

Section 4: Small Group and Individual Health Insurance Markets

★ Small group market trends

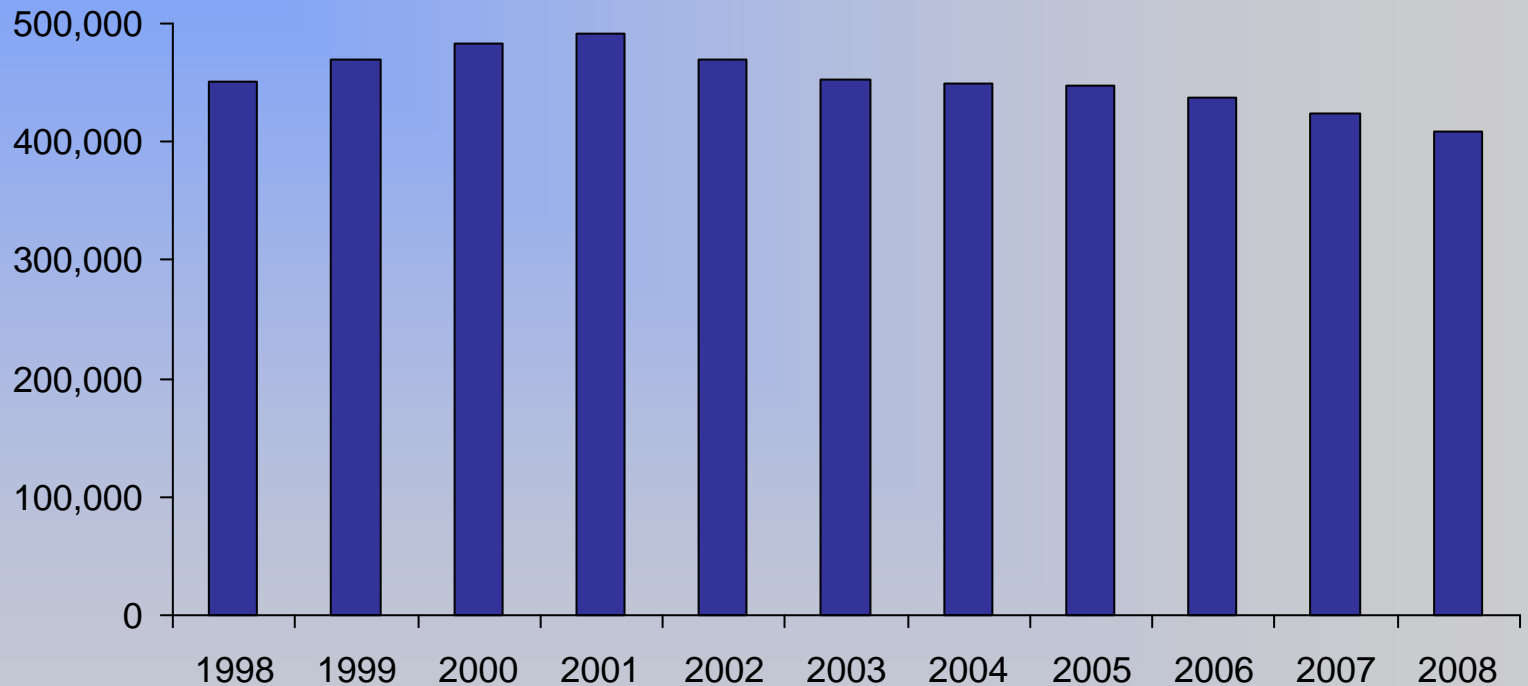
- Enrollment
- Premiums
- Benefits
- Health plan market shares

★ Individual market trends

- Enrollment
- Premiums
- Benefits
- Health plan market shares

Small Group Market Trends

Trends in Minnesota Small Group Health Insurance Enrollment, 1998 to 2008

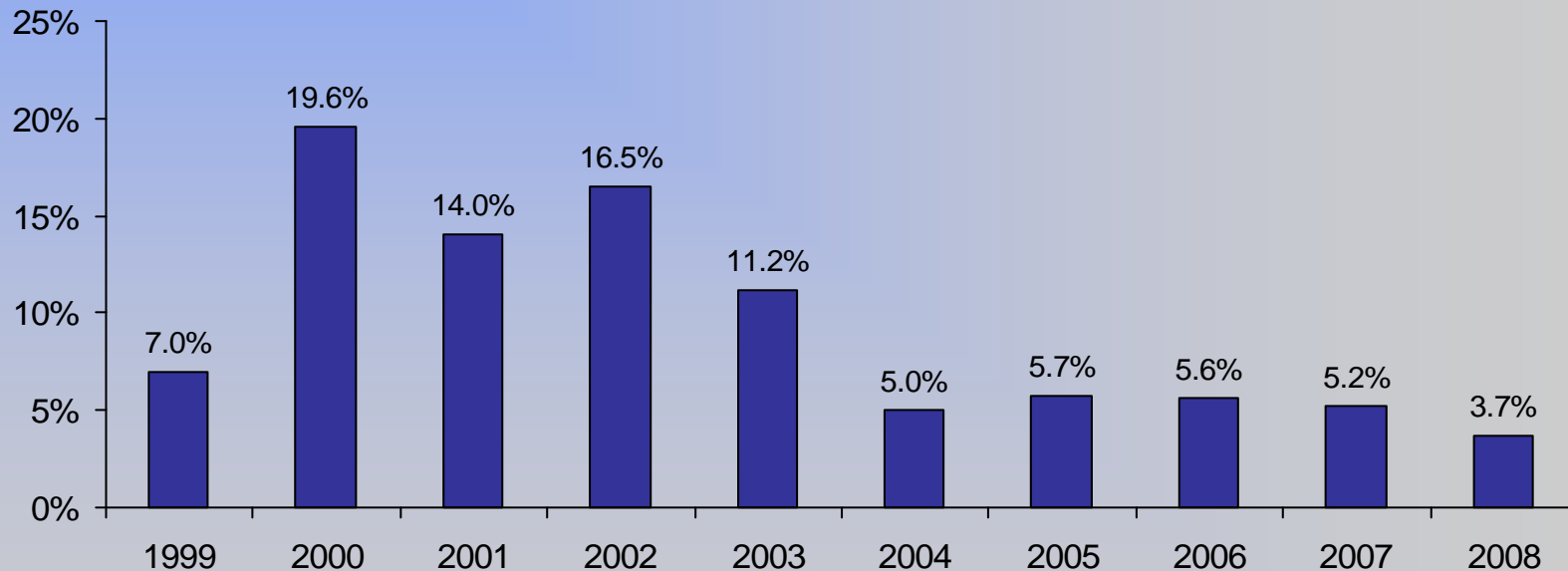


Note: Fully Insured market only.

Source: MDH, Health Economics Program; estimates based on data from various sources.

Premium Increases in Minnesota's Small Group Market, 1999 to 2008

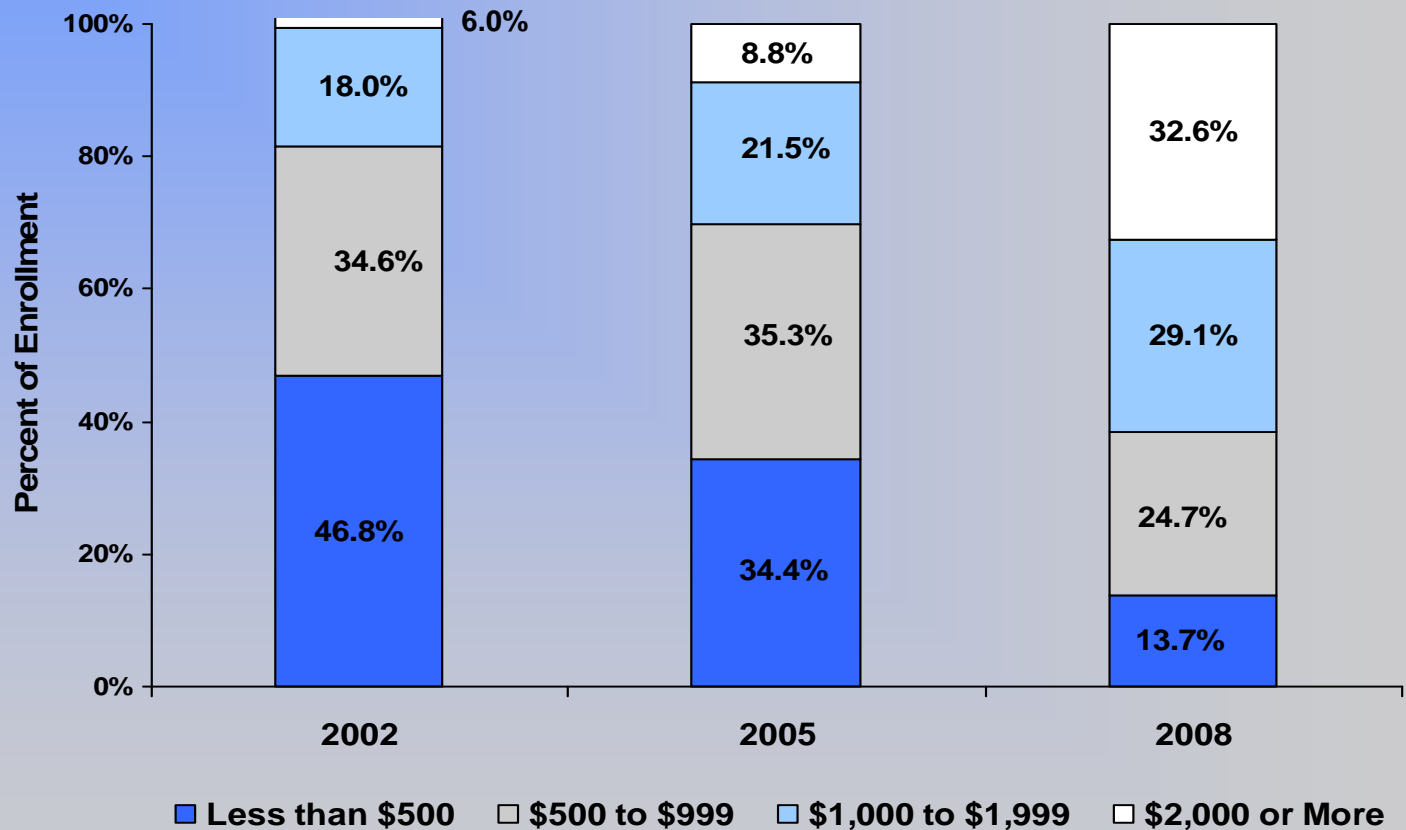
Percent Change in Premium Per Member



Per Person Annual Deductibles in the Small Group Market, 2002 to 2008 (by share of total enrollment)

| | 2002 | 2005 | 2008 |
|--------------------|--|--|---|
| | Median: \$500 Range: \$100 to \$2,500 | Median: \$500 Range: \$100 to \$5,000 | Median: \$1,000 Range: \$250 to \$10,000 |
| No Deductible | 65.6% | 52.1% | 31.9% |
| Less than \$500 | 16.1% | 16.5% | 9.3% |
| \$500 to \$999 | 11.9% | 16.9% | 16.8% |
| \$1,000 to \$1,999 | 6.2% | 10.3% | 19.8% |
| \$2,000 or More | <u>0.2%</u> | <u>4.2%</u> | <u>22.2%</u> |
| | 100.0% | 100.0% | 100.0% |

