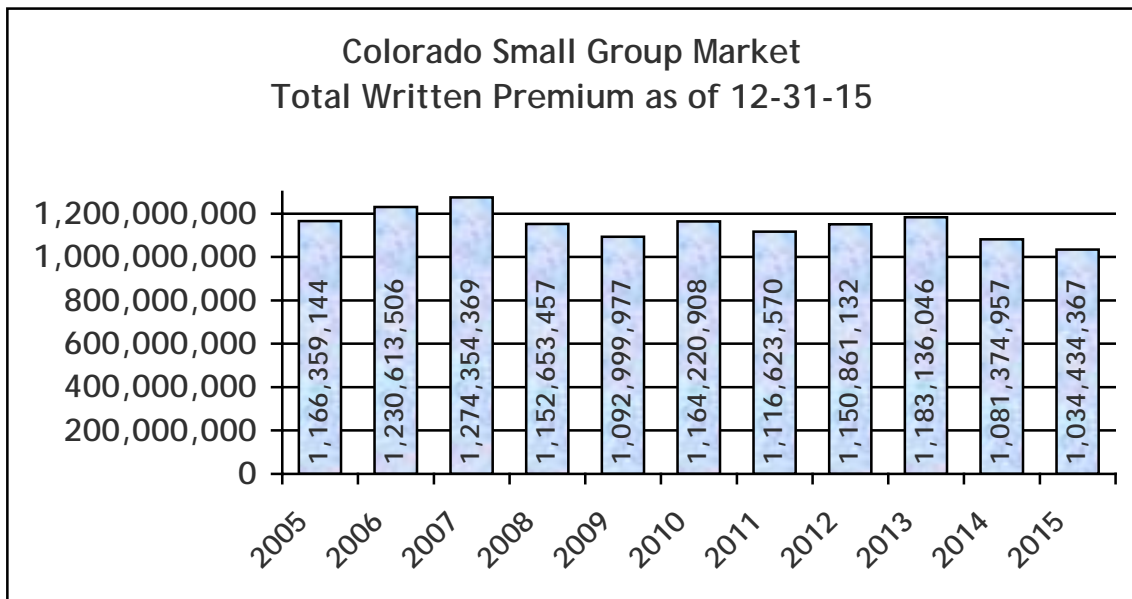


Note: Employer Group Plans are a measure of how many businesses have purchased health benefit plans for their employees.

The number of BG-1 employers declined by 53.9% in 2014 and 63.7% in 2015. With only renewal business remaining the remaining number of BG-1 groups will continue to fall until no more remain in the Colorado Market. BG-1 employers now represent 3.5% 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.

