

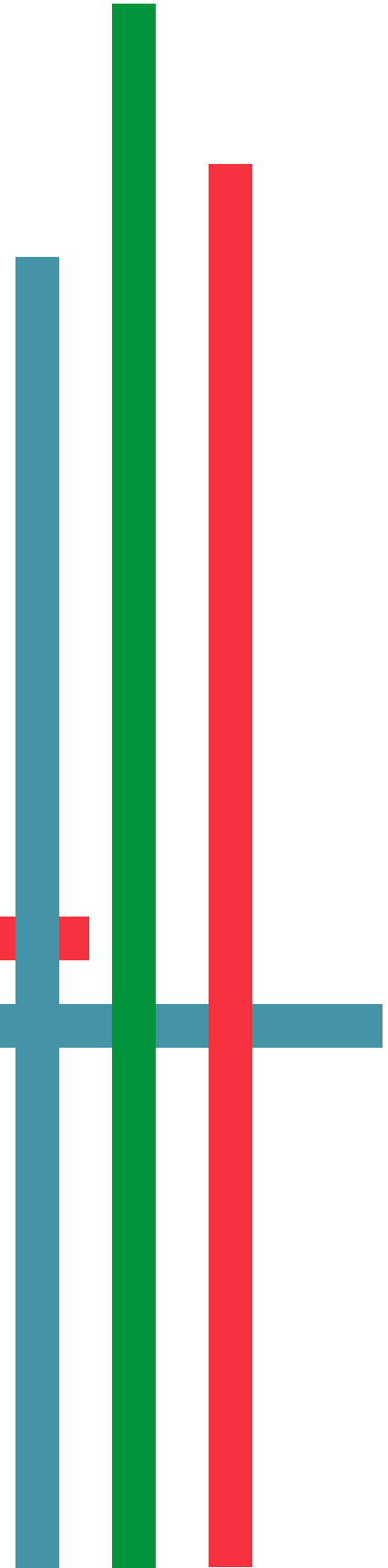


COLORADO

**Department of
Regulatory Agencies**

Division of Insurance

2016 Colorado Small Group Market Activity Report



Colorado Commissioner of Insurance
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April 2017

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, Colorado included "business groups of one" in the definition of a small employer. These business groups of one (BG-1) were typically sole proprietors without employees.

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 groups could be maintained. For plans offered after **December 31, 2015**, the definition of "small group" changed from a maximum of 50 eligible employees to a maximum of 100 eligible 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, individuals previously qualifying and purchasing BG-1 plans are now purchasing plans in the individual market.

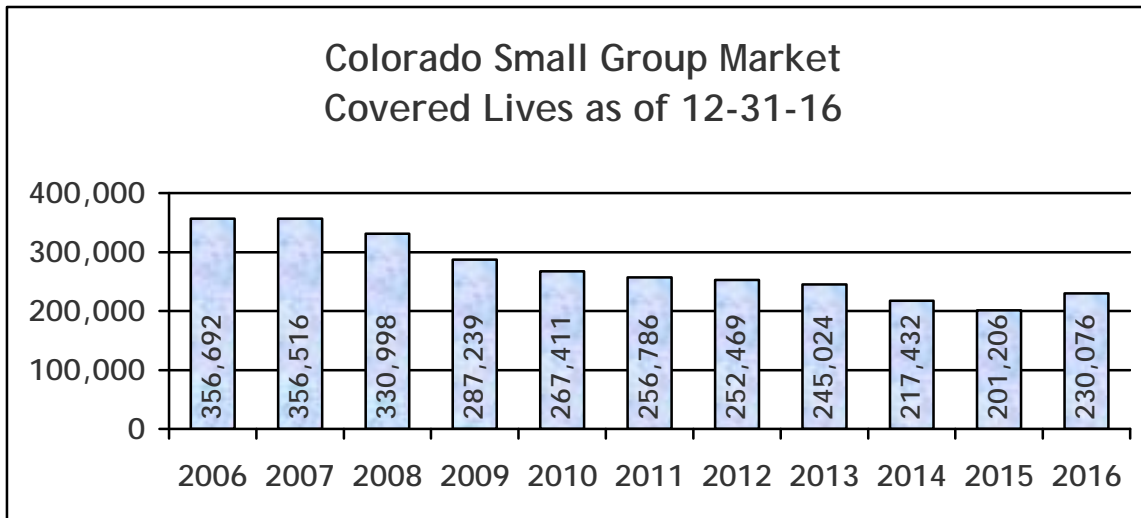
All data in this report reflect market activity as of December 31, 2016.

