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United States General Accounting Office
Washington, DC 20548

March 25, 2002

The Honorable Christopher “Kit” Bond
Ranking Minority Member
Committee on Small Business
and Entrepreneurship
United States Senate

Subject: *Private Health Insurance: Number and Market Share of Carriers in the Small Group Health Insurance Market*

Dear Senator Bond:

As a follow-up to our recent report to you on the small group health insurance market,¹ you requested additional information on each state and the District of Columbia. Specifically, you asked us to identify—for each state—the number of carriers² licensed in the small group market, the largest carriers, and their market share.

To obtain this information, we sent an electronic survey to the office responsible for regulating insurance and/or health plans in all 50 states and the District of Columbia (hereafter referred to as a state). We followed up with nonresponding states by e-mail and by telephone and received responses from 48 states. However, not all 48 states had the information needed to answer all of the questions. For example, 37 states reported the largest carrier and 34 states provided market share data. Also, the responding states varied in how they defined the size of a small group. Most—33—defined a small group as 2 to 50 employees, 11 defined a small group as 1 to 50 employees, and 4 had some other definition.³ We did not verify the information provided by the states. We performed our work in February and March 2002 in accordance with generally accepted government auditing standards.

¹U.S. General Accounting Office, *Private Health Insurance: Small Employers Continue to Face Challenges in Providing Coverage*, GAO-02-8 (Washington, D.C.: Oct. 31, 2001).

²A carrier is generally an entity (either an insurer or managed health care plan) that bears the risk for and administers a range of health benefit offerings.

³Arkansas defined a small group as 1 to 25 employees, Missouri as 3 to 25 employees, and New Hampshire as 1 to 100 employees. Hawaii does not separately define small groups for the purpose of health insurance.

In summary:

- The median number of licensed carriers in the small group market per state was 28, with a range from 4 in Hawaii to 77 in Indiana.
- The median market share of the largest carrier was about 33 percent, with a range from about 14 percent in Texas to about 89 percent in North Dakota.
- The five largest carriers, when combined, represented three-quarters or more of the market in 19 of the 34 states supplying information, and they represented more than 90 percent in 7 of these states.
- Twenty-five of 37 states supplying information identified a Blue Cross and Blue Shield (BCBS) carrier as the largest carrier offering health insurance in the small group market, and in all but one of the remaining 12 states, a BCBS carrier was among the five largest.
- The median market share of all the BCBS carriers in the 34 states supplying information was about 34 percent, with a range from about 3 percent in Vermont to about 89 percent in North Dakota; in 9 of these states BCBS carriers combined for half or more of the market.

The enclosure summarizes by state the number of licensed carriers, the largest carrier and its market share, and the market share of the five largest carriers in the small group market. In addition, the enclosure shows the rank of the largest BCBS carrier and the combined market share of all BCBS carriers.

As agreed with your office, unless you publicly announce its contents earlier, we will not distribute this letter until 30 days after its date. Then we will make copies available upon request. This letter will also be available on GAO's home page at <http://www.gao.gov>. Please call me at (202) 512-7118 or John Dicken at (202) 512-7043 if you have any questions. Major contributors to this correspondence include N. Rotimi Adebajo and Joseph Petko.

Sincerely yours,



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Enclosure

Table 1: Number of Carriers, Largest Carrier, and Market Share Data for Small Group Health Insurance Carriers, by State

