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February 27, 2009

The Honorable Olympia J. Snowe
Ranking Member
Committee on Small Business and Entrepreneurship
United States Senate

The Honorable Christopher S. Bond
United States Senate

The Honorable Richard J. Durbin
United States Senate

The Honorable Blanche L. Lincoln
United States Senate

Subject: *Private Health Insurance: 2008 Survey Results on Number and Market Share of Carriers in the Small Group Health Insurance Market*

As a follow-up to our 2005 and 2002 reports on the competitiveness of the small group health insurance market, you requested updated information on each state and the District of Columbia.¹ Specifically, this report provides information from states and the District of Columbia (hereafter referred to as a state) on the number of carriers licensed in the small group market, the largest carriers, and their market share.²

To obtain this information, we sent an electronic survey to the office responsible for regulating insurance, health plans, or both in all 51 states. After following up with nonresponding states by e-mail and telephone, all but 1 state completed the survey. Of the 50 states that responded, however, 3 were unable to provide the requested information on small group carriers and their market share. For the remaining 47 states, not all had the information needed to answer all of the questions. For example, 44 states reported the largest carrier and 39 states provided market share data. Also, the 47 states varied in how they defined the size of a small group. Most—33—defined a small group as 2 to 50 employees; 12 defined a small group as 1 to 50 employees; and 2 had another definition. Finally, states generally reported information as of December 2007, though 6 states were able to provide 2008 numbers, and 3 states were limited to data from 2006. We did not independently validate

¹GAO, *Private Health Insurance: Number and Market Share of Carriers in the Small Group Health Insurance Market in 2004*, [GAO-06-155R](#) (Washington, D.C.: Oct. 13, 2005); and GAO, *Private Health Insurance: Number and Market Share of Carriers in the Small Group Health Insurance Market*, [GAO-02-536R](#) (Washington, D.C.: Mar. 25, 2002).

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.

the information provided by the states. However, in the survey, we asked states to describe the source of the information reported and provide clarifying information about the numbers reported. As a result of this information, we excluded some states' responses from certain market share analysis, e.g., if the state had no way of separating data on small group health insurance from data on all group health insurance. We performed our work from December 2008 through February 2009 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions. Because we did not evaluate the policies or operations of any federal agency to develop the information presented in this report, we did not seek comments from any agency.

The following summarizes the findings from our 2008 survey:

- The median number of licensed carriers in the small group market per state was 27.
- The median market share of the largest carrier in the small group market was about 47 percent, with a range from about 21 percent in Arizona to about 96 percent in Alabama. In 31 of the 39 states supplying market share information, the top carrier had a market share of a third or more.
- The five largest carriers in the small group market, when combined, represented three-quarters or more of the market in 34 of the 39 states supplying this information, and they represented 90 percent or more in 23 of these states.
- Thirty-six of the 44 states supplying information on the top carrier identified a Blue Cross and Blue Shield (BCBS) carrier as the largest carrier, and in all but 1 of the remaining 8 states, a BCBS carrier was among the five largest carriers.
- The median market share of all the BCBS carriers in the 38 states supplying this information was about 51 percent, with a range of less than 5 percent in Vermont and Wisconsin and more than 90 percent in Alabama and North Dakota.

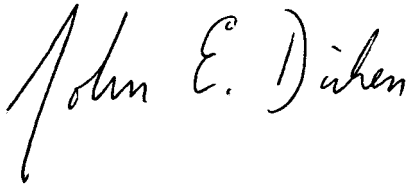
In comparing what states reported in 2008 to what they previously reported to GAO in 2005 and 2002, we found:

- The median market share of the largest small group carrier has increased to about 47 percent in 2008 from the 43 percent reported in 2005 and the 33 percent reported in 2002. Twenty-four of the 29 states providing information in both 2002 and 2008 saw increases in the market share of the top carrier that ranged from about 2 to 39 percentage points. In contrast, the top carriers in 5 states lost market share with decreases ranging from about 1 to 16 percentage points.
- The number of states with a combined market share of the five largest carriers of 75 percent or more has also increased since our 2002 survey. The combined market share of the five largest small group carriers represented three-quarters or more of the market in 34 of 39 states, compared to 26 of 34 states reported in 2005 and 19 of 34 states reported in 2002.

- Finally, the median market share of all the BCBS carriers in 38 states reporting this information in 2008 was about 51 percent, compared to the 44 percent reported in 2005 and the 34 percent reported in 2002 for the 34 states supplying information in each of these years.

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 arranged with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution of it until 30 days after its issue date. Copies will then be sent to other interested parties. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Please call me at (202) 512-7114 if you have any questions. Major contributors to this report were Kristi Peterson, Assistant Director; Susan Barnidge; Grace Materon; and Nelson Olhero.