Key findings in this report:

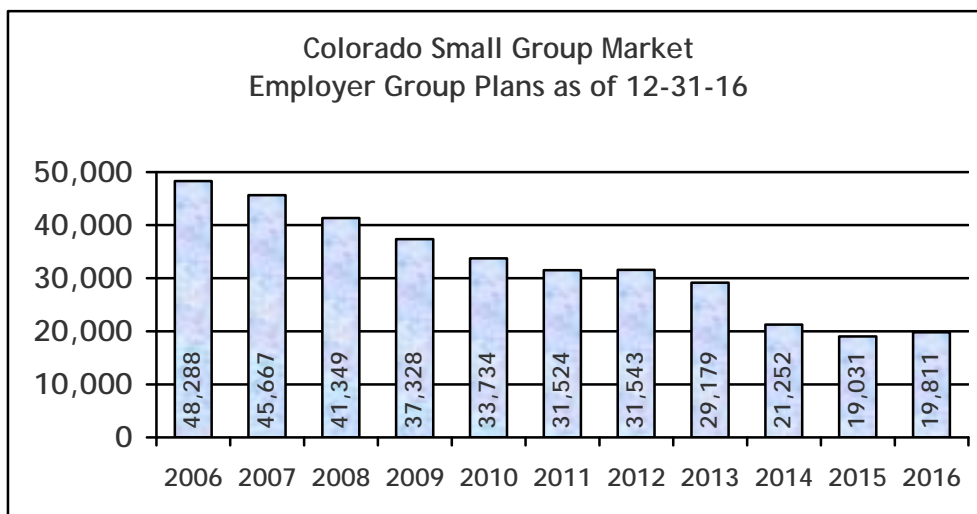
- Employers covering 51-100 employees are now included in the small group market.
- The number of small group plans in Colorado increased 4.1% from 19,031 to 19,811. If you exclude the new 51-100 employee groups, the number of plans increased 2.6% (from 19,031 to 19,533).
- The number of covered lives increased 14.4% from 201,206 to 230,076. If you exclude the new 51-100 employee groups, the number of covered lives increased 3.9% (from 201,206 to 209,100).
- The total written premium in the small group market increased by 8% from \$1,034,434,367 to \$1,117,288,568.
- Eleven carriers sell new policies with one carrier re-entering the market in 2016.