Distribution of Deductibles in the Small Group Market, 2002 to 2008



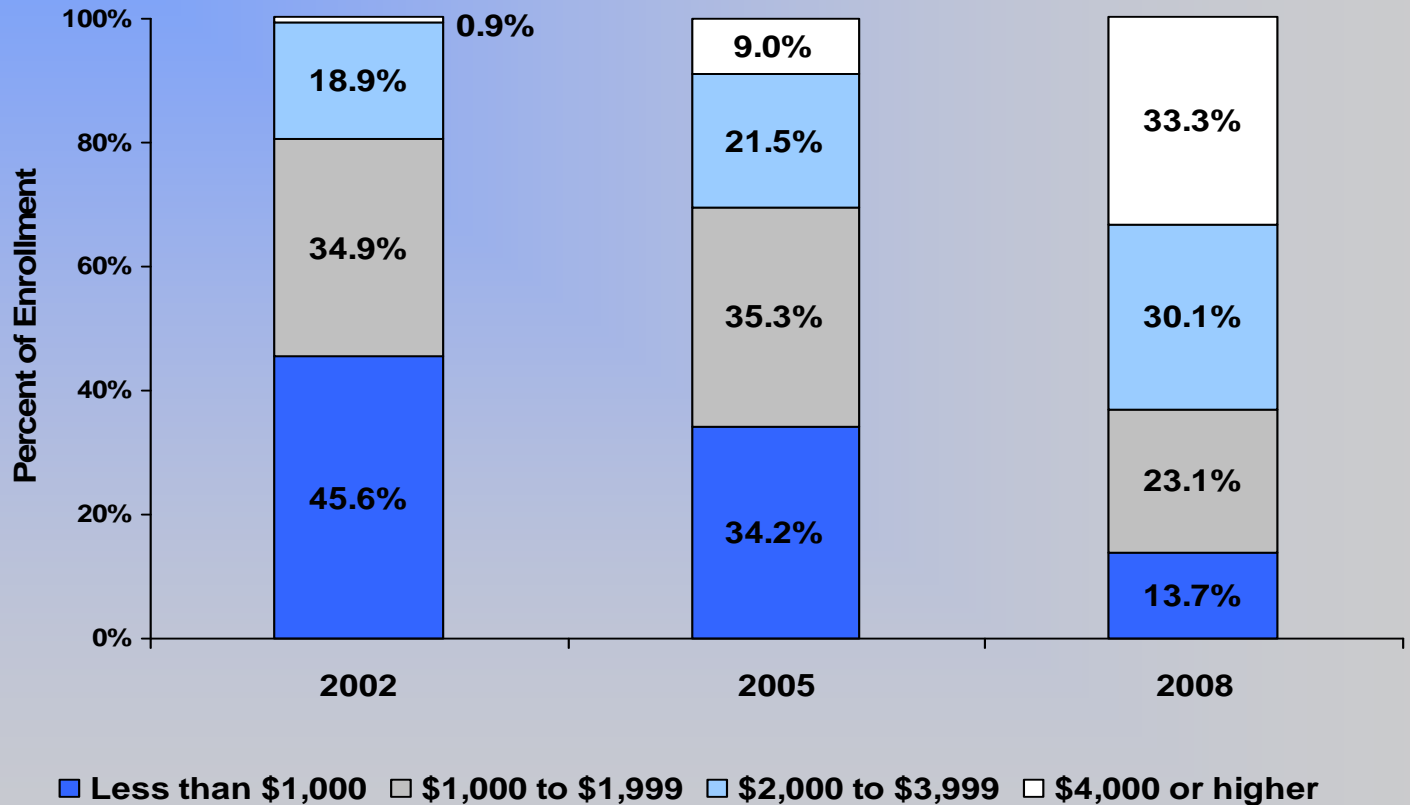
Source: MDH, Health Economics Program

Deductible levels are per person. Distribution of deductibles only includes enrollment in plans with a deductible

Family Level Annual Deductibles in the Small Group Market, 2002 to 2008 (by share of total enrollment)

| | 2002 | 2005 | 2008 |
|--------------------|--|---|---|
| | Median: \$1,000 Range: \$200 to \$5,000 | Median: \$1,000 Range: \$200 to \$10,000 | Median: \$2,000 Range: \$500 to \$20,000 |
| No Deductible | 65.6% | 52.1% | 31.9% |
| Less than \$1,000 | 15.7% | 16.4% | 9.3% |
| \$1,000 to \$1,999 | 12.0% | 16.9% | 15.7% |
| \$2,000 to \$3,999 | 6.5% | 10.3% | 20.5% |
| \$4,000 or More | <u>0.3%</u> | <u>4.3%</u> | <u>22.7%</u> |
| | 100.0% | 100.0% | 100.0% |

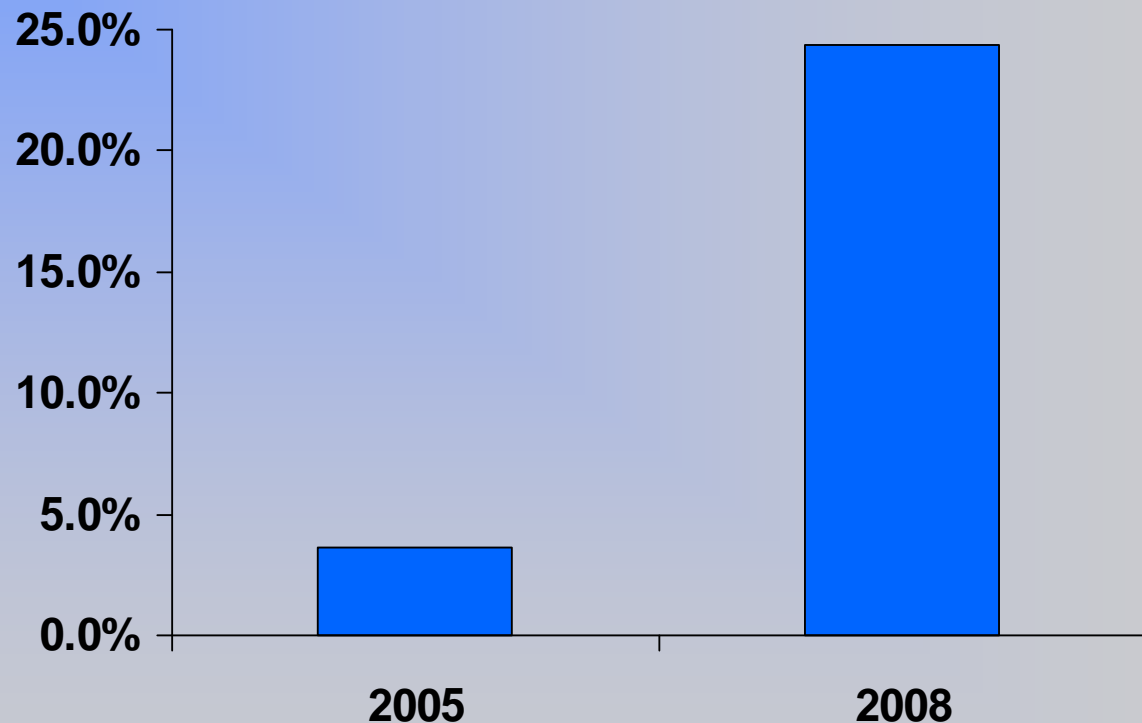
Distribution of Family Level Deductibles in the Small Group Market, 2002 to 2008



Source: MDH, Health Economics Program

Deductible levels are per family. Distribution of deductibles only includes enrollment in plans with a deductible

Small Group Market Enrollment in High Deductible Health Plans with Savings Option, 2005 and 2008 (by share of total enrollment)



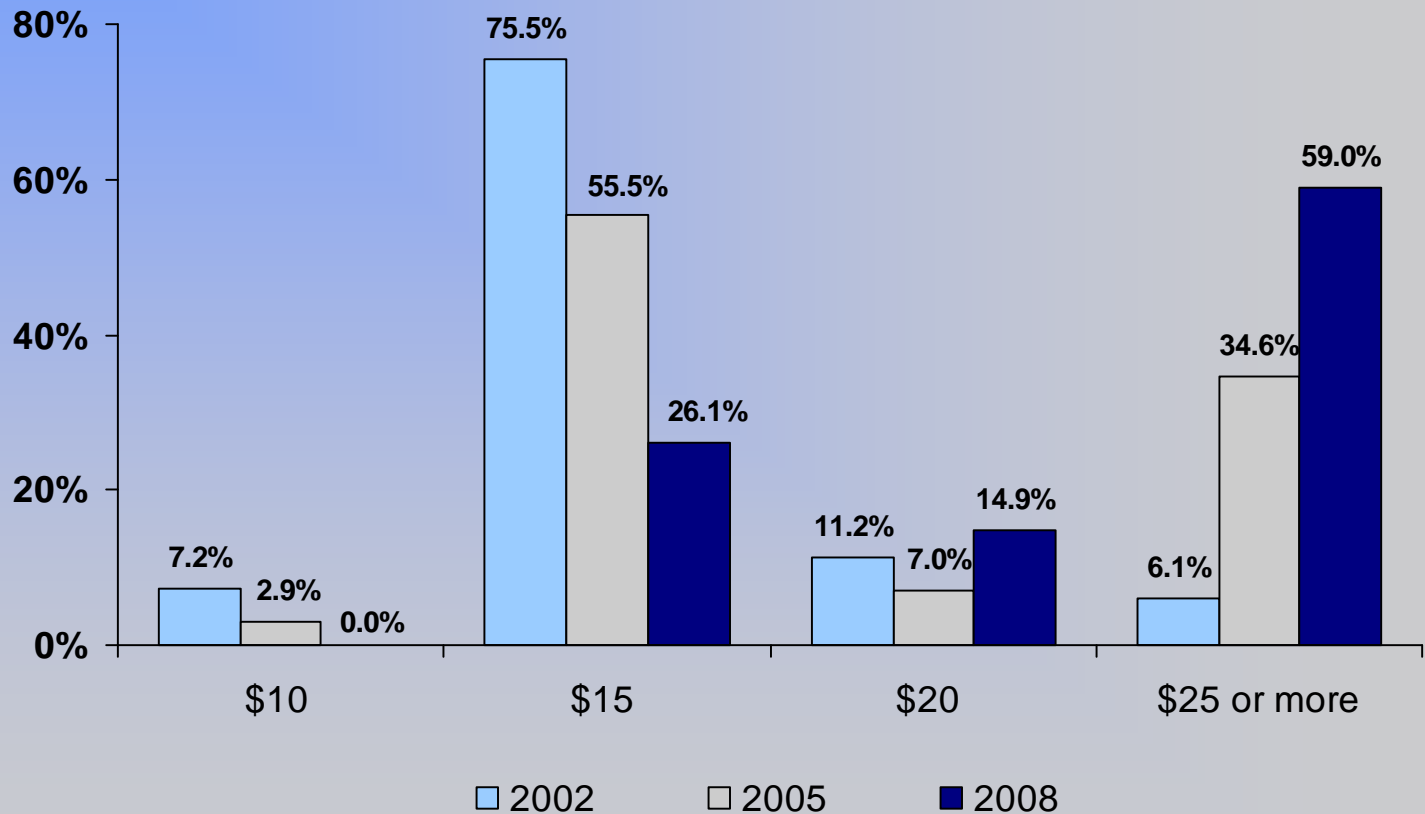
Qualified High Deductible Health Plan enrollment must meet the minimum deductible guidelines for the calendar year, as determined by the Internal Revenue Service (for 2008 the minimum deductible is \$1,100), and be paired with (or have the option to pair with) a Health Savings Account.

