

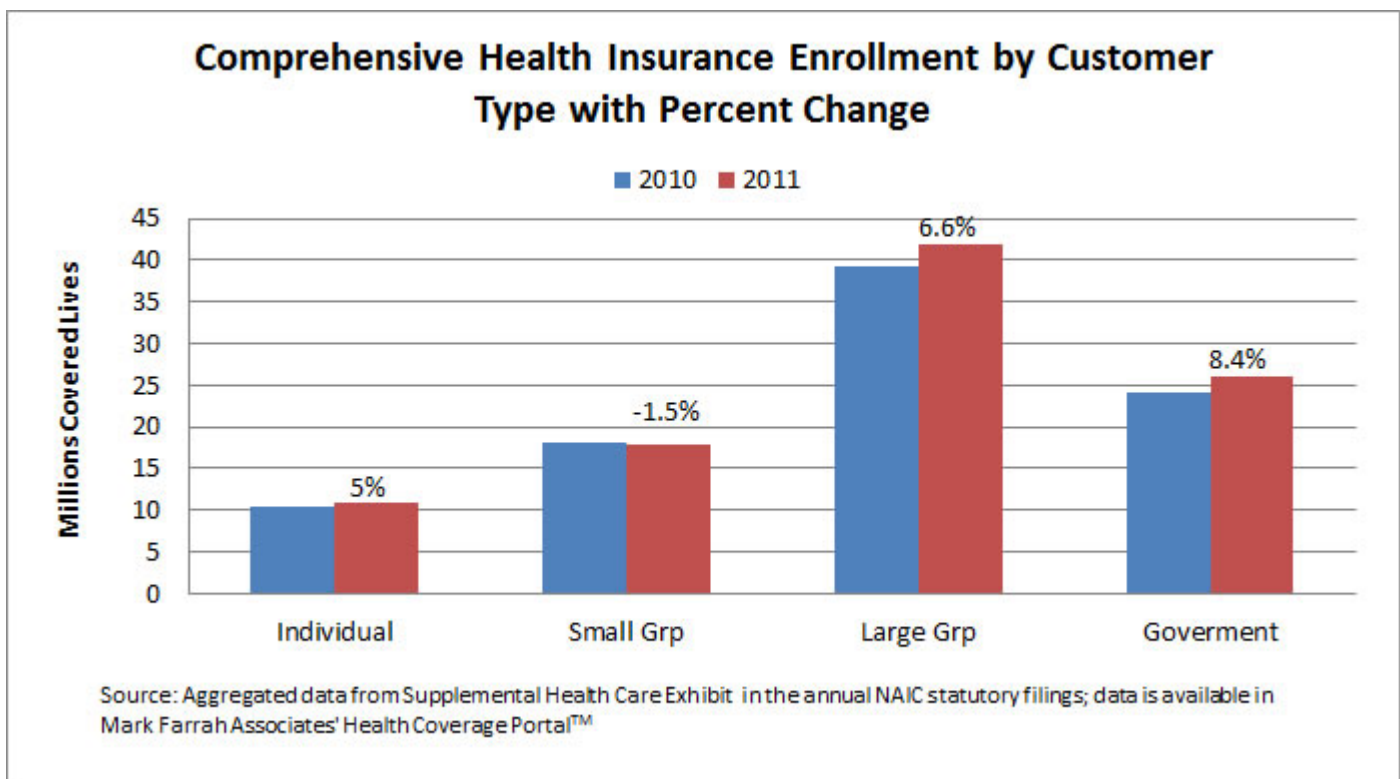


## Small Group Health Insurance Enrollment Declined

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by Debra A. Donahue

In 2011, nearly 18 million people received comprehensive health insurance through fully-insured small group policies, compared to nearly 42 million people who received similar coverage through fully insured large group policies. Mark Farrah Associates' analysis of information from the Supplemental Health Care Exhibit (SHCE), that insurance carriers file annually with the National Association of Insurance Commissioners (NAIC), found enrollment in health insurance plans for small businesses declined 1.5% between 2010 and 2011. In contrast, enrollment was up 6.6% for products offered through large group plans and up 8.4% in products offered through government entities. It is highly probable that some of the 5% growth in Individual plans came from the small business market.



While small group enrollment declined 1.5%, the total number of small employer insured groups as reported by health plans declined 18%, from 2.03 million small groups in 2010 to 1.67 million small groups in 2011. For small employers the average number of enrollees per group increased from 8.9 in 2010 to 10.7 in 2011. The Patient Protection and Affordable Care Act (ACA) regulations define a small group as an employer with less than 100 employees. However, many states and health plans historically defined small business as 50 or less employees. Based on NAIC guidelines, which mention that carriers can use the individual state's definition when completing the SHCE until 2014, it is unclear if the change noted in the number of covered lives per employer group is a reporting phenomenon or a market shift. The average number of covered lives per large

group more than doubled between 2010 and 2011. This supports the notion that the average small group size shifted because of the change in reporting. If the increases in group size are related to the re-definition, then the loss of the number of small employers was significantly higher than 18%.