Participation in the Small Group Marketplace

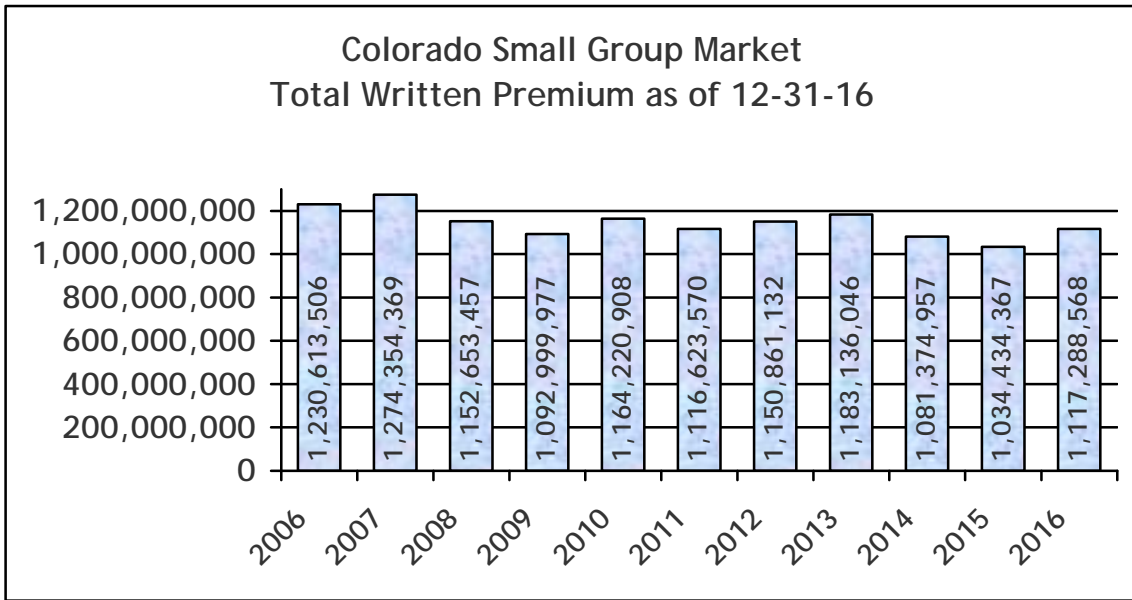
As of December 31, 2016, the Colorado small group market covered 230,076 Coloradans with over \$1 billion in written premium. These numbers include the groups and lives joining the small group market from the 51-100 employee group plans. This represents a total of 28,870 new people, a 14.4% increase, since December 31, 2015. If you exclude the 51-100 employee group plans, there is still an increase of 7,894 covered lives. This is significant change from the trend of fewer lives being covered over the last several 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. *Please note that the 2016 numbers provided in all of the following charts include employer groups with up to 100 eligible employees.*