Source: MDH, Health Economics Program

Office Visit Cost Sharing Requirements in the Small Group Market, 2002 and 2008 (by share of total enrollment)

| | 2002 | 2005 | 2008 |
|---------------------------|-------------|-------------|-------------|
| No Cost Sharing | 2.0% | 4.2% | 20.7% |
| Copayment | 68.9% | 89.3% | 69.0% |
| Coinsurance | 27.4% | 6.1% | 9.0% |
| Copayment and Coinsurance | <u>1.7%</u> | <u>0.4%</u> | <u>1.4%</u> |
| | 100.0% | 100.0% | 100.0% |

Distribution of Office Visit Copayments in the Small Group Market, 2002 to 2008 (by share of enrollment)



Cost Sharing Requirements for Hospitalizations in the Small Group Market, 2002 to 2008 (by share of total enrollment)

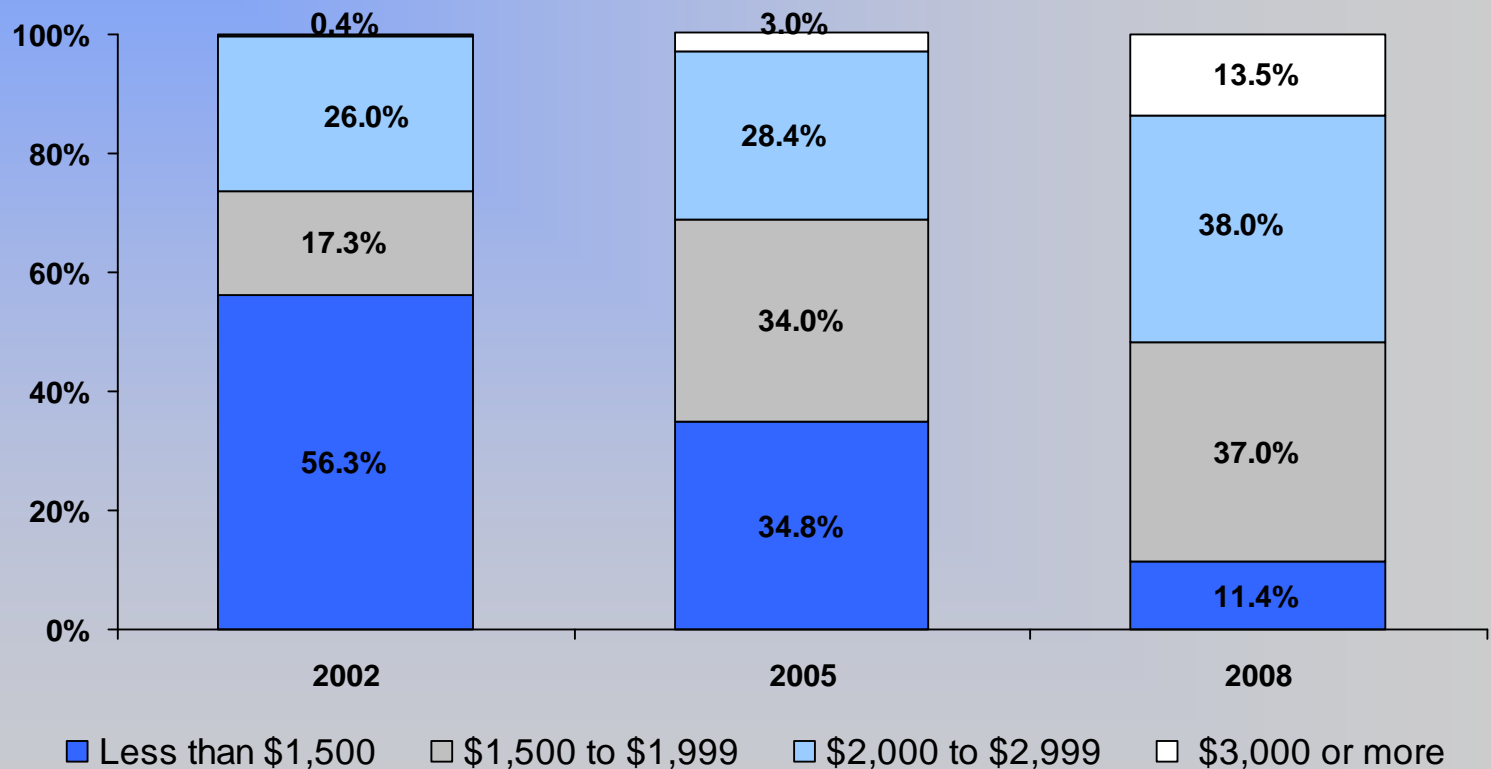
| | 2002 | 2005 | 2008 |
|------------------------------|-------------|-------------|-------------|
| No Cost Sharing | 41.0% | 30.2% | 38.0% |
| 10% Coinsurance | 2.2% | 3.5% | 1.1% |
| 20% Coinsurance | 49.4% | 63.2% | 59.5% |
| Coinsurance Greater than 20% | 1.3% | 2.0% | 1.1% |
| Copayment and Coinsurance | 5.2% | 1.1% | 0.1% |
| Other* | <u>0.9%</u> | <u>0.1%</u> | <u>0.1%</u> |
| | 100.0% | 100.0% | 100.0% |

Source: MDH, Health Economics Program

*Includes deductible only and copayment only

Per Person Out-of-Pocket Limits in the Small Group Market, 2002 to 2008

(by share of total enrollment)

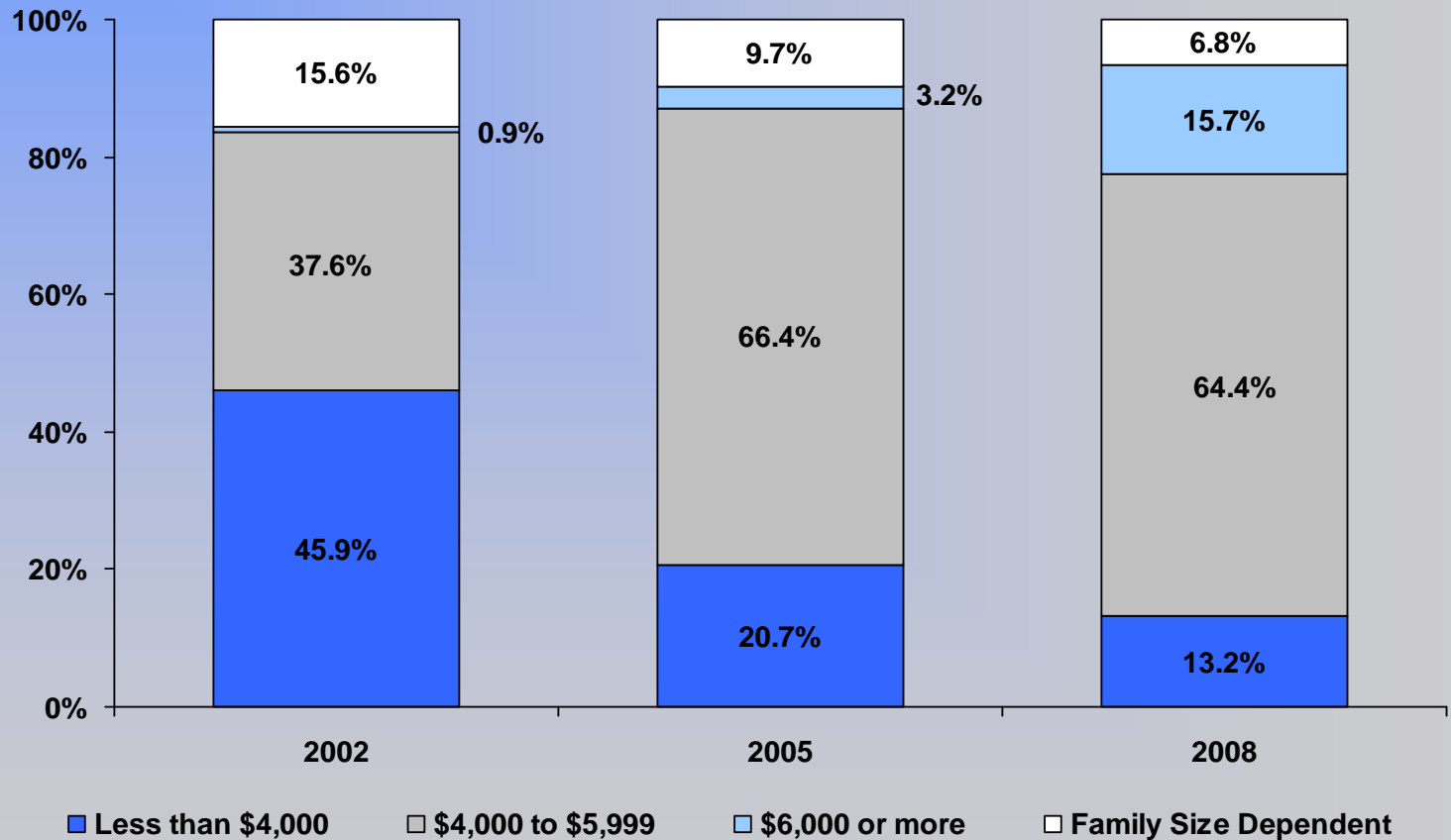


Source: MDH, Health Economics Program

Median calculation and distribution excludes enrollees with no out-of-pocket limit. Out-of-pocket limit applies to covered services only.

Family Level Out-of-Pocket Limits in the Small Group Market, 2002 to 2008

(by share of total enrollment)



Source: MDH, Health Economics Program

Median calculation and distribution excludes enrollees with no out-of-pocket limit. Out-of-pocket limit applies to covered services only.