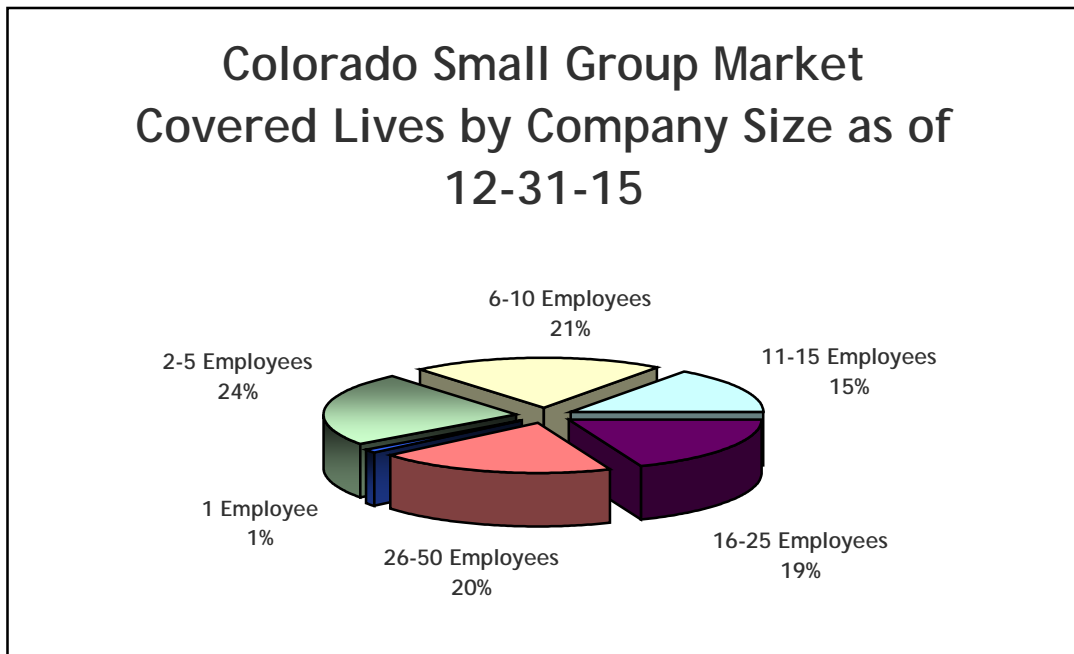
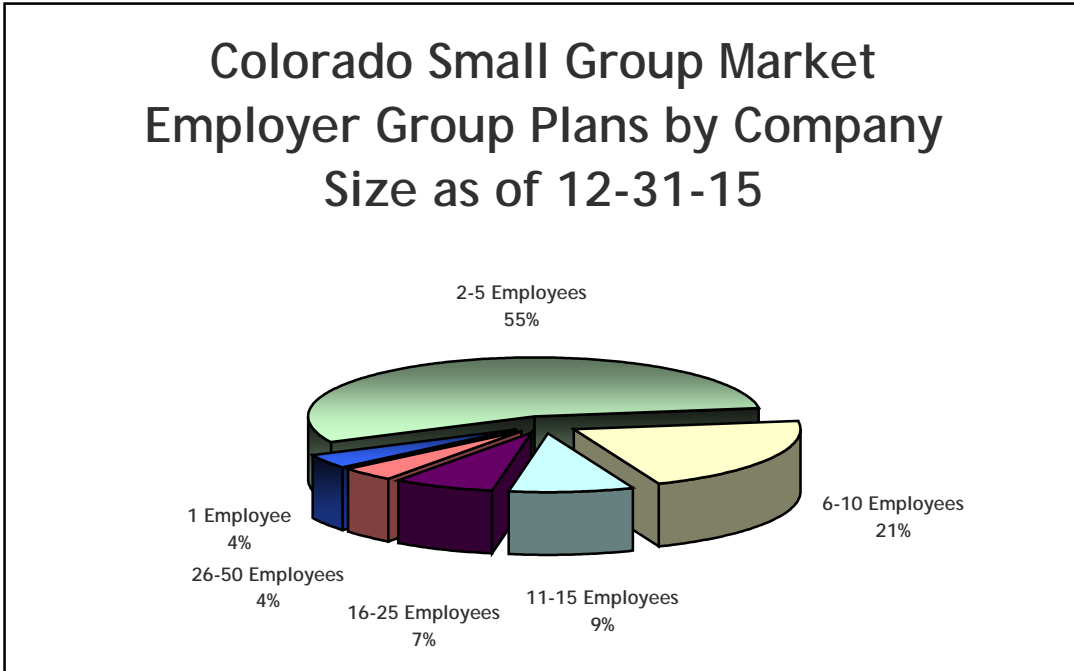


The total written premium in the small group market decreased by 4.3%; from \$1,081,374,957 to \$1,034,434,367. This includes premium paid on policies that were only in effect for part of 2015.



As shown on the following charts, BG-1's represent 4% of employers but only cover 1% of the lives. These numbers are down from 2014 when they covered 9% of employers and 2% of the lives.

The total number of employer groups decreased by 10.5%. However groups of 6-10 increased by 1% while groups of 11-25 increased by 7%. Although 55% of employers have between 2-5 employees this segment of the market only covers 24% of the total lives in the small group market.