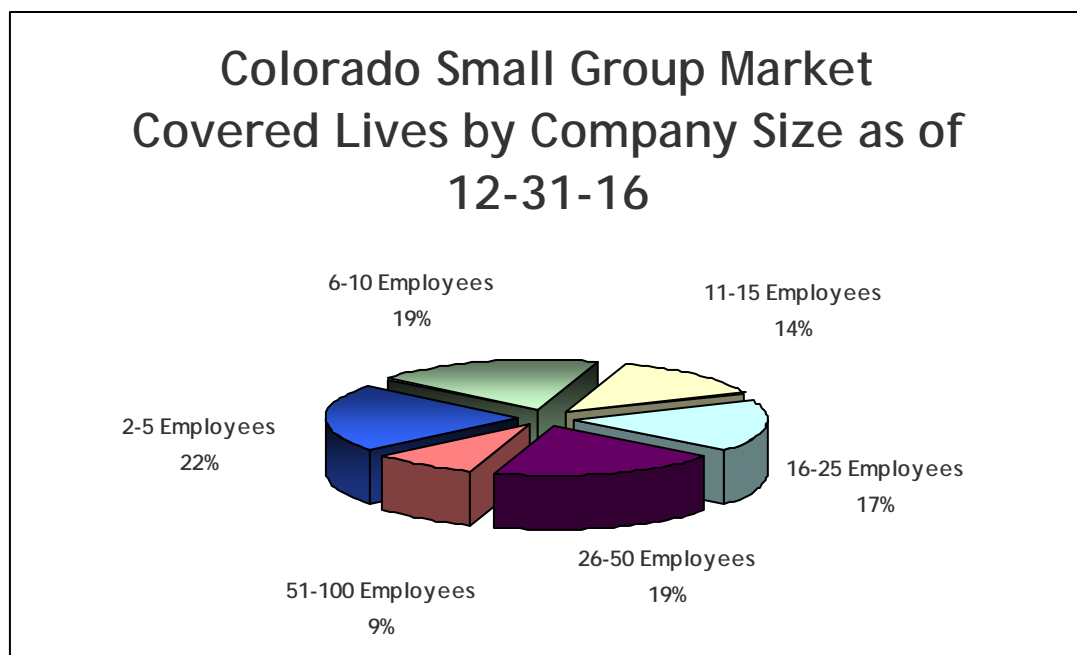
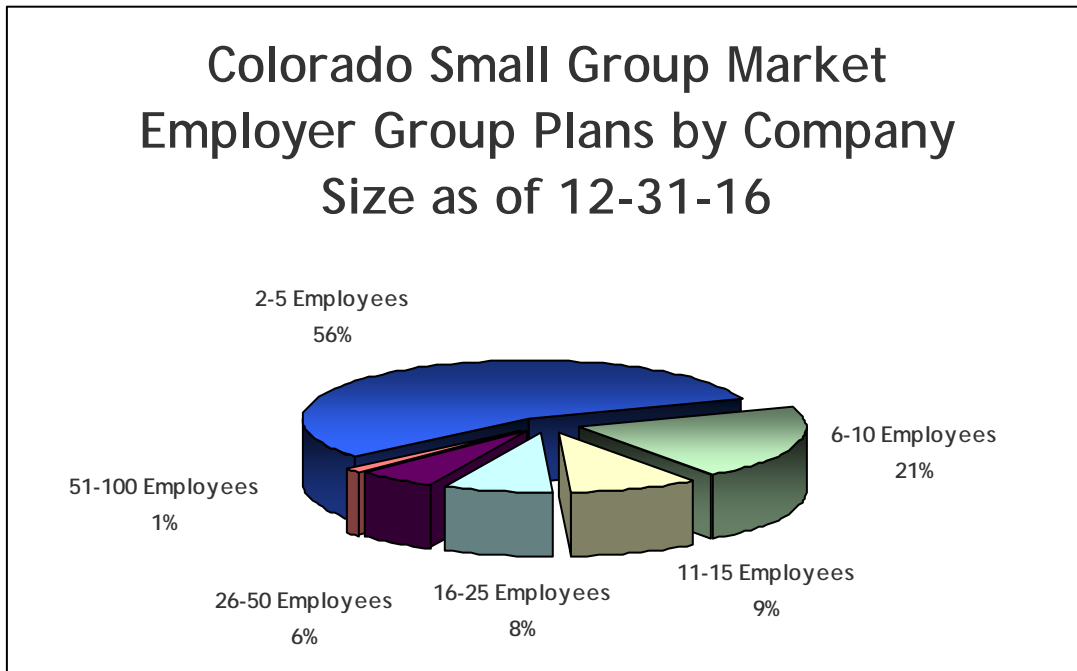
Employer group plans are a measure of how many businesses have purchased health benefit plans for their employees. The total number of employers participating in the small group marketplace has risen by 4.1%. As of December 31, 2016, there were 780 more small group employers who provided health plans for their employees than on December 31, 2015. Of this group, 278 were from employers with 51-100 employees which now meet Colorado’s small group employer definition. Even without the inclusion of the 51-100 employee groups, this represents a significant shift in the last five years and overall annual trend of fewer plans in Colorado’s small group market.



The total written premium in the small group market increased by 1.2%: from \$1,034,434,367 to \$1,047,285,052. This increase in premiums is less than the increase in both covered lives and number of plans. This includes premium paid on policies that were only in effect for part of 2016.



The total number of employer group plans increased by 4.1%. However, some of this can be attributed to the inclusion of plans with between 51-100 employees now being included in the small group market. The plans covering 51-100 employees represent an increase of 1.5% in the number of plans, and a 10.5% increase in the number of covered lives compared to an increase of 2.6% in number of plans and 3.9% in number of lives for plans covering 1-50 employees¹.



¹ Legacy BG1's - (Business Groups of One) are now included in the 2-5 Employee numbers for policies and covered lives