Prescription Drug Benefits in the Small Group Market, 2002 to 2008

- ★ Virtually all enrollees in the small group market have some form of prescription drug coverage
- ★ Most enrollees were in plans that required copayments for prescription drugs
- ★ There was a shift in benefit design away from a fixed copayment towards tiered copayments

Enrollees with Prescription Drug Copayments:

| | 2002 | 2005 | 2008 |
|------------------|--------------|--------------|--------------|
| Fixed Copayment | 56.5% | 0.4% | 0.1% |
| Tiered Copayment | <u>43.5%</u> | <u>99.6%</u> | <u>99.9%</u> |
| | 100.0% | 100.0% | 100.0% |

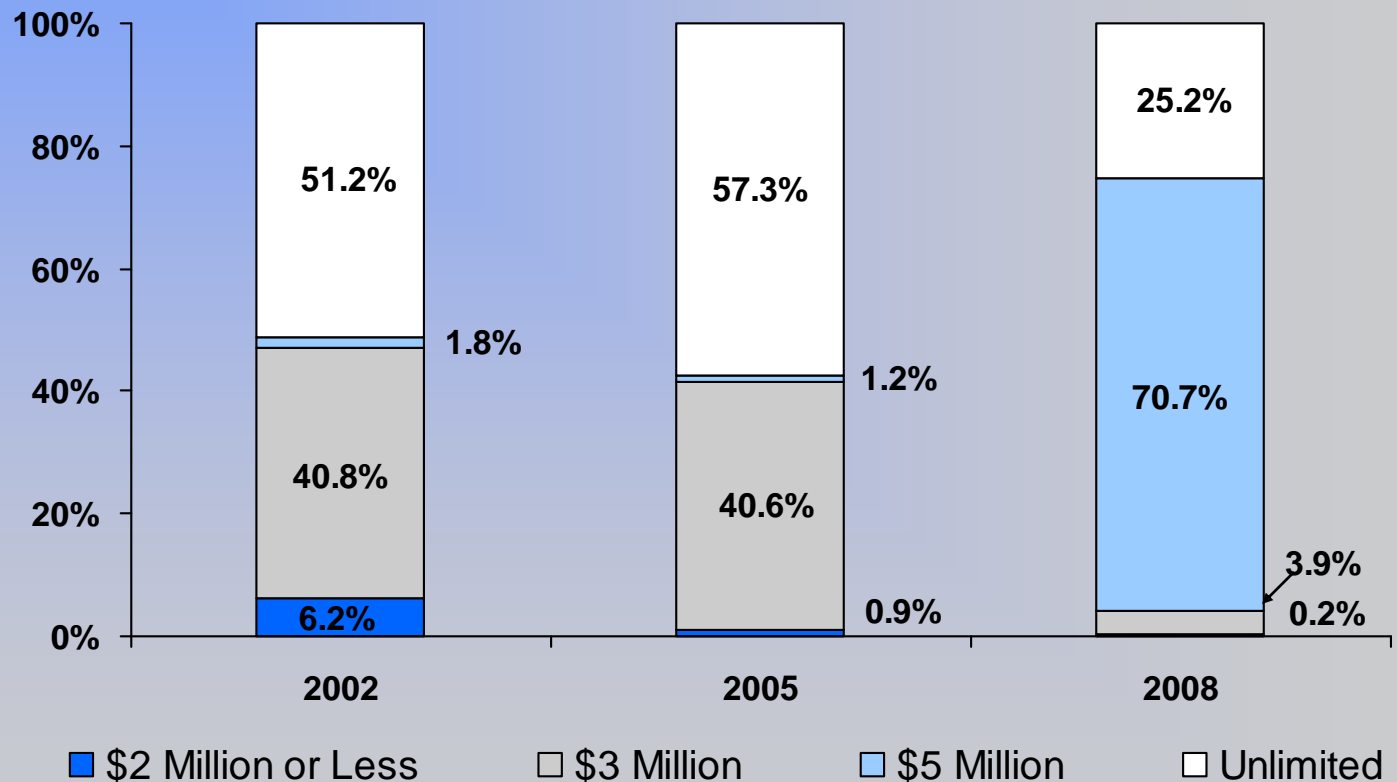
Prescription Drug Out-of-Pocket Limits in the Small Group Market, 2002 to 2008

(by share of total enrollment)

| | 2002 | 2005 | 2008 |
|-----------------------|--------------|--------------|--------------|
| Separate Rx Limit | 59.3% | 39.8% | 30.0% |
| No Separate Rx Limit* | <u>40.7%</u> | <u>60.2%</u> | <u>70.0%</u> |
| | 100.0% | 100.0% | 100.0% |

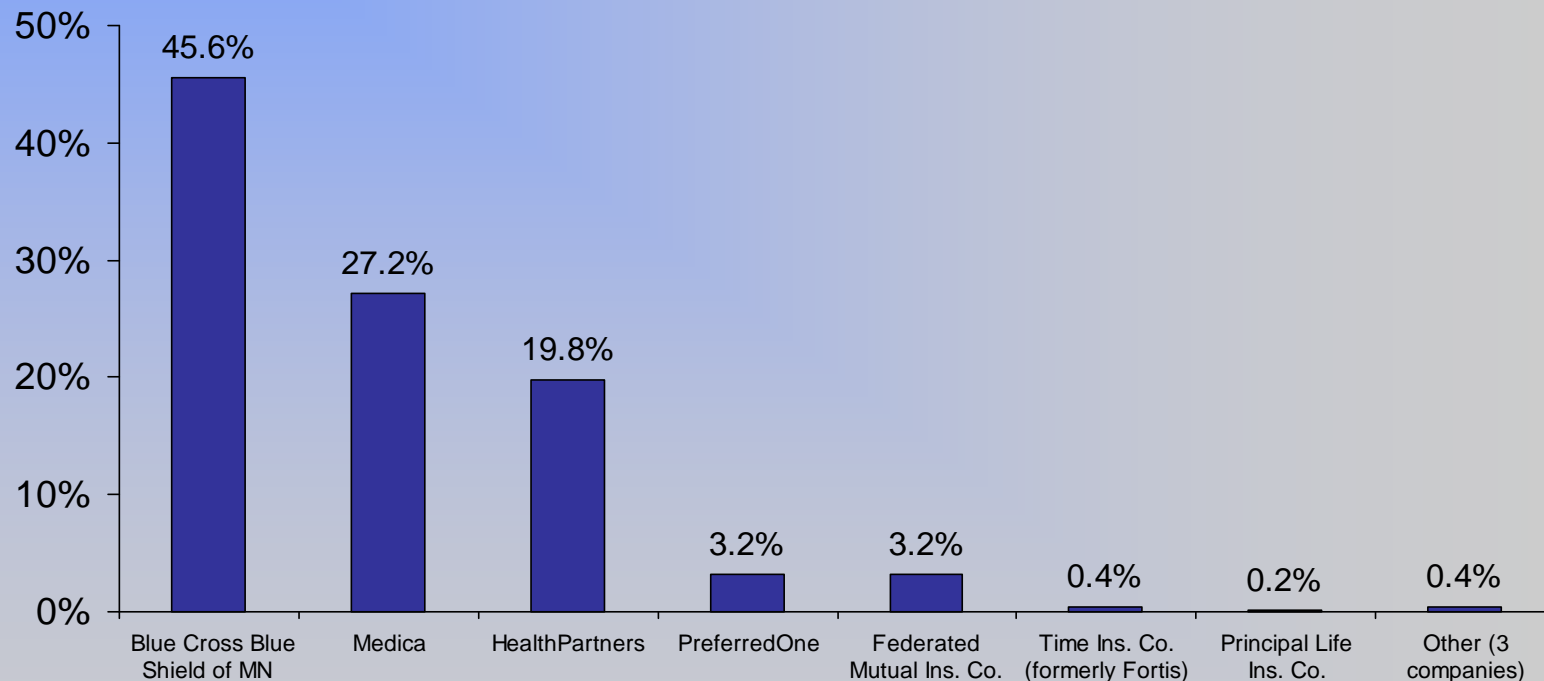
Lifetime Limit on Benefits in the Small Group Market, 2002-2008

(by share of total enrollment)

