

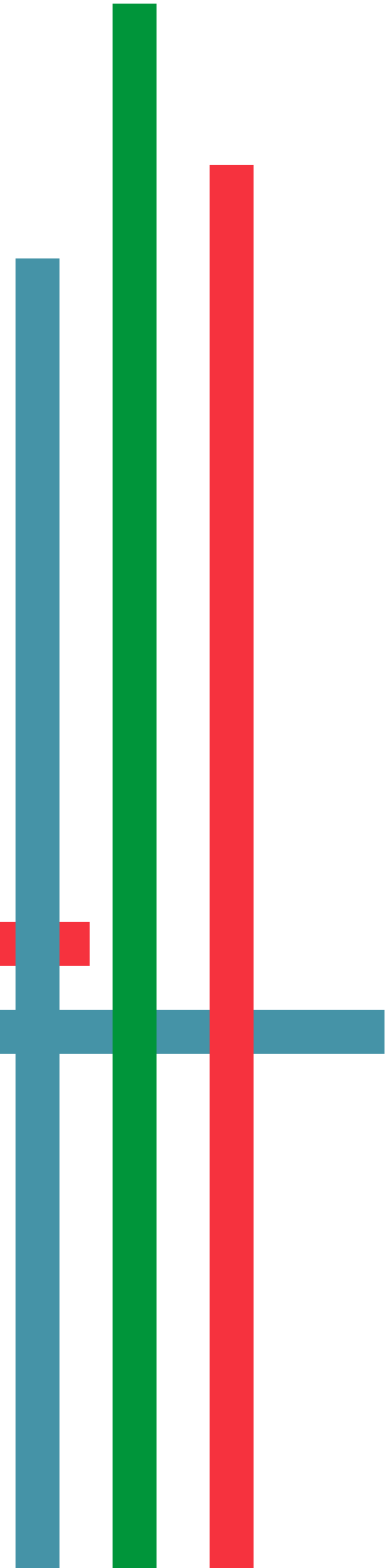


**COLORADO**

Department of  
Regulatory Agencies

Division of Insurance

# 2017 Colorado Small Group Market Activity Report



Colorado Interim Commissioner of Insurance  
Michael Conway

April 2018

## 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, 2017.

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

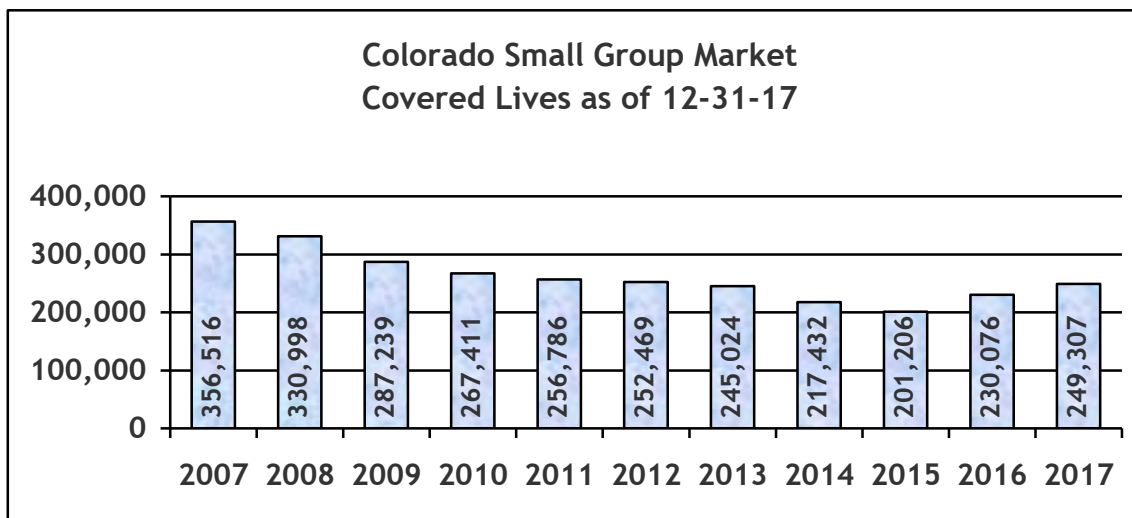
- The number of small group plans in Colorado increased 19% from 19,811 to 23,581.
- The number of covered lives increased 8% from 230,076 to 249,307.
- The total written premium in the small group market increased by 9% from \$1,117,288,568 to \$1,221,705,423.
- Despite these large increases in the size of the small group market the distribution has remained consistent with all sizes of employer provided insurance growing at close to the same rate with none changing by more than 1% in either number of policies or covered lives.
- The percentage of HSA plans vs Non-HSA plans has dropped from 39% to 19%.
- The number of plans offered through Connect for Health Colorado has changed from 3% in both 2015 and 2016 to 10% in 2017.
- Eleven carriers sell new policies.