Employer Group Plan Options

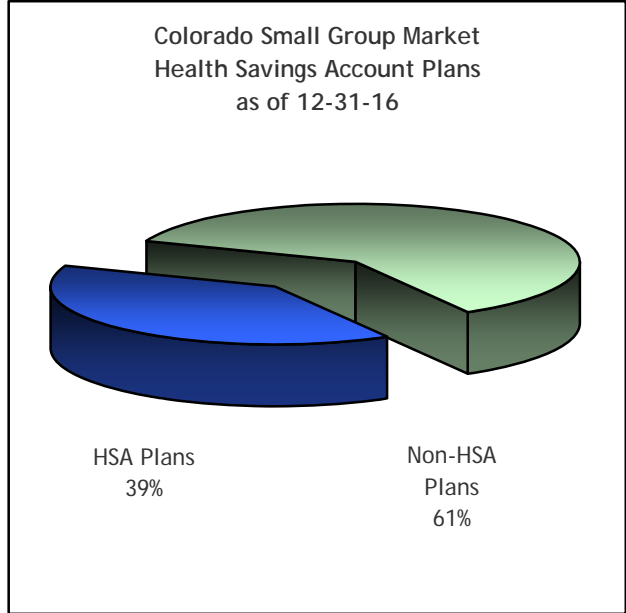
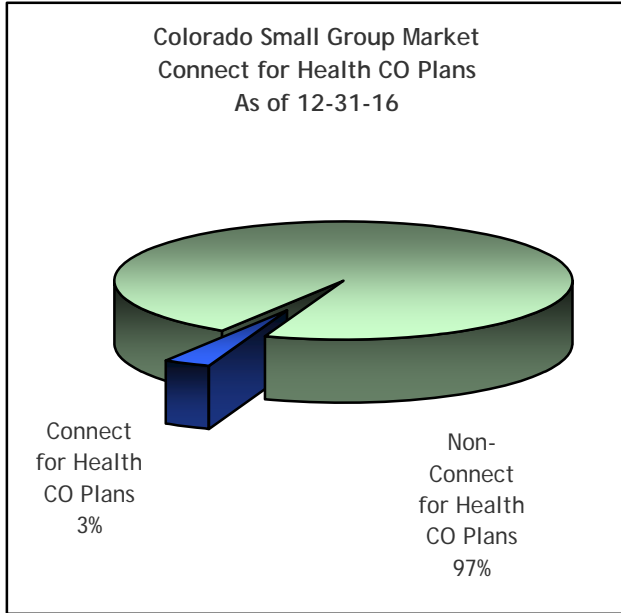
Small group plans are available with many different possible combinations of payment, coverage, and utilization and procurement. The various options available are described below.

Connect for Health Colorado - Connect for Health Colorado is Colorado's health benefit exchange. It is not a state agency, but a separate, non-profit entity established by Senate Bill 200 in 2011. The Division of Insurance does not regulate Connect for Health Colorado, but regulates the health insurance carriers and the plans offered through the exchange. Employees can purchase small group plans through Connect for Health Colorado with a variety of offerings.

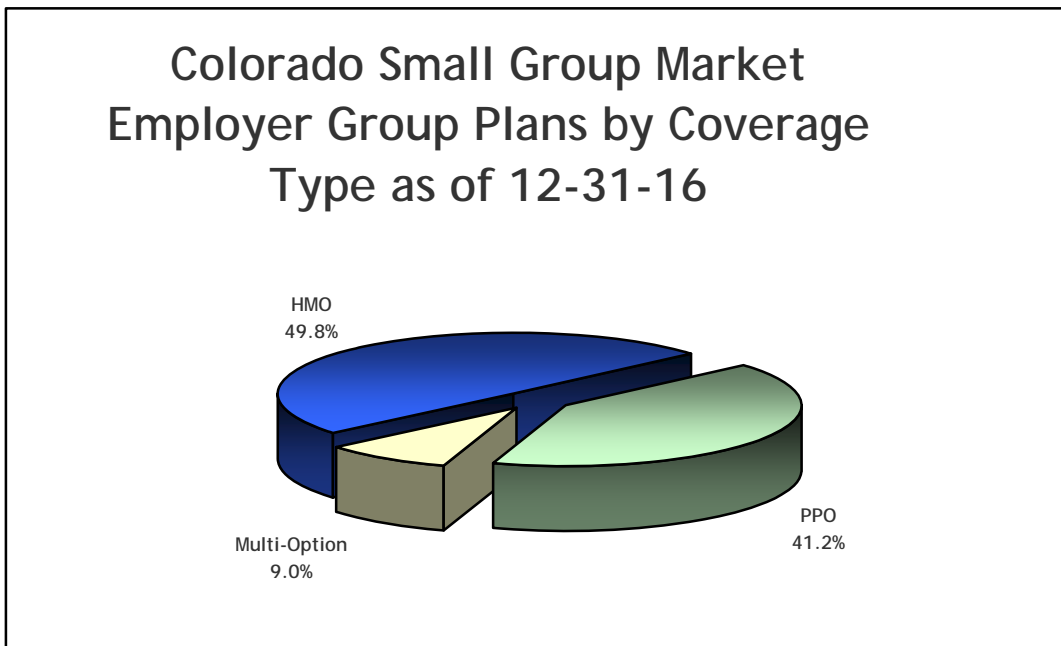
- **Health Savings Account (HSA) Qualified Plan (also often called a High-Deductible Health Plan (HDHP))**. The federal government sets the standards that a health benefit plan must meet in order to qualify for favorable tax advantages. If a plan meets these requirements, it can be considered an HSA-qualified 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.
- **HMO (Health Maintenance Organization)** - A type of health plan that usually limits coverage to care from doctors and other providers who work for or contract with the HMO often known as "in-network". It generally does not cover care received from doctors outside of the network, except for emergency care.
- **Preferred Provider Organization (PPO)** - A type of health plan offered by a carrier that contracts with medical providers, such as hospitals and doctors, to create a network of participating providers. Individuals pay less when utilizing providers that belong to the carrier's network. PPO plans often offer some coverage when using out-of-network providers, but usually at an increased cost to the member.
- **Multi-Option Plans** - These plans combine a mix of PPO, HMO, and HSA-qualified plan options for a single employer. Employees have the opportunity to choose between the types of coverage offered.