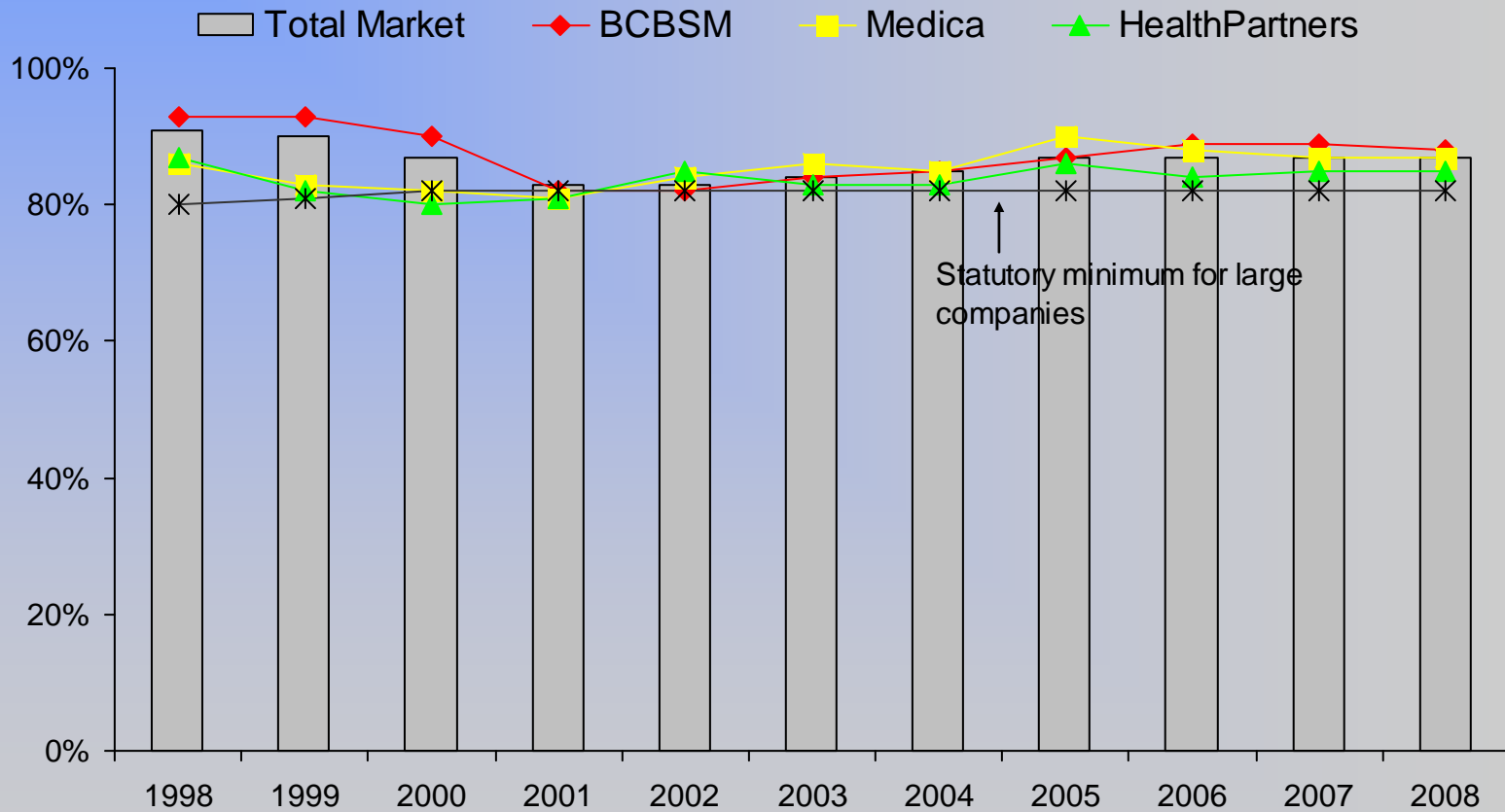


Health Plan Market Shares: Small Group Market, 2008

Total Premium Volume in 2008: \$1.54 Billion



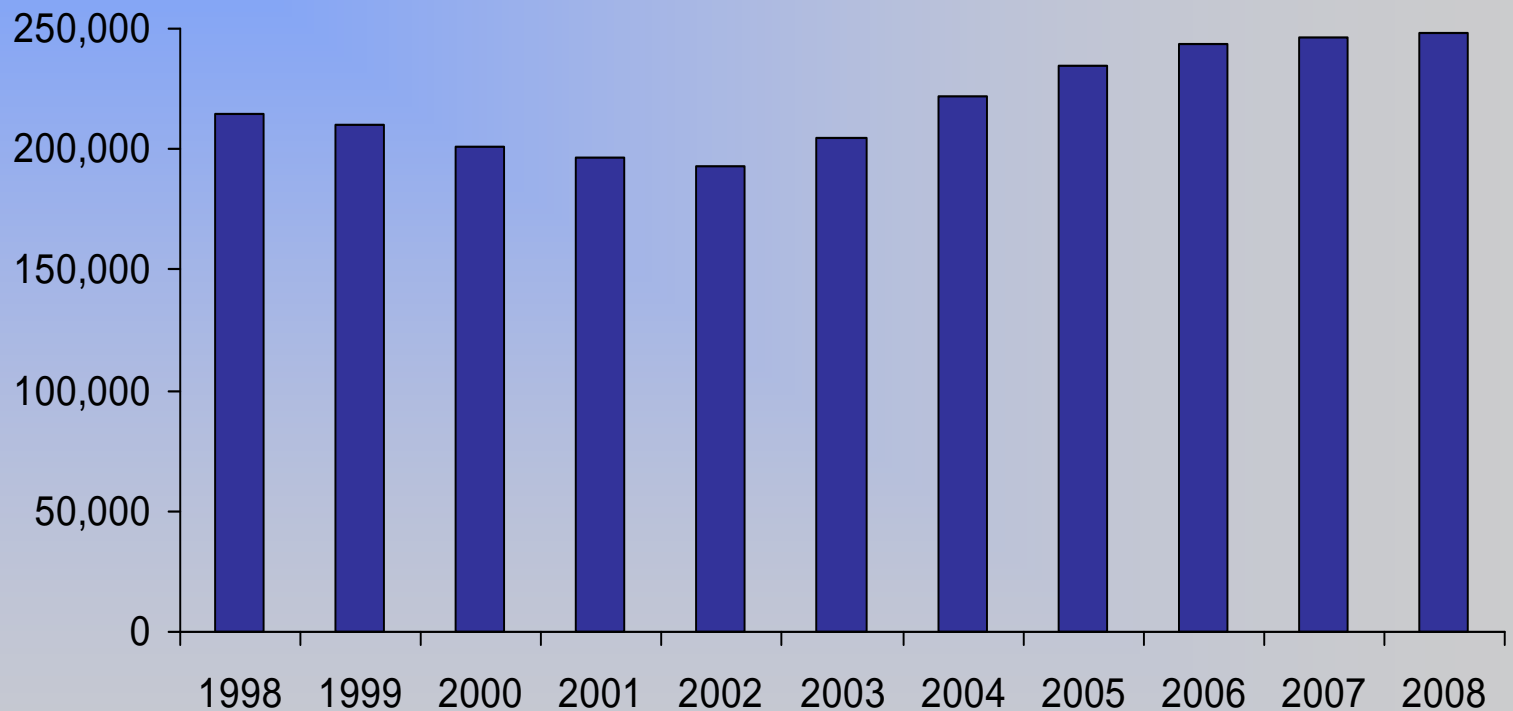
Loss Ratio Experience in the Small Group Market, 1998 to 2008



Note: Companies with common ownership have been combined for purposes of this analysis.
 Source: Minnesota Department of Commerce, "Report of 2008 Loss Ratio Experience in the Individual and Small Employer Health Plan Markets for: Insurance Companies, Nonprofit Health Service Plan Corporations, and Health Maintenance Organizations," August 2009.

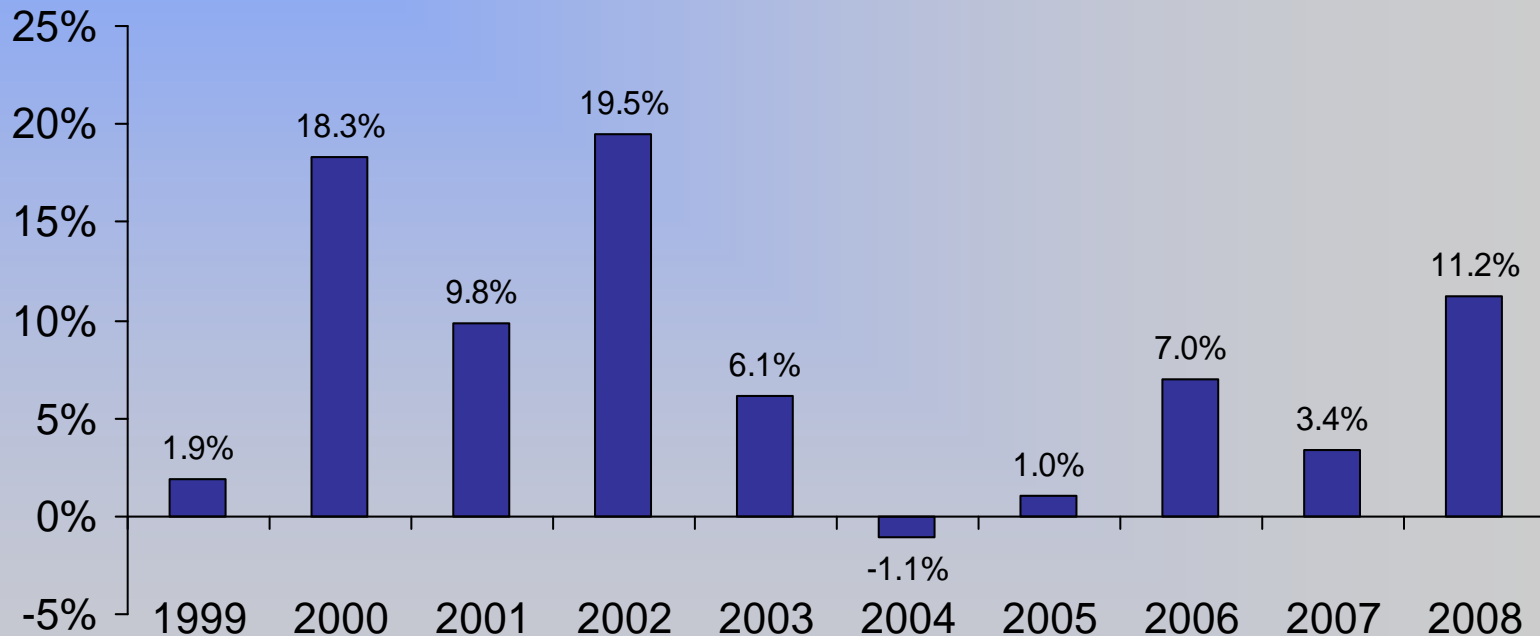
Individual Market

Trends in Minnesota Individual Market Enrollment, 1998 to 2008



Premium Increases in Minnesota's Individual Market, 1999 to 2008

Percent Change in Premium Per Member



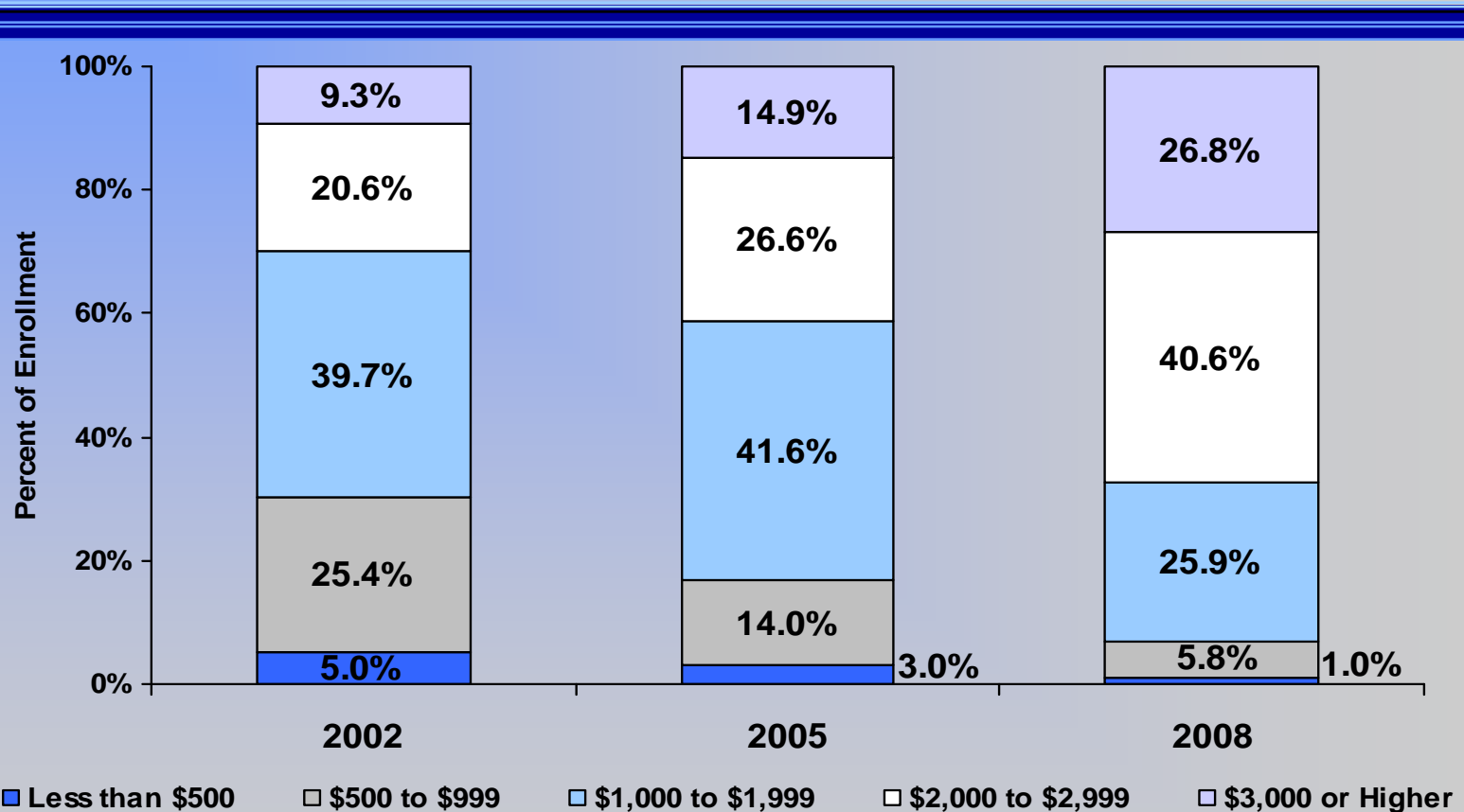
Per Person Annual Deductibles in the Individual Market, 2002 to 2008 (by share of total enrollment)

