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California's Individual and Small Group Markets on the Eve of Reform

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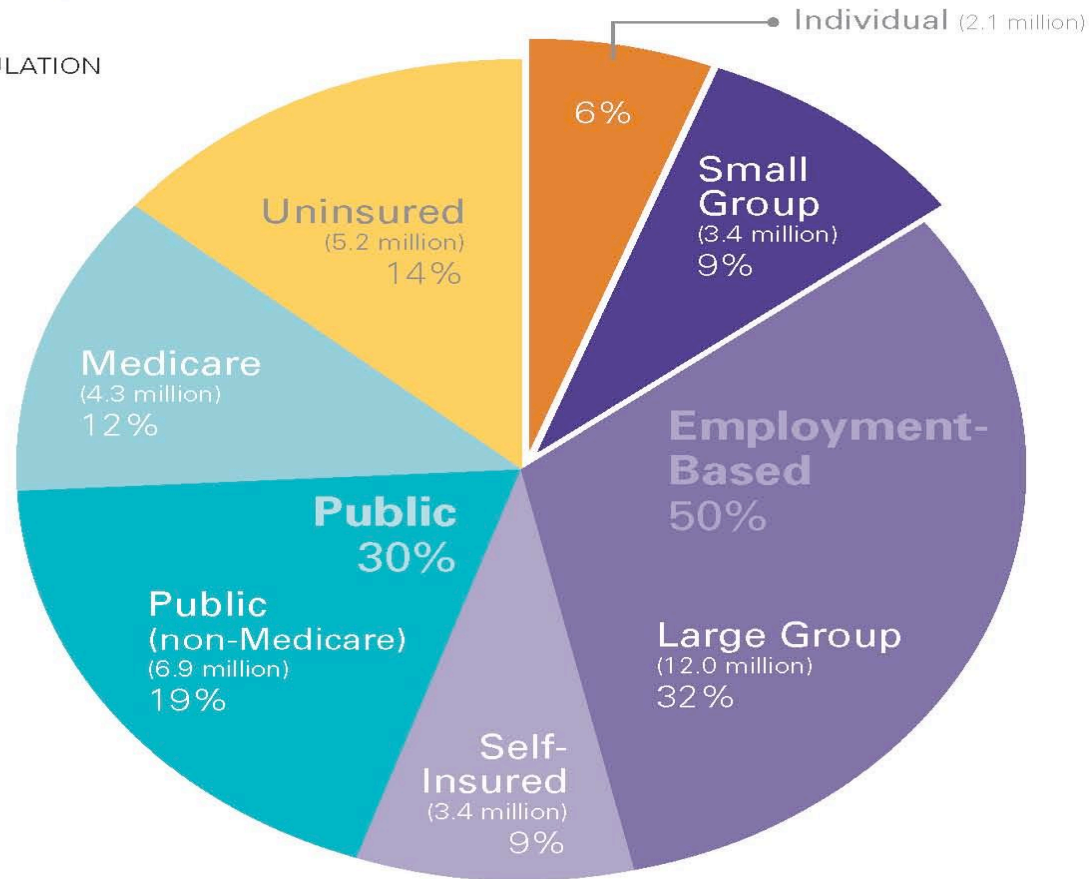
May 11, 2011