John E. Dicken
Director, Health Care

Enclosure

Table 1: Results of 2008 Survey on Number of Carriers, Largest Carrier, and Market Share Data for Small Group Health Insurance Carriers, as reported by 47 states

State	Number of licensed carriers	Largest carrier	Market share of largest carrier (percentage)	Market share of five largest carriers (percentage)	Rank of largest BCBS carrier	Market share of all BCBS carriers (percentage)
Alabama ^a	7	Blue Cross Blue Shield of Alabama	96	100	1	96
Alaska	11	Premera Blue Cross	77	94	1	77
Arizona	32 ^b	Pacificare Life Assurance Company	21	73	2	21
California	28 ^c	Kaiser Foundation Health Plan, Inc. ^d	37 ^d	96 ^d	2 ^d	41 ^d
Colorado	21	Kaiser Permanente	23	79	3	20
Connecticut	33 ^e	Anthem Health Plans, Inc. ^f	46 ^f	93 ^f	1 ^f	46 ^f
Delaware ^a	14	Blue Cross Blue Shield of Delaware	58	95	1	58
District of Columbia	14	Group Hospitalization & Medical Services, Inc.	NA	NA	1	NA
Florida	27	Blue Cross & Blue Shield of Florida, Inc.	30	87	1	34
Georgia	211	Blue Cross Blue Shield Healthcare Plan of Georgia	NA	NA	1	NA
Hawaii	7	HMSA	NA	NA	1	NA
Idaho	18	Regence Blue Shield of Idaho	49	98	1	90
Illinois	53	Health Care Service Corporation ^f	51 ^f	82 ^f	1 ^f	51 ^f
Indiana	328	NA	NA	NA	NA	NA
Iowa ^a	28	Wellmark, Inc.	60	90	1	60
Kansas	22	Blue Cross & Blue Shield of Kansas, Inc.	NA	NA	1	NA
Kentucky ^a	13	Anthem Health Plans of KY	47	96	1	47
Louisiana ^a	403 ^g	Louisiana Health Service & Indemnity Co. ^f	53 ^f	87 ^f	1 ^f	53 ^f
Maine	8	Anthem BC/BS	56	96	1	56
Maryland	16	CareFirst BlueChoice, Inc.	51	90	1	71
Massachusetts	28	Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc.	44	88	1	52

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State	Number of licensed carriers	Largest carrier	Market share of largest carrier (percentage)	Market share of five largest carriers (percentage)	Rank of largest BCBS carrier	Market share of all BCBS carriers (percentage)
Michigan	49	Blue Cross Blue Shield of Michigan	47	77	1	58
Minnesota	17	Blue Cross and Blue Shield of Minnesota	42	95	1	42
Missouri	50	Health Alliance Life Ins. Co.	30	73	3	17
Montana	13	Blue Cross Blue Shield of Montana	38	91	1	38
Nebraska	58	BlueCross/BlueShield of Nebraska	NA	NA	1	NA
Nevada	28	Health Plan of Nevada	NA	NA	In top 5	NA
New Hampshire	10	Anthem-NH	50	99	1	50
New Jersey	13	Horizon Health Care Services Inc.	28	86	1	46
New York ^a	31	Oxford Health Insurance and Oxford Health Plans, Inc.	26	74	2	42
North Carolina	27	Blue Cross Blue Shield of North Carolina	65	94	1	65
North Dakota	10	Noridian Mutual Insurance Company dba BlueCrossBlueShield of North Dakota	91	99	1	91
Ohio	180 ^h	Anthem Insurance Group	35	85	1	35
Oklahoma	25	Healthcare Services Corp., BC/BS of Oklahoma	51	82	1	53
Oregon ^a	15	Regence Blue Cross Blue Shield	44	79	1	51
Rhode Island	4	Blue Cross & Blue Shield of Rhode Island	84	100	1	84
South Carolina	27	Blue Cross Blue Shield of SC	47	93	1	56
South Dakota ^a	15	Wellmark Blue Cross Blue Shield of SD	62	94	1	62
Tennessee	33	Blue Cross Blue Shield of Tennessee	68	94	1	68
Texas	46	Blue Cross & Blue Shield of Texas	27	68	1	28
Utah	31	NA	39	97	NA	NA

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State	Number of licensed carriers	Largest carrier	Market share of largest carrier (percentage)	Market share of five largest carriers (percentage)	Rank of largest BCBS carrier	Market share of all BCBS carriers (percentage)
Vermont	5	MVP Health Plan, Inc.	45	100	5	1
Virginia	36	NA	NA	NA	NA	NA
Washington ⁱ	10	Regence BlueShield	45	94	1	79
West Virginia	27 ^j	Mountain State BlueCross BlueShield (Highmark)	52	86	1	52
Wisconsin	41	United HealthCare Insurance Co.	32	56	Not in top 5	4
Wyoming	12	Blue Cross Blue Shield of Wyoming ^k	51 ^k	94 ^k	1 ^k	51 ^k

Source: GAO 2008 survey of state insurance regulators.

Legend: NA = Not available.

Notes: Reported data are for December 2007 unless otherwise noted.

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

One state did not respond to the survey: Mississippi. In addition, 3 states responding to the survey were unable to provide data on small group carriers and on market share: Arkansas, New Mexico, and Pennsylvania.

ⁱData are as of the following dates: Delaware, December 2008; Alabama, New York, Oregon, South Dakota, and Virginia, June 2008; and Iowa, Kentucky, and Louisiana, December, 2006.

^jArizona's data are limited to licensed carriers that had more than \$100,000 in annual premiums.

^kNumber represents licensed insurers and licensed managed care plans.

^lData reported represent managed health care plans only. California does not have market share data for insurance companies selling small group health insurance.

^mState clarified that though 33 carriers were licensed, only 19 carriers were marketing small group products.

ⁿRanking and market share data for these states are based on gross premiums.

^oState clarified that though 403 carriers were licensed to sell small group health insurance, only 28 carriers collected premiums in 2006.

^pState clarified that though 180 carriers were licensed to sell small group health insurance, 27 carriers were collecting premiums and/or marketing small group products.

^qData do not include disability carriers renewing or issuing small group plans. The state, however, reported that the market share of disability carriers is not significant.

^rState clarified that of the 27 licensed carriers, 25 were renewing existing small group policies and 23 were selling new small group policies.

^sRanking and market share data are based on number of covered employees.

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