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# Health Insurance: Preliminary Analysis of Small Group Market Share

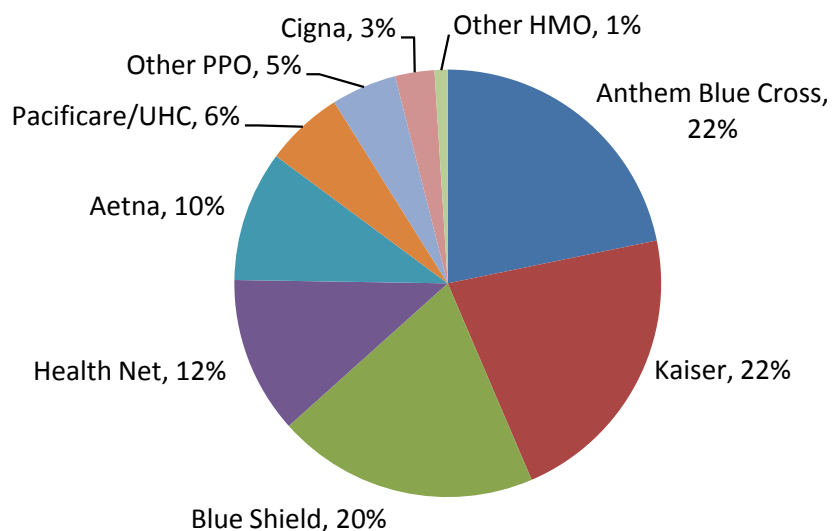
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## Background

The small group market provides coverage to an estimated 2.5 million people,<sup>1</sup> about 8% of non-elderly Californians. In 2014, under health reform, small employers will be able to access coverage and, in some instances, subsidies, through the California Health Benefit Exchange (CHBE). The California HealthCare Foundation prepared these preliminary estimates of carrier market share to assist policymakers and program administrators, including the CHBE, in planning to serve the small group market.

Traditionally in California, the term “small group” has applied to those employers with two to 50 workers, and the estimates presented here reflect this practice. As time passes, however, policy needs may require further refinement of this definition.<sup>2</sup>

**Figure 1: Small Group Market Share Estimates (Total Enrollment: 2.5 Million)**



Source: Analysis of DMHC, CDI, and CHBRP reporting.

## The Numbers

Currently, four of the largest commercial insurers cover over three-fourths of the small group enrollees. Small group enrollment is distributed nearly equally between HMO and PPO products: 46% in HMOs and 54% in PPOs. Similarly, enrollment is close to evenly split between the two regulators: the Department of Managed Health Care (DMHC) having 54% of enrollees and the California Department of Insurance (CDI) having 46%.<sup>3</sup>

**Table 1. Small Group Enrollee Market Share**

Insurer	Market Share	Cumulative Share	Enrollment Estimates <sup>4</sup>
Anthem Blue Cross	22%	22%	548,000
Kaiser	22%	44%	537,000
Blue Shield	20%	63%	492,000
Health Net	12%	75%	286,000
Aetna	10%	85%	255,000
Pacificare/ UHC	6%	91%	151,000
Other PPO	5%	96%	124,000
Cigna	3%	99%	70,000
Other HMO	1%	100%	21,000
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>2,482,000</b>
HMO	46%		
PPO	54%		
DMHC Regulated	54%		
CDI Regulated	46%		

## Methods & Assumptions

Figures primarily reflect carrier enrollment reported to regulators, DMHC and CDI, for year-end 2009. This represents the most current information available from both sources. Developing the estimates required additional adjustments and assumptions, particularly regarding the share of group enrollment attributable to small groups. One-third of the small group enrollment estimates reported here reflect such assumptions. Overall, the estimates are considered sufficiently robust to serve as a baseline “before reform” picture of small group enrollment and to support planning for coming changes in California’s health insurance markets.

## Implications

These estimates are necessarily rough because no systematic, coordinated reporting of small group enrollment data exists. Findings reported here, as noted in Methods & Assumptions, depended on several substantial assumptions. Moving forward, California policymakers and regulators may wish to establish a more consistent, coordinated data reporting approach to ensure more precise enrollment estimates.

<sup>1</sup> Independent, survey-based estimates of the small group market range from 2.8 to 3.4 million enrollees (see CHCF’s *California’s Individual and Small Group Markets on the Eve of Reform*). The small group estimate here of 2.5 million, which results from totaling reported carrier enrollment, approaches the low end of this range.

<sup>2</sup> Already, for example, the Patient Protection and Affordable Care Act (ACA) provides for some subsidies for employers with 25 or fewer workers. In 2014, the ACA will also permit employers with up to 100 workers to access coverage through health exchanges.

<sup>3</sup> HMOs are regulated by DMHC; most PPOs are regulated by CDI. Only two insurance carriers, Anthem Blue Cross and Blue Shield, have PPO products under DMHC regulation.

<sup>4</sup> Enrollment estimates rounded to the nearest thousand. Figures may not sum due to rounding.