Market Overview

Sources of Health Insurance Coverage, California, 2011

TOTAL POPULATION
37.9 million



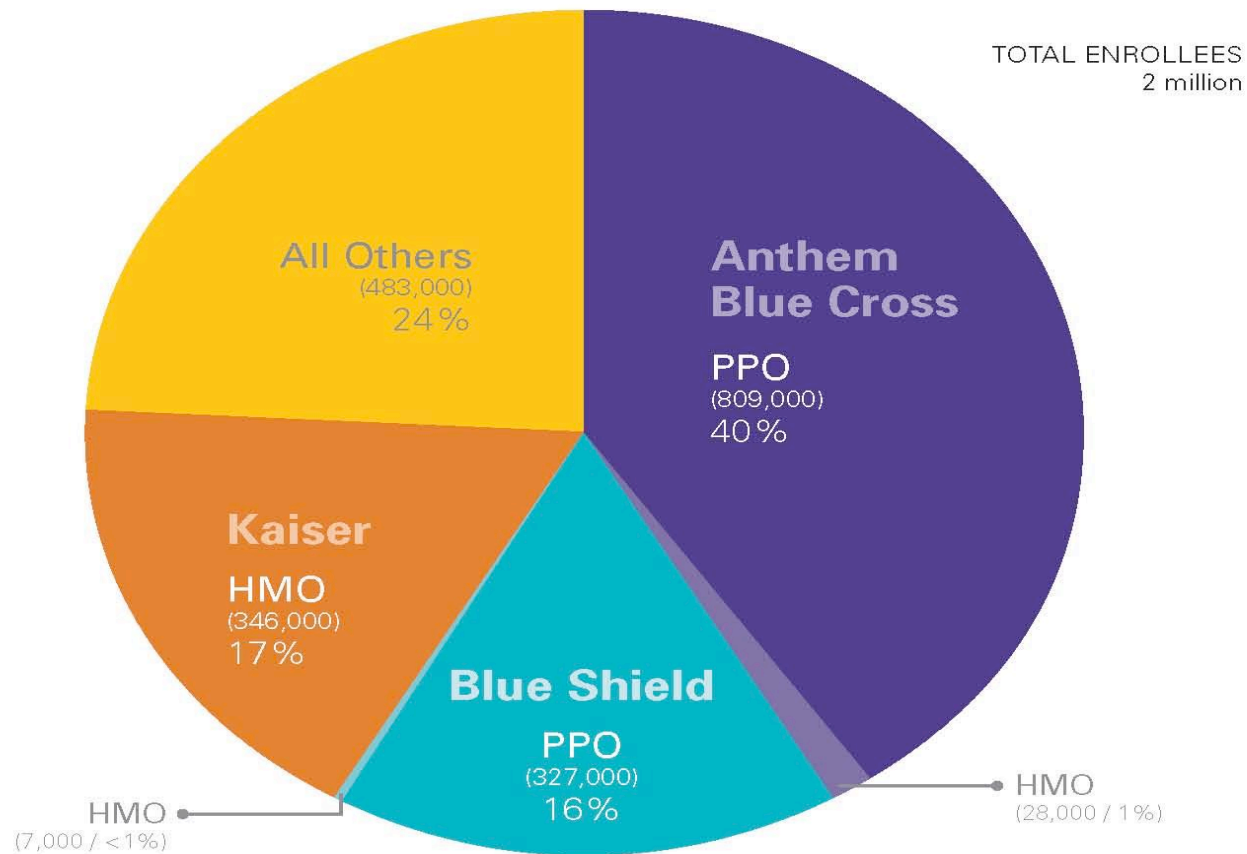
Notes: Small group is defined as employers with 2 to 50 workers. Coverage categories do not overlap. Public (non-Medicare) is computed as a remainder to eliminate double counting among public programs. The Medicare count includes dual-eligibles, those enrolled in both Medi-Cal and Medicare. CalPERS enrollment is included with large group. CHBRP's estimate of the uninsured is based upon the California Health Interview Survey and represents the number of uninsured at a single point in time. Multiple estimates of coverage and the uninsured exist. For a comparison of estimates, see **Appendix A**.

Source: California Health Benefits Review Program, "Estimates of Sources of Health Insurance in California, 2011," www.chbrp.org.

California's Individual Market Today

- Approximately 2 million participants
- No “guaranteed issue”: consumers must pass medical review
- Low participation
- Consumers are highly price-sensitive
- A few carriers dominate the market

Individual Enrollment, by Carrier, California Nonelderly, 2009



Notes: All Others is computed as a remainder based on the estimated size of the individual market. Other carriers participating in the individual market include Aetna, Celtic, CIGNA, and Health Net. Due to rounding, figures may not sum to total.

Source: Department of Managed Health Care, California Department of Insurance.