## Participation in the Small Group Marketplace

As of December 31, 2017, the Colorado small group market covered 249,307 Coloradans with a little over \$1.2 billion in written premium. These numbers include the groups and lives that joined the small group market in 2016 from the 51-100 employee group plans. This represents an increase of 19,231 covered lives, an 8.4% increase, since December 31, 2016. This continues the trend started in 2016 that saw small group coverage growing for the first time since the year 2000.

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.

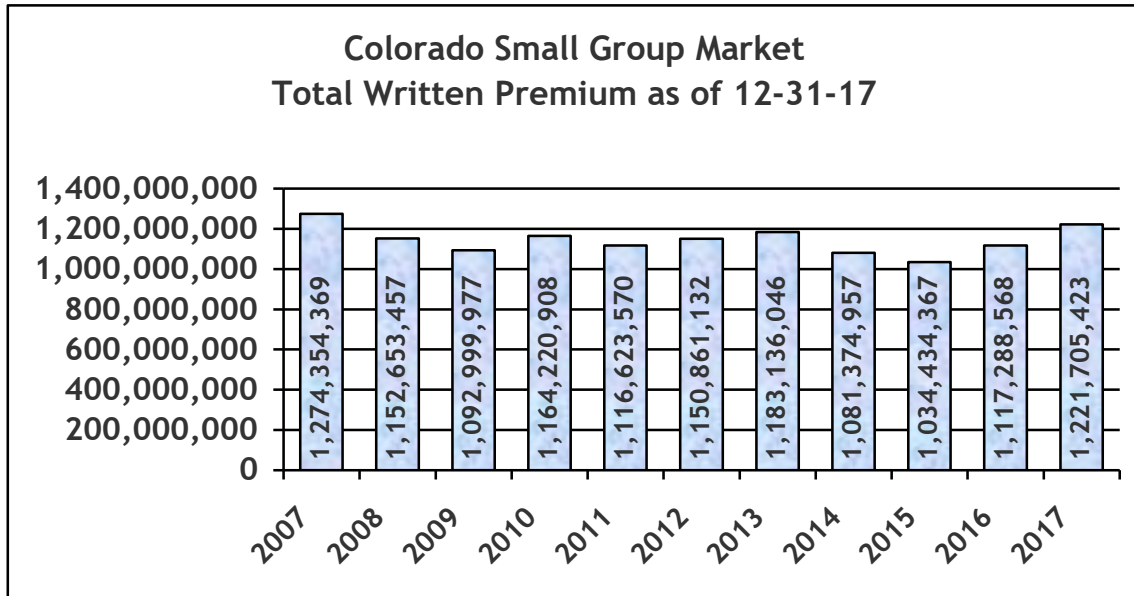
*Please note that for 2016 and later numbers provided in all of the following charts include employer groups with up to 100 eligible employees.*



Employer group plans are a measure of how many businesses have purchased health benefit plans for their employees. The number of employers participating in the small group marketplace is continuing to rise. On December 31, 2017 a little more than 19%, 3,770 more small group employers provided health plans than on December 31, 2016.

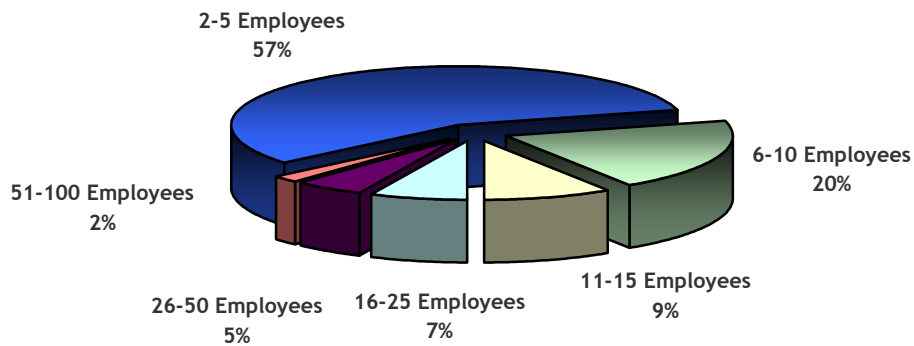


The total written premium in the small group market increased by 9.4%: from \$1,117,288,568 to \$1,221,705,423. This includes premium paid on policies that were only in effect for part of 2017.