| | 2002 | 2005 | 2008 |
|--------------------|--|---|---|
| | Median: \$1,000 Range: \$50 to \$10,000 | Median \$1,500 Range: \$50 to \$10,000 | Median: \$2,050 Range: \$150 to \$10,000 |
| No Deductible | 2.5% | 2.4% | 0.3% |
| Less than \$500 | 4.9% | 2.9% | 1.0% |
| \$500 to \$999 | 24.8% | 13.6% | 5.8% |
| \$1,000 to \$1,999 | 38.7% | 40.6% | 25.8% |
| \$2,000 to \$2,999 | 20.1% | 26.0% | 40.5% |
| \$3,000 or more | <u>9.1%</u> | <u>14.6%</u> | <u>26.7%</u> |
| | 100.0% | 100.0% | 100.0% |

Source: MDH, Health Economics Program

Median calculation excludes enrollees with no deductible. Category distribution excludes those in plans that are only available as family-only coverage and those in plans with a “per sickness” deductible.

Distribution of Deductibles in the Individual Market, 2002 to 2008



Source: MDH, Health Economics Program

Deductible levels are per person. Distribution of deductibles only includes enrollment in plans with a deductible and excludes enrollment in plans with “per sickness” deductibles.

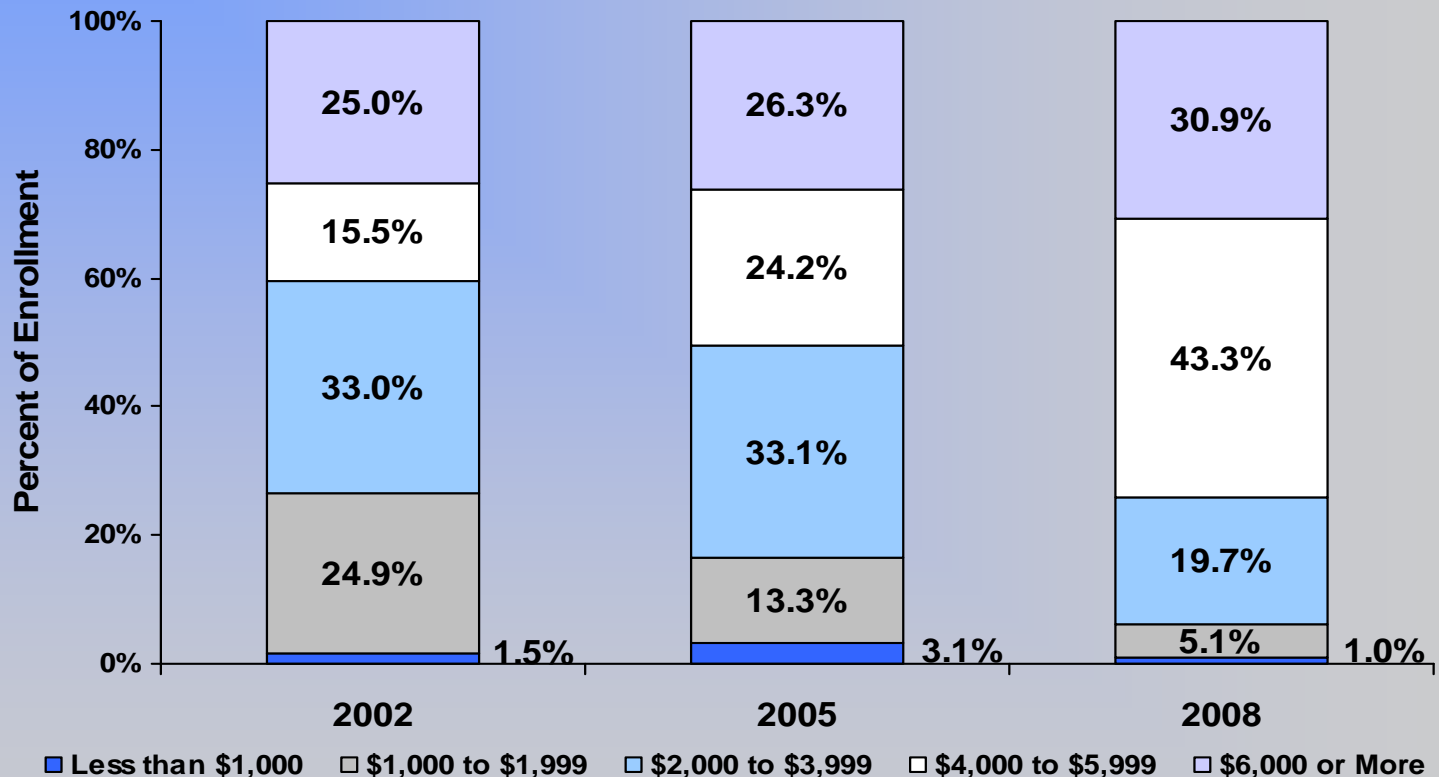
Family Level Annual Deductibles in the Individual Market, 2002 to 2008 (by share of total enrollment)

| | 2002 | 2005 | 2008 |
|--------------------|---|---|---|
| | Median: \$2,000 Range: \$100 to \$20,000 | Median: \$4,000 Range: \$100 to \$30,000 | Median: \$5,400 Range: \$250 to \$30,000 |
| No Deductible | 2.5% | 2.4% | 0.3% |
| Less than \$1,000 | 1.4% | 3.0% | 1.0% |
| \$1,000 to \$1,999 | 23.4% | 13.0% | 5.1% |
| \$2,000 to \$3,999 | 31.0% | 32.2% | 19.7% |
| \$4,000 to \$5,999 | 14.6% | 23.6% | 43.1% |
| \$6,000 or more | <u>23.5%</u> | <u>25.7%</u> | <u>30.8%</u> |
| | 100% | 100% | 100.0% |

Source: MDH, Health Economics Program

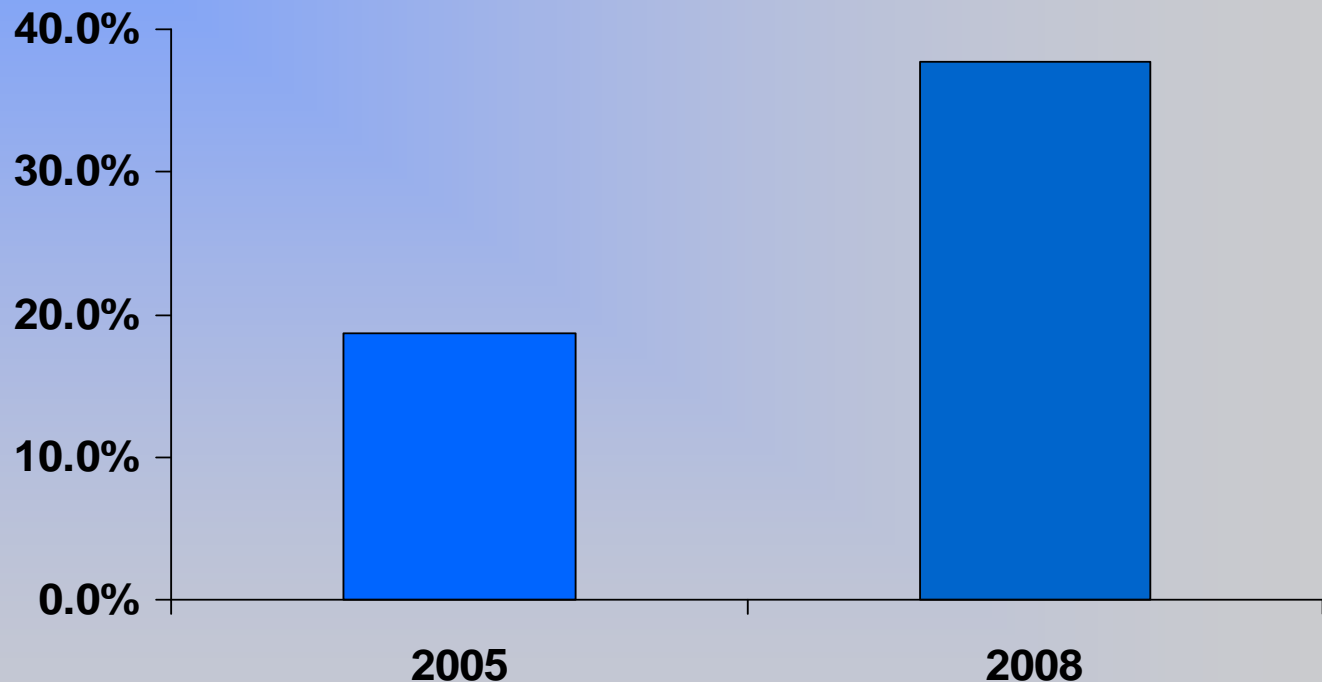
Median calculation excludes enrollees with no deductible. Category distribution excludes those in plans only available as self-only coverage and those with a "per sickness" deductible.

Distribution of Family Level Deductibles in the Individual Market, 2002 to 2008



Source: MDH, Health Economics Program
 Deductible levels are per family. Distribution of deductibles only includes enrollment in plans with a deductible.