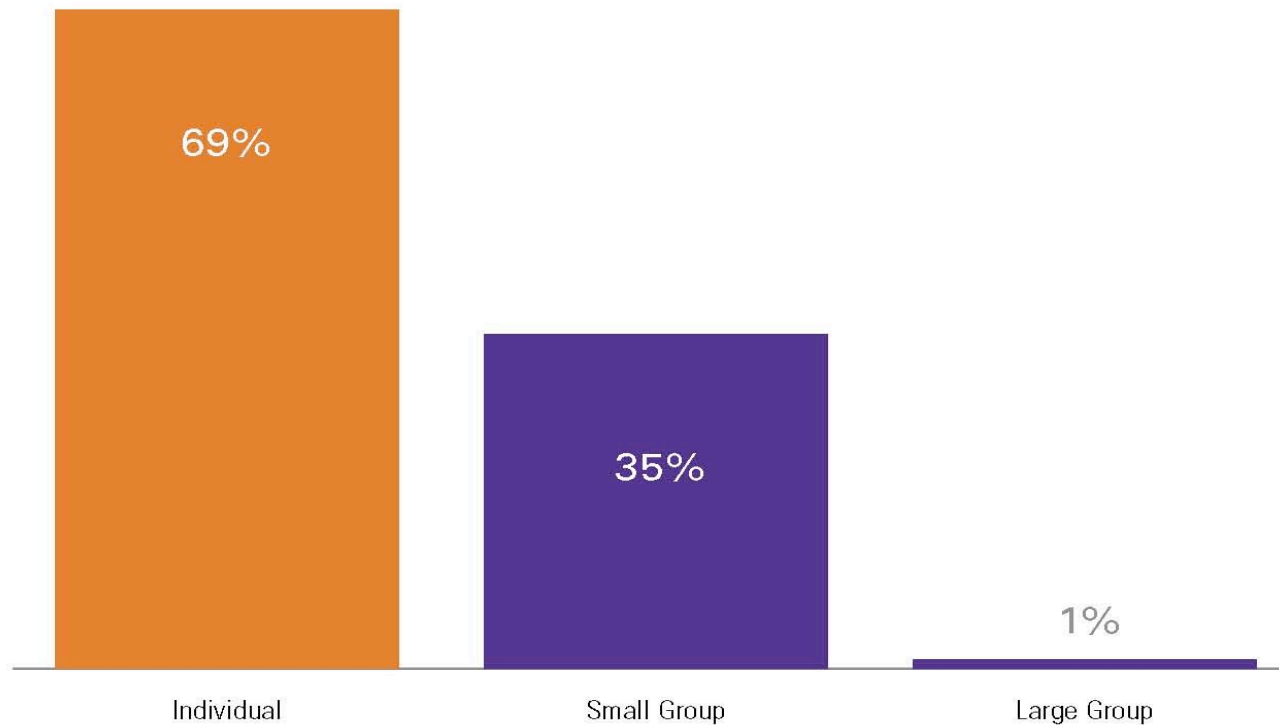
California's Small Group Market Today

- Definition: 2-50 employees
- Approximately 3.4 million participants
- Guaranteed issue
- Employer offer rates are linked to group size
- Employer offer rates and employee participation are linked to worker wages
- Group premiums vary by employees' age and region; employers may pass along these differences to employees
- Insurance carriers may impose participation requirements; small businesses typically offer only one or two carriers