| State | Number of licensed carriers | Largest carrier | Market share of largest carrier (percent) | Market share of five largest carriers (percent) | Rank of largest BCBS carrier | Market share of all BCBS carrier(s) (percent) |
|-----------------------------------|-----------------------------|--|---|---|------------------------------|---|
| Alabama | 10 | BCBS of AL | 87.4 | 93.8 | 1 | 87.4 |
| Alaska | 9 | Premera Blue Cross | 51.9 | 81.5 | 1 | 51.9 |
| Arizona | 53 | United Healthcare of AZ, Inc. | 24.5 | 66.9 | 2 | 20.8 |
| California ^a | 14 ^b | Blue Cross of California ^b | NA | NA | 1 ^b | NA |
| Colorado | 44 | Employers Health | 15.6 | 57.9 | 9 | 5.3 |
| Connecticut ^c | 47 | Anthem BCBS of CT, Inc. | 33.1 | 97.9 | 1 | 33.1 |
| Delaware ^a | 17 | NA | NA | NA | NA | NA |
| District of Columbia ^a | 9 | NA | NA | NA | NA | NA |
| Florida | 26 | United Healthcare of FL, Inc. | 21.6 | 64.6 | 2 | 26.9 |
| Georgia | ^d | BCBS Health Care Plan of GA ^d | 19.7 ^d | 47.3 ^d | 1 ^d | 28.3 ^d |
| Hawaii ^a | 4 | NA | NA | NA | NA | NA |
| Idaho ^a | 15 | Regence Blue Shield | 44.4 | 92.7 | 1 | 81.9 |
| Illinois | 36 | NA | NA | NA | NA | NA |
| Indiana | 77 | Anthem Insurance Company | 18.5 | 51.1 | 1 | 18.5 |
| Iowa | 54 | Wellmark, Inc. ^e | 46.5 ^e | 76.7 ^e | 1 ^e | 52.8 ^e |
| Kansas ^a | 35 | BCBS of KS, Inc. ^f | NA | NA | 1 ^f | NA |
| Kentucky | 10 | Anthem | 43.7 | 89.2 | 1 | 43.7 |
| Maine | 13 | Aetna US Healthcare | 45.6 | 90.9 | 2 | 39.1 |
| Maryland | 18 | CareFirst, Inc. | 48.2 | 95.3 | 1 | 48.2 |
| Massachusetts | 24 | HMO Blue | 30.6 | 79.0 | 1 | 37.1 |
| Michigan ^g | 64 | BCBS of MI | 63.2 | 84.8 | 1 | 79.1 |
| Minnesota | 20 | BCBSM, Inc. ^h | 42.0 ^h | 87.7 ^h | 1 ^h | 49.6 ^h |
| Missouri ^a | 47 | Healthy Alliance Life Ins. Company | 18.9 | 51.8 | 1 | 32.2 |
| Montana | ⁱ | BCBS of MT | 40.8 | 78.0 | 1 | 40.8 |
| Nebraska ^a | 30 | NA | NA | NA | NA | NA |
| New Hampshire ^a | 9 | Healthsource NH | 40.0 | 75.2 ^j | 2 | 35.2 |
| New Jersey ^k | 22 | Horizon BCBS of NJ | 30.1 | 84.4 | 1 | 46.0 |
| New York | 34 ^l | Oxford ^m | 18.5 ^m | 57.2 ^m | 2 ^m | 26.5 ^m |
| North Carolina | 37 | BCBS of NC | 26.6 | 67.5 | 1 | 26.6 |
| North Dakota | 12 | Noridian/BCBS | 88.8 | 95.7 | 1 | 88.8 |
| Ohio ^c | 70 | Anthem BCBS | 32.6 | 66.4 | 1 | 32.6 |
| Oklahoma ^a | 64 | Group Health Services of OK ^l | NA | NA | 1 ^l | NA |
| Oregon ^a | 13 | Lifewise, A Premera Health Plan | 22.7 | 73.7 | 3 | 23.1 |
| South Carolina | 54 | PHP | 31.4 | 72.8 | 2 | 25.4 |
| South Dakota ^a | 15 | Wellmark BCBS of SD | 28.6 | 60.3 | 1 | 28.6 |
| Tennessee | 59 | BCBS of TN ⁿ | 54.7 ⁿ | 81.1 ⁿ | 1 ⁿ | 61.4 ⁿ |

| State | Number of licensed carriers | Largest carrier | Market share of largest carrier (percent) | Market share of five largest carriers (percent) | Rank of largest BCBS carrier | Market share of all BCBS carrier(s) (percent) |
|-------------------------|-----------------------------|--------------------------------------|---|---|------------------------------|---|
| Texas | 59 ^a | Employers Health Insurance Company | 13.9 | 36.1 | 2 | 6.9 |
| Utah | 44 | IHC Health Plans, Inc. | 29.1 | 83.5 | 2 | 22.7 |
| Vermont | 6 | MVP Health Plan | 45.8 | 98.6 | 5 | 2.6 |
| Virginia ^o | 56 | NA | NA | NA | NA | NA |
| Washington ^p | ^q | Premera Blue Cross | 40.5 | 86.5 | 1 | 78.8 |
| Wisconsin | 64 | United Healthcare of WI ⁿ | 16.1 ^h | 45.4 ^h | 2 ^h | 9.1 ^h |
| Wyoming | 14 | BCBS of WY ⁿ | 38.5 ⁿ | 55.1 ⁿ | 1 ⁿ | 38.5 ⁿ |

NA = not available.

Notes: Reported data are for December 2000 unless otherwise noted.

Ranking and market share data are based on the number of covered lives unless otherwise noted.

Three states did not respond to the survey: Nevada, New Mexico, and Rhode Island. In addition, five states responded but did not provide data on small group carriers or on market share: Arkansas, Louisiana, Mississippi, Pennsylvania, and West Virginia.

^aData are for December 2001.

^bData only include carriers regulated by the California Department of Managed Health Care.

^cData are for December 1999.

^dGeorgia reported that there are no standard reporting sources on the number of carriers and the total number of covered lives in the small group market, but estimated the number of carriers at about 100 and estimated the total number of covered lives to be 500,000. We used the estimated number of covered lives to calculate rankings and market share.

^eRanking and market share calculation are based on the number of covered small employer groups.

^fRanking is based on gross premiums.

^gData are for March 2001.

^hRanking and market share calculation are based on gross premiums.

ⁱA Montana official estimated 10 or fewer carriers had plans that were approved for the small group market.

^jNew Hampshire did not report data for the five largest carriers. Market share calculation is based on the data reported for the two largest carriers.

^kData are for September 2001.

^lData are for January 2002.

^mData are for January 2001.

ⁿRanking and market share calculation are based on the number of covered employees.

^oData are for November 2001.

^pData are for various time periods in 2000 and 2001.

^qWashington reported that 16 state-based carriers and an unknown number of out-of-state carriers offer health insurance in the small group market.

Source: GAO survey of state insurance regulators.

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