Individual Market Enrollment in High Deductible Health Plans with Savings Option, 2005 and 2008 (by share of total enrollment)



Office Visit Cost Sharing Requirements in the Individual Market, 2002 to 2008 (by share of total enrollment)

| | 2002 | 2005 | 2008 |
|------------------------------|-------------|-------------|-------------|
| No Cost Sharing | 25.8% | 37.6% | 47.7% |
| Copayment | 5.5% | 0.9% | 2.4% |
| 10% Coinsurance | 3.4% | 3.5% | 1.7% |
| 20% Coinsurance | 64.1% | 57.2% | 44.6% |
| Coinsurance Greater than 20% | 0.8% | 0.8% | 3.8% |
| Copayment & Coinsurance | <u>0.5%</u> | <u>0.0%</u> | <u>0.0%</u> |
| | 100.0% | 100.0% | 100.0% |

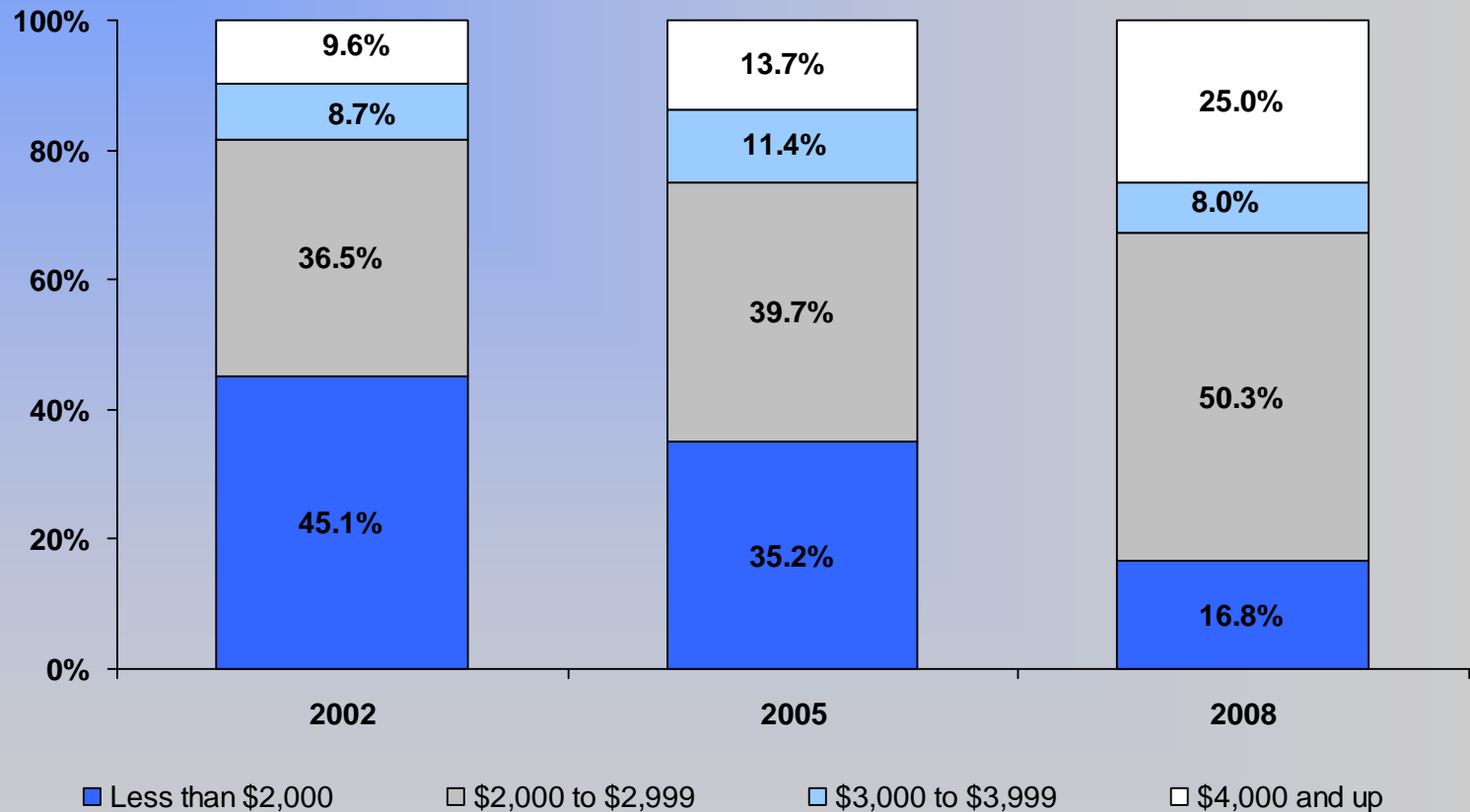
Cost Sharing Requirements for Hospitalizations in the Individual Market, 2002 to 2008 (by share of total enrollment)

| | 2002 | 2005 | 2008 |
|------------------------------|-------------|-------------|-------------|
| No Cost Sharing | 8.0% | 26.1% | 47.0% |
| Copayment | 0.8% | 0.4% | 0.1% |
| 10% Coinsurance | 0.0% | 1.4% | 1.7% |
| 20% Coinsurance | 86.2% | 61.6% | 45.5% |
| Coinsurance Greater than 20% | 1.0% | 10.1% | 4.0% |
| Copayment & Coinsurance | 0.0% | 0.0% | 1.4% |
| Other* | <u>4.0%</u> | <u>0.4%</u> | <u>0.1%</u> |
| | 100.0% | 100.0% | 100.0% |

Source: MDH, Health Economics Program

*Includes deductible only and coinsurance with limits per stay

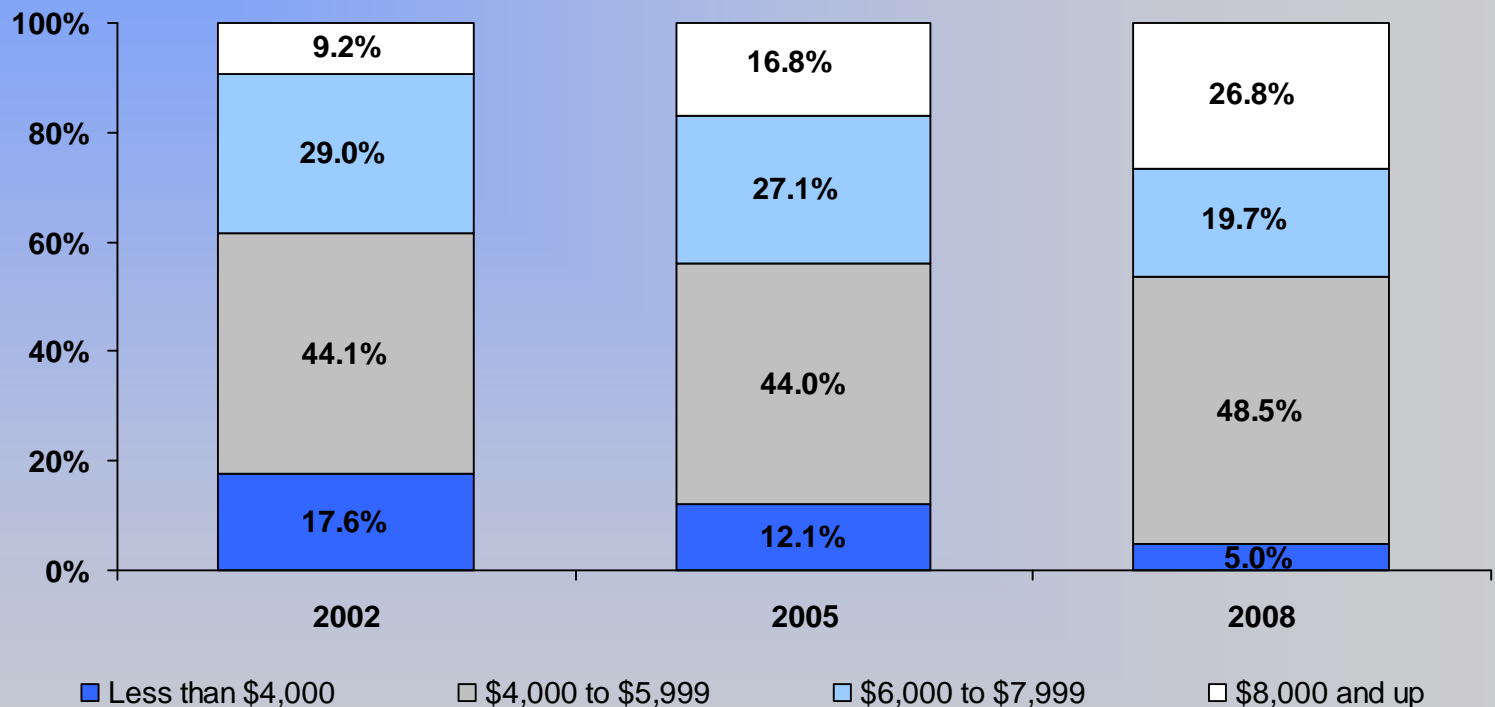
Per Person Out-of-Pocket Limits in the Individual Market, 2002 to 2008 (by share of total enrollment)



Source: MDH, Health Economics Program

Median calculation and distribution excludes enrollees with no out-of-pocket limit. Out-of-pocket limit applies to covered services only.

Family Level Out-of-Pocket Limits in the Individual Market, 2002 to 2008 (by share of total enrollment)



Source: MDH, Health Economics Program

Median calculation and distribution excludes enrollees with no out-of-pocket limit. Out-of-pocket limit applies to covered services only.

Prescription Drug Benefits in the Individual Market, 2002 to 2008

(by share of total enrollment)