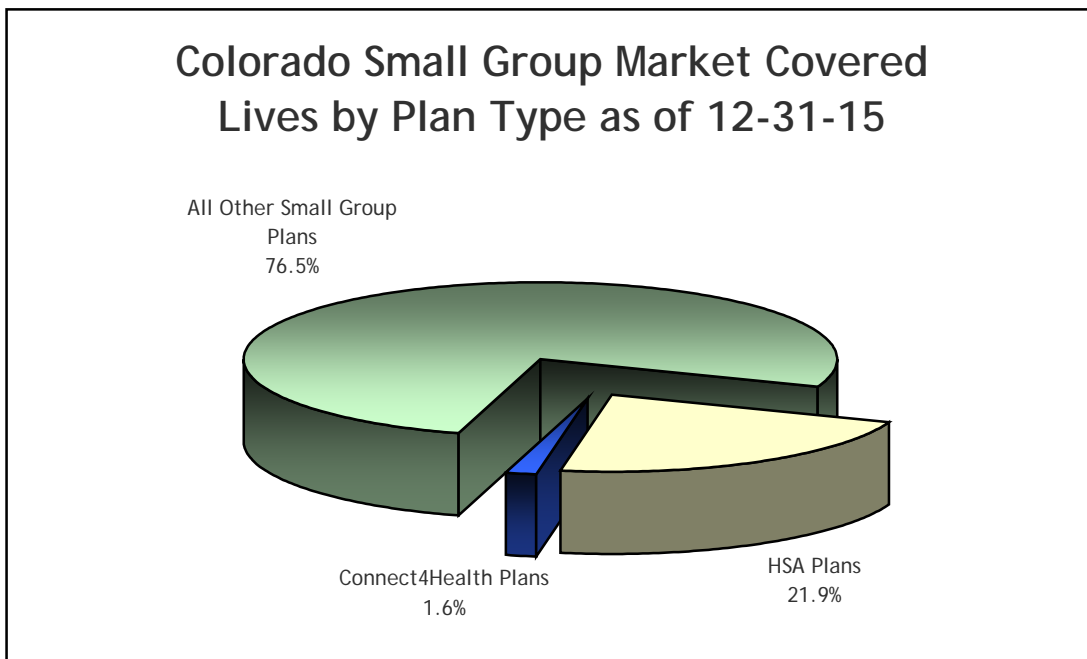
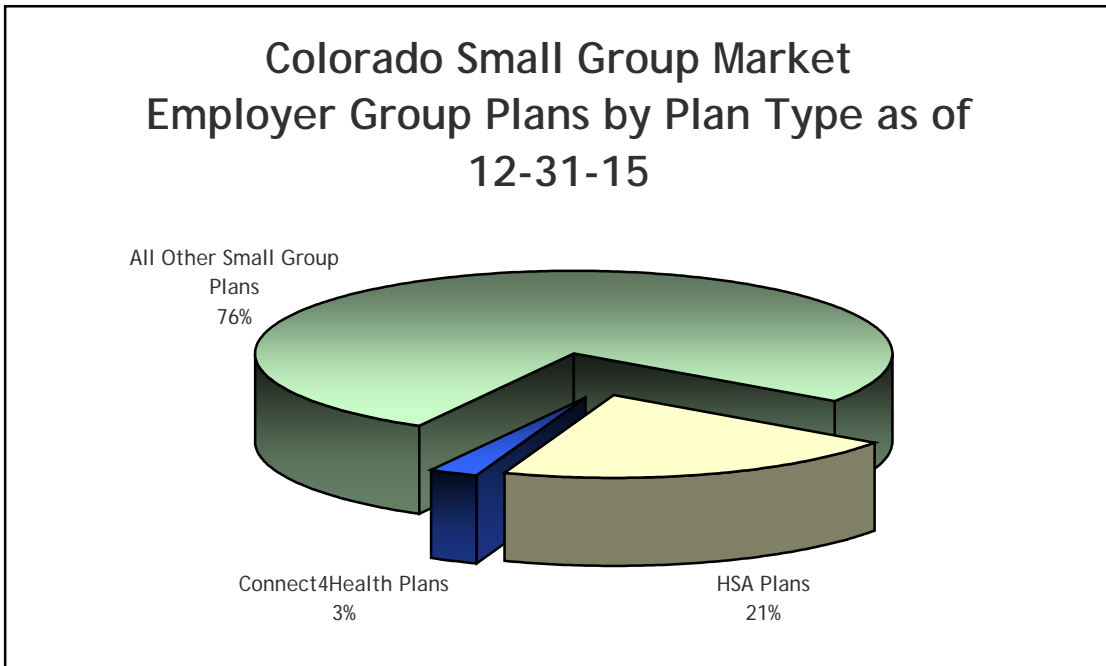


## Employer Group Plan Types

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.

After the introduction of Connect4Health Colorado, the percentage of HSA Plans has stopped increasing and the distribution of plan types has stabilized. With Connect4Health plans increasing from 2% to 3% in 2015, mostly from the All Other Small Group Plans category. This change in number of plans has been accompanied by a proportionate rise in covered lives.