### Premiums, Claims and Administrative Cost Differences

Historically, a primary budget concern for small business owners has been the price of health insurance. The perception that small business (SG) owners paid significantly higher premiums than larger employer groups (LG) appears unfounded. Based on 2010 and 2011 data, small group adjusted premiums per member per month were \$4.17 and \$4.86 less, respectively, than what large groups paid. The reduction in premiums for small groups was most likely due to lower incurred claims offset by higher administrative costs.

<b>2011/2010 Premiums, Claims and Admin Costs</b>			
<b>Comparison Per Member Per Month</b>			
Year-over-Year Percent Change			
<b>Small Group (SG)</b>	<b>Premiums</b>	<b>Incurred Claims</b>	<b>Admin Costs</b>
SG 2011	\$327.44	\$270.51	\$33.34
SG 2010	\$321.70	\$266.96	\$32.76
Percent Change	1.78%	1.33%	1.79%
<b>Large Group (LG)</b>	<b>Premiums</b>	<b>Incurred Claims</b>	<b>Admin Costs</b>
LG 2011	\$332.30	\$293.45	\$19.42
LG 2010	\$325.87	\$288.73	\$20.93
Percent Change	1.97%	1.64%	-7.21%
<b>PMPM Differential SG less LG</b>			
	<b>Premiums</b>	<b>Incurred Claims</b>	<b>Admin Costs</b>
2011	-\$4.86	-\$22.94	\$13.92
2010	-\$4.17	-\$21.77	\$11.83
<b>Percent Difference between SG and LG</b>			
	<b>Premiums</b>	<b>Incurred Claims</b>	<b>Admin Costs</b>
2011	-1.46%	-7.82%	71.68%
2010	-1.28%	-7.54%	56.50%
Source: Aggregated data from Supplemental Health Care Exhibit in the annual NAIC statutory filings; data is available in Mark Farrah Associates' Health Coverage Portal			

### Leading Small Group Health Competitors

The leading competitors in the small group market are UnitedHealth, WellPoint, Aetna and Health Care Service Corporation (HCSC). Together these four plans insure 41% of the total small group market and collectively they earned \$28.9 billion of the \$70.3 billion in total small group adjusted premiums reported for 2011.

<b>2011 Top Health Insurance Carriers Covering Small Business</b>			
	<b>Covered Lives</b>	<b>Market Share</b>	<b>Adj. Premiums</b>
UNITEDHEALTH GRP	2,622,149	15%	\$11,058,130,587
WELLPOINT INC GRP	2,212,841	12%	\$9,231,553,069
AETNA GRP	1,281,606	7%	\$4,039,492,173
HCSC GRP	1,125,360	6%	\$4,575,642,620
Total Top Plans	7,241,956	41%	\$28,904,818,449
All Others	10,520,146	59%	\$41,363,983,216
Total	17,762,102	100%	\$70,268,801,665

Source: Aggregated data from Supplemental Health Care Exhibit in the annual NAIC statutory filings; data is available in Mark Farrah Associates' Health Coverage Portal

The health reform bill overcame one barrier last month but its fate remains ambiguous due to the upcoming presidential election. Much ado has been made over the impact of ACA on small businesses. Among many other benefits to businesses, proponents of the legislation see the health insurance exchanges as an opportunity for small business workers to have more health insurance coverage options. Opponents see among many other concerns, employment growth barriers due to insurance requirements or penalty fees. Regardless of which side of the fence you are on the uncertainty continues to shadow employer and health plan decision making.

## About This Report

This brief is based on an analysis of data filed by Health; Life, Accident and Health; Property and Casualty; and Fraternal companies with the National Association of Insurance Commissioners (NAIC) as of December 2010 and December 2011. MFA primarily used data from the Supplemental Health Care Exhibit of the NAIC Blank. Plans that primarily file with the California Department of Managed Health Care are excluded from this report. Mark Farrah Associates applies research methodologies to present a better understanding of small group market competition by carrier and state. The data used in this report is available through Mark Farrah Associates' Health Coverage Portal database.

## About Health Coverage Portal

Market data for health insurance companies can be analyzed in many ways to provide strategic planning insights. The challenge is finding & aggregating the right data. The solution is the Health Coverage Portal™, a database that integrates market measures for all types of health coverage. 50-state Health Coverage Portal™ - and Selective-State Health Coverage Portal™ subscription rates are available. Custom portal designs can also be created upon request.

To learn more click on [HEALTH COVERAGE PORTAL™ \(/products/health-coverage-portal.aspx\)](/products/health-coverage-portal.aspx).

## About Mark Farrah Associates (MFA)

Mark Farrah Associates (MFA) is a leading data aggregator and publisher providing health plan market data and analysis tools for the healthcare industry. We are a licensed redistributor of NAIC data. MFA's Health Coverage Portal™ includes both risk-based and administrative services only membership and detailed financial data by plan, parent, state, region and nationally. Committed to simplifying analysis of health insurance business, our products include Health Coverage Portal™, Health Insurer Insights™, Medicare Business Online™, Medicare Benefits Analyzer™, Health Plans USA™ and the new County Health Coverage™, which offers population and health plan enrollment data by county nationwide.

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