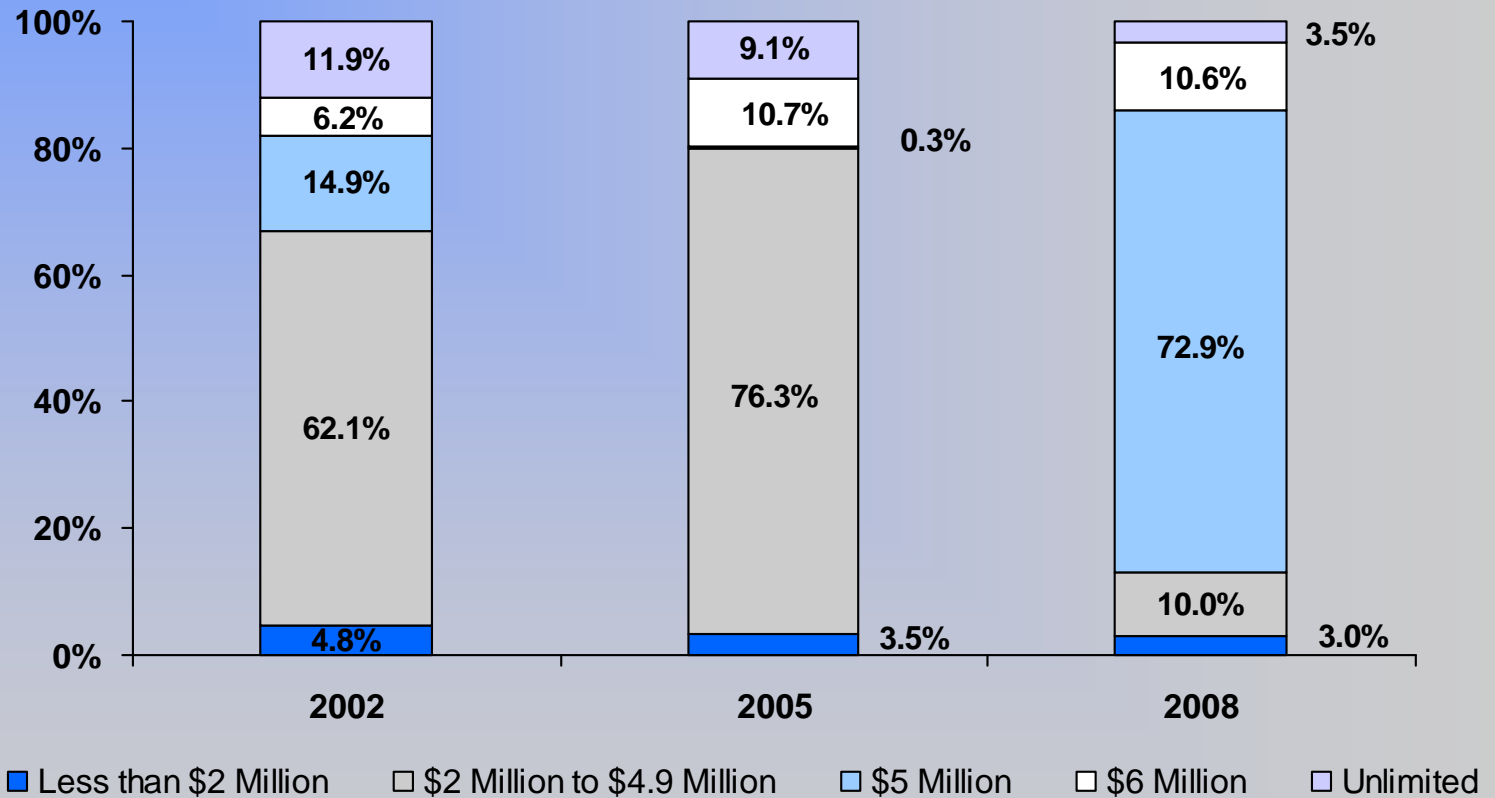
| | 2002 | 2005 | 2008 |
|--|--------------------|--------------------|--------------------|
| Prescription Drug Benefits Included | 96.6% | 97.4% | 98.9% |
| Coinsurance | 55.3% | 50.3% | 36.0% |
| Copayment | 14.6% | 11.5% | 9.9% |
| Rx Deductible with Copayment | 19.9% | 10.9% | 1.9% |
| 100% Coverage After Policy Deductible | 3.9% | 23.2% | 39.4% |
| Fixed Amount of Coverage | 2.3% | 1.2% | 0.8% |
| No Prescription Drug Benefits | <u>3.4%</u> | <u>2.6%</u> | <u>1.1%</u> |
| | 100.0% | 100.0% | 100.0% |

Prescription Drug Out-of-Pocket Limits in the Individual Market, 2002 to 2008 (by share of total enrollment)

| | 2002 | 2005 | 2008 |
|-----------------------|--------------|--------------|--------------|
| Separate Rx Limit | 1.6% | 2.2% | 3.9% |
| No Separate Rx Limit* | <u>98.4%</u> | <u>97.8%</u> | <u>96.1%</u> |
| | 100.0% | 100.0% | 100.0% |

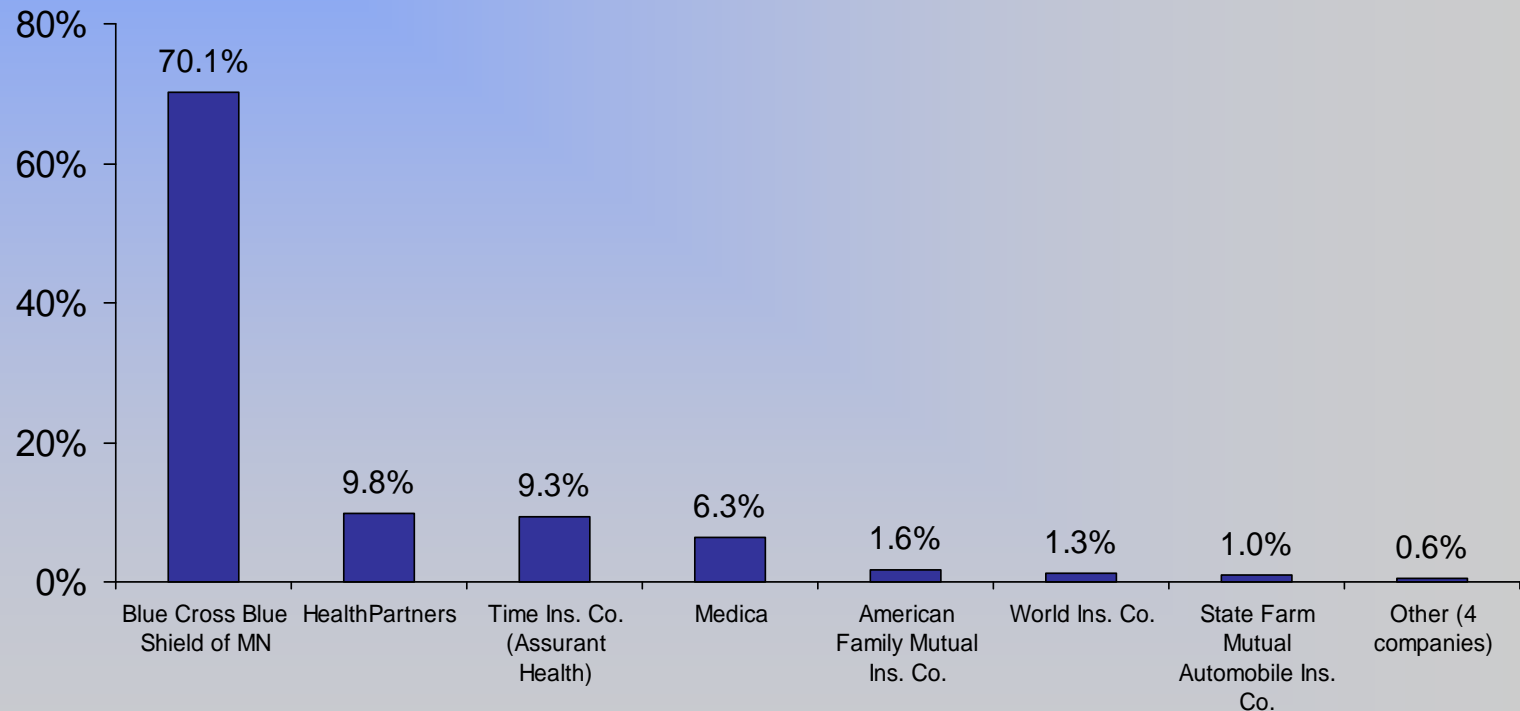
Lifetime Limit on Benefits in the Individual Market, 2002 to 2008

(by share of total enrollment)

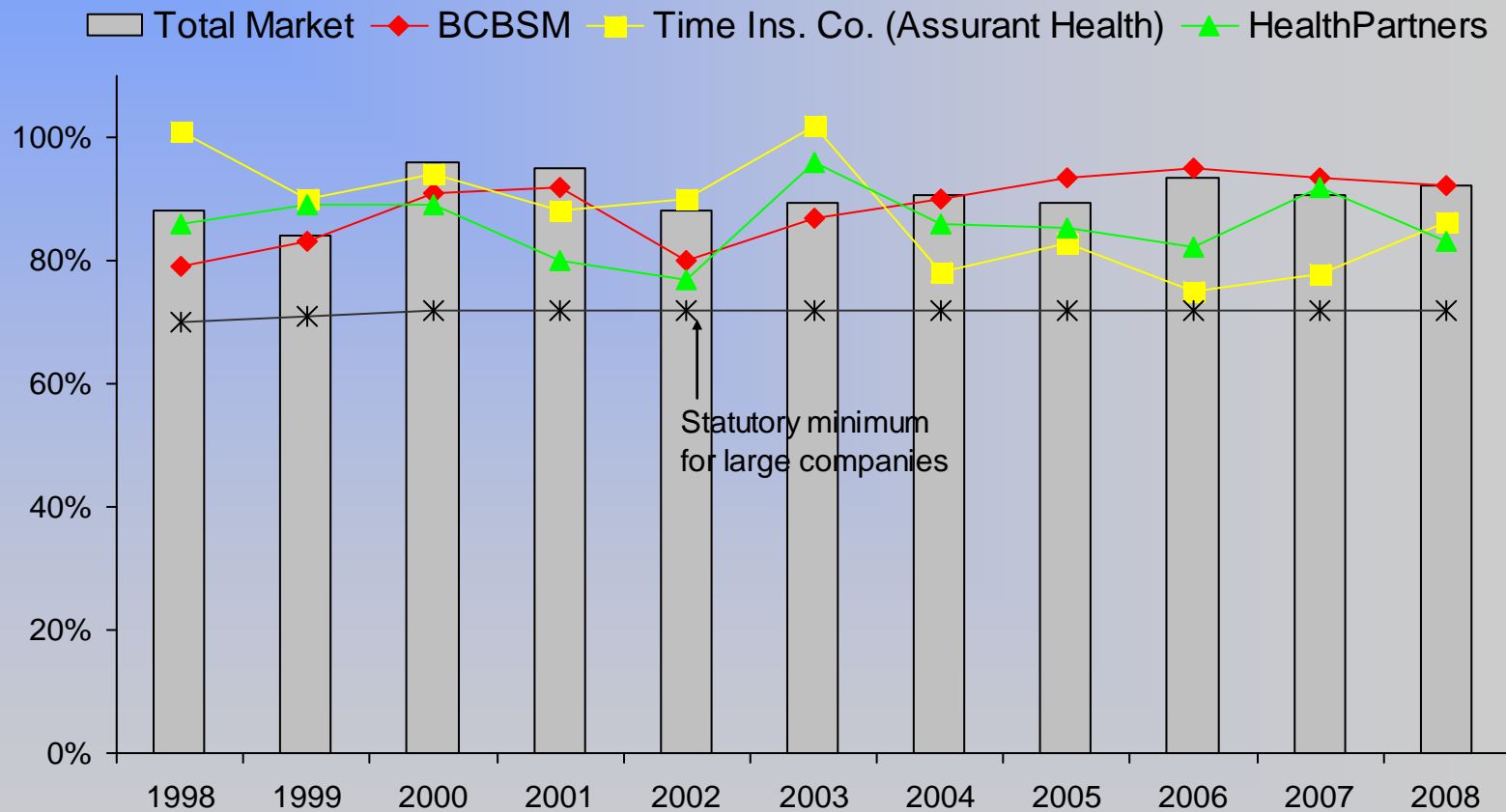


Health Plan Market Shares: Individual Market, 2008

Total Premium Volume in 2008: \$595 Million



Loss Ratio Experience in the Individual Market, 1998 to 2008



Note: Companies with common ownership have been combined for purposes of this analysis.

Source: Minnesota Department of Commerce, "Report of 2008 Loss Ratio Experience in the Individual and Small Employer Health Plan Markets for: Insurance Companies, Nonprofit Health Service Plan Corporations, and Health Maintenance Organizations," August 2009.