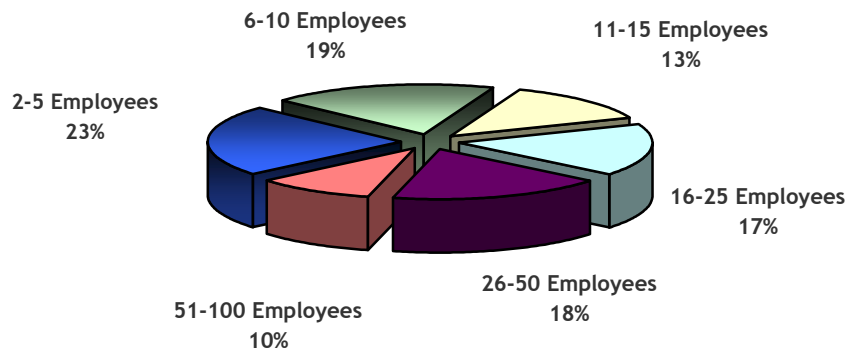


The total number of employer group plans increased by 19.0%. This is a much larger increase than the market has seen in more than ten years. However despite this increase the distribution of employer group plan size has remained fairly consistent with no category changing by more than 1% in either number of policies or covered lives<sup>1</sup>.

### Colorado Small Group Market Employer Group Plans by Company Size as of 12-31-17



### Colorado Small Group Market Covered Lives by Company Size as of 12-31-17



<sup>1</sup> 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

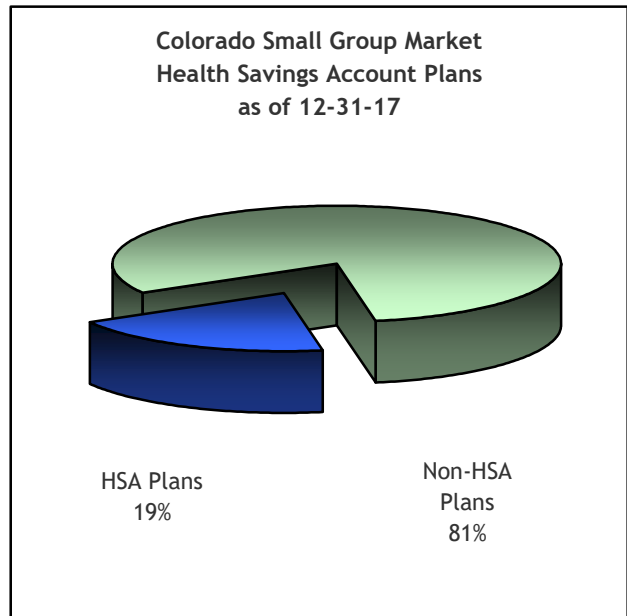
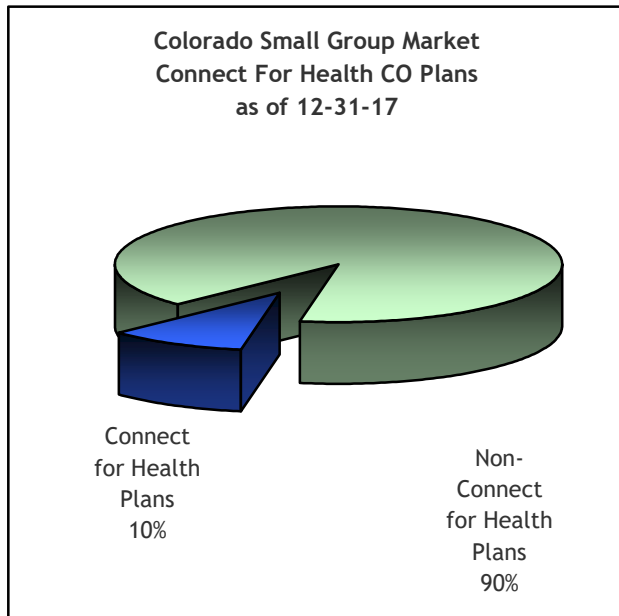
Small group plans are available with many different possible combinations of payment, coverage, and utilization and procurement. The various options available are described below.