After the introduction of Connect for Health Colorado, the percentage of HSA-qualified plans stopped increasing and the distribution of plan types has stabilized. Plans offered through Connect for Health Colorado made up 3% of the market in both 2015 and 2016.

The following charts show the breakdown between the percentage of plans that are on and off the exchange, Connect for Health Colorado, and the percentage of plans that do or do not qualify for an HSA. In addition, they break down the percentage of plans between those offering HMO, PPO, and Multi-Option types of coverage.



In 2016, the addition of groups with 51-100 employees in the small group market has caused a change in the division between PPO, HMO and Multi-Option plans. The percentage of HMO plans went from 47.6% in 2015 to 49.8%, while PPO plans changed from 48.9% to 41.2%. Multi-Option plans increased from 3.5% to 9.0%



Carriers in the Small Group Market

Eleven carriers were operating in Colorado's small group market on December 31, 2016, with Aetna Life Insurance Company re-entering the market in 2016.

Company Name	Premium Market Share	Total Covered Lives	Connect for Health CO Plans	HSA-Qualified Plans
1. Anthem Blue Cross and Blue Shield (Rocky Mountain Hospital and Medical Services, Inc.)	27.7%	59,925	0	15,607
2. UnitedHealthcare Insurance Company	24.8%	57,106	0	11,093
3. Kaiser Foundation Health Plan of Colorado	21.8%	57,755	2,044	48,094
4. Rocky Mountain Health Maintenance Organization	6.6%	12,608	226	3,866
5. Humana Health Plan, Inc.	6.4%	14,386	0	1,731
6. UnitedHealthcare of Colorado Inc.	4.6%	13,905	0	773
7. Rocky Mountain HealthCare Options, Inc.	3.8%	6,497	298	2,147
8. San Luis Valley HMO (Colorado Choice Health Plans)	1.5%	3,564	24	876
9. HMO Colorado, Inc.	1.4%	2,316	619	531
10. Aetna Life Insurance Company	1.1%	1,456	0	275
11. Humana Insurance Company	.3%	558	0	120
Totals	100.00%	230,076	3,211	85,113

Conclusion

It is difficult to extrapolate shifts in the small group market in 2016 due to the inclusion of employer groups with 51-100 employees to the small group data. However, even if you exclude the 51-100 employee groups from the results, there is an upward shift in both the total number of groups and lives covered in Colorado's small group market.

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 seek ways to reduce the costs of providing health care to their employees.

Small businesses play an important role in Colorado's overall insurance market, and provide needed health benefits to an increasing number of employees across the state.