## Small Group Market Coverage Types

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

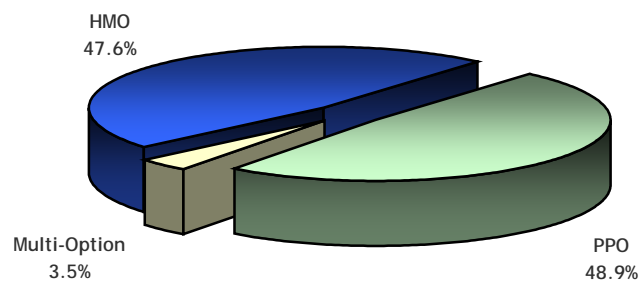
- Insurance companies may use a preferred provider organization (PPO) or offer “indemnity” plans.
- PPO plans provide more flexibility and allow members to utilize both contracted and non-contracted providers; however, the benefit levels for using contracted providers are typically much better.
- Indemnity plans provided equal coverage from any provider or hospital. The last small group indemnity plan closed in 2014.
- 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.



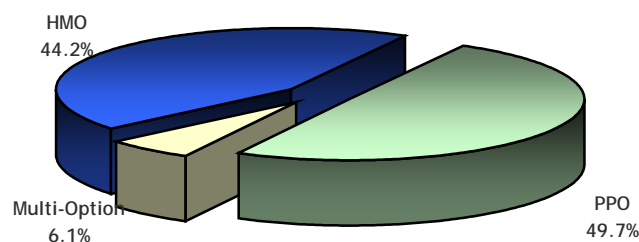
In 2015, Multi-Option plans continued to decline in favor of HMO plans and a larger shift has joined them from PPO to HMO plans, bringing the two types within 1% of equal market share. The percentage of HMO plans went from 43.3% in 2014 to 47.6%, while the PPO plans dropped from 51.9% to 48.9%

As of December 31, 2015 there are no longer any small group indemnity plans in the market.

### Colorado Small Group Market Employer Group Plans by Coverage Type as of 12-31-15



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



## Carriers in the Small Group Market

Ten carriers in Colorado's small group market on December 31, 2015 were writing new policies. The remaining company that had earned premium in 2013 covered 2,756 lives until the end of the year. This represented .92% of the premium in 2015 and is in the process of officially leaving the small group market. All carriers that reported premium income at the end of 2015 are listed below.

Company Name	Premium Market Share	Total Covered Lives	Writing New Policies	Connect 4Health Plans	Basic HSA Plans	Offering Wellness Program
1. Rocky Mountain Hospital and Medical Services, Inc. d/b/a Anthem Blue Cross Blue Shield	25.02%	52,276	Yes	No	Yes	Yes
2. UnitedHealthcare Insurance Company	24.97%	44,796	Yes	No	Yes	No
3. Kaiser Foundation Health Plan of Colorado	23.68%	50,936	Yes	Yes	Yes	No
4. Humana Health Plan, Inc.	8.57%	18,155	Yes	No	Yes	Yes
5. Rocky Mountain Health Maintenance Organization	6.83%	11,747	Yes	Yes	Yes	Yes
6. Rocky Mountain HealthCare Options, Inc.	5.40%	8,862	Yes	Yes	Yes	Yes
7. UnitedHealthcare of Colorado, Inc.	1.95%	6,385	Yes	No	Yes	No
8. Colorado Choice Health Plans d/b/a San Luis Valley HMO	1.18%	3,162	Yes	Yes	Yes	No
9. HMO Colorado, Inc.	0.81%	1,357	Yes	Yes	Yes	Yes
10. Humana Insurance Company	0.67%	774	Yes	No	Yes	Yes
Subtotal	99.08%	198,450	10	5	10	6
Companies no longer writing small group insurance						
11. Colorado Health Insurance Cooperative, Inc.	0.92%	2,756	No	Yes	Yes	No
Totals	100.00%	201,206	11	8	9	8

## Conclusion

The major market changes from 2014 to 2015 include the following:

- The number of small group plans in Colorado decreased 10.5% from 21,252 to 19,031.
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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, and that in 2015 instead of moving primarily into PPO plans as in 2013, they are continuing to move into more HMO plans as they did in 2014.

In 2015, there was a continued drop in covered lives across the entire small group market, although it was smaller than the reduction in 2014. This is due to the significant changes in the health care landscape. These changes include those due to the federal Affordable Care Act and HB13-1266, which brought Colorado's laws into conformance with the federal standards. Those changes opened up guaranteed issue health coverage for individuals and changed the definition of small group from 1-50 to 2-50 eligible employees in 2014 and from 2-50 to 2-100 eligible employees starting in 2016.

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.