**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.

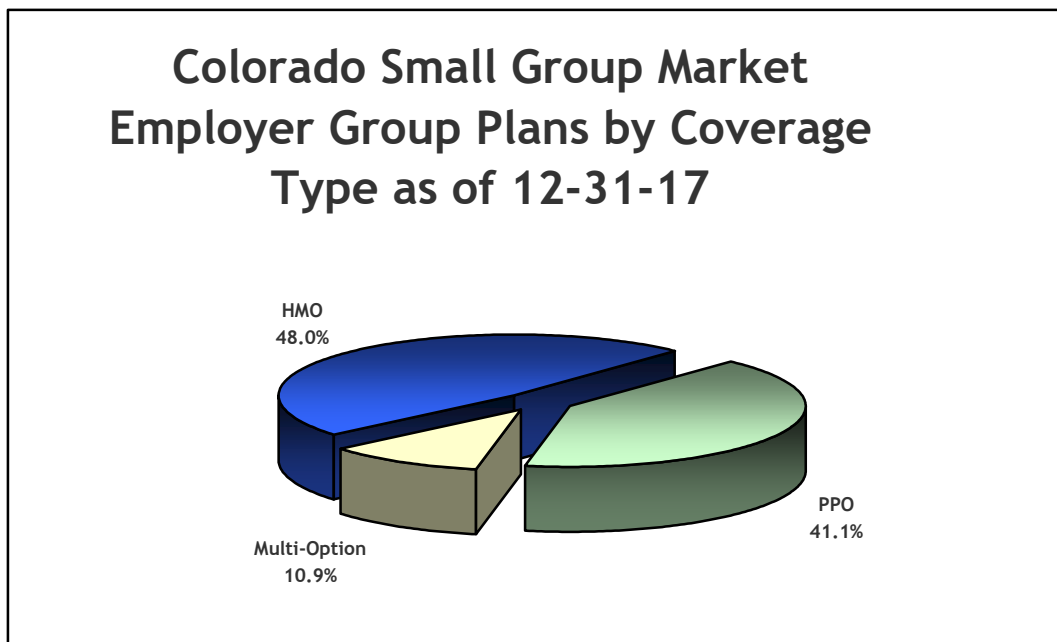
- **Health Savings Account (HSA) Qualified Plan (also often called a High-Deductible Health Plan (HDHP))**. The federal government sets the standards that a health benefit plan must meet in order to qualify for favorable tax advantages. If a plan meets these requirements, it can be considered an HSA-qualified 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 began to decline. In 2017 while the distribution of plan types has stabilized between Multi-Option, PPO and HMO groups the percentage of HSA plans vs Non-HSA plans has dropped from 39% to 19%. Conversely the number of plans offered through Connect for Health Colorado made up only 3% of the market in both 2015 and 2016 but that percentage has climbed to 10% in 2017.

The following charts show the breakdown between the percentage of plans that are a part of Connect for Health Colorado (the exchange) or not, 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 2017 the distribution of plans remained relatively even with the percentage of HMO plans going from 49.8% in 2016 to 48.0%, while PPO plans changed from 41.2% to 41.1% and Multi-Option plans increasing from 9.0% to 10.9%. This shows that despite a decreasing number of HSA qualified plans, and an increase in purchasing plans from Colorado's exchange via the Connect for Health market place the types of plans purchased by Colorado companies and consumers has remained the same.



## Carriers in the Small Group Market

Eleven carriers were operating in Colorado's small group market on December 31, 2017.

Company Name	Premium Market Share	Total Covered Lives	Connect for Health CO Plan Lives	HSA-Qualified Plan Lives
1. Anthem Blue Cross and Blue Shield (Rocky Mountain Hospital and Medical Services, Inc.)	28.5%	64,955	16,894	1,644
2. UnitedHealthcare Insurance Company	25.5%	70,466	0	27,166
3. Kaiser Permanente/Foundation Health Plan of Colorado	22.2%	60,838	1,760	10,082
4. Rocky Mountain Health Maintenance Organization	5.7%	9,250	105	3,096
5. UnitedHealthcare of Colorado Inc.	5.3%	17,873	0	4,215
6. Humana Health Plan, Inc.	5.2%	11,813	0	1,678
7. Rocky Mountain HealthCare Options, Inc.	2.5%	2,772	128	847
8. HMO Colorado, Inc.	2.4%	5,010	644	1,682
9. Friday Health Plans of Colorado (Colorado Choice Health Plans)	1.8%	4,419	0	994
10. Aetna Life Insurance Company	0.6%	1,251	0	155
11. Humana Insurance Company	0.3%	660	0	144
Totals	100.00%	249,307	19,531	51,703



## Conclusion

This year represents the second in a row where both the number of groups and number of covered lives has increased in the small group market. This shows a sustained reversal of a previous trend driving down the number of Coloradan's covered by small group insurance.

In addition this year the increase in covered lives almost matched the increase in premiums. This could indicate that companies are doing a better job of cost control and containment for small group coverage on the part of insurers, or that more healthy individuals are getting coverage for the first time and helping to keep these costs low.

The distribution in size and total number of covered lives for small group plans has remained the same, despite the large increase in number of groups. This may imply that the makeup of small group business in Colorado is not undergoing any major changes.

While the distribution of PPO, HMO, and multi-option plans has remained constant, there has been a reversal in the trend towards more HSA coverage, moving from 39% of plans being HSA in 2016 to only 19% of plans in 2017.

This year has also seen an increase in companies purchasing small group plans through Connect for Health Colorado, going from 3% of plans purchased through the exchange in 2015 and 2016, to 10% of plans being purchased through the exchange in 2017.

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.