Comprehensiveness of Coverage

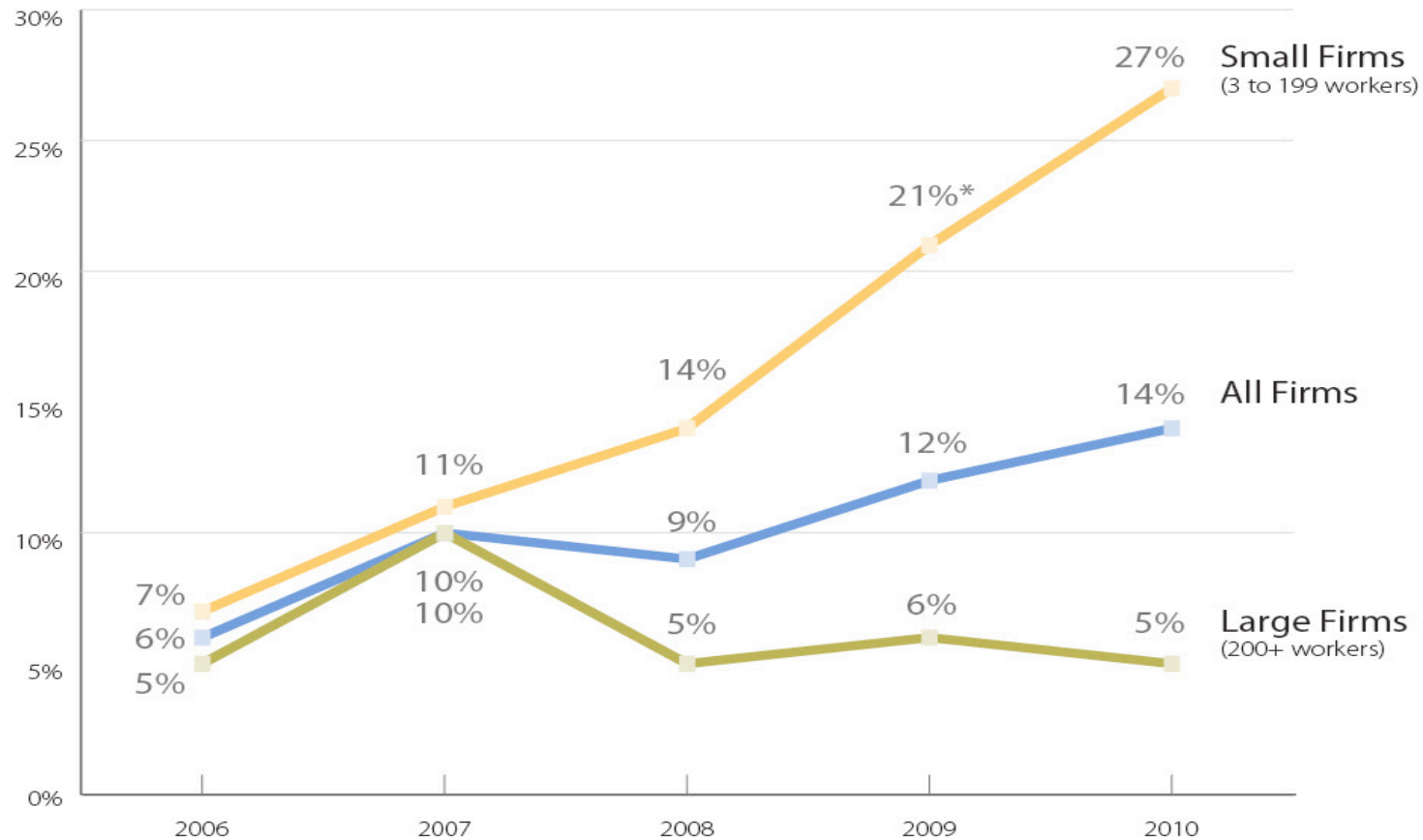
Share of Enrollment in High-Deductible Plans, Individual vs. Group Coverage, California, 2011



Notes: High-Deductible Health Plans, as set forth by the IRS, have a minimum annual deductible of \$1,200 (\$2,400 for families) and a maximum annual out-of-pocket and deductible amount of \$5,950 (\$11,900 for families) for in-network services. Group enrollment figures exclude: PERS enrollment of 1.1 million (of which 830,000 is regulated by DMHC) and enrollment of 3.4 million in employers' self-insured plans. See **Appendix B** for additional details.

Source: California Health Benefits Review Program, "Estimates of Sources of Health Insurance in California, 2011," www.chbrp.org.

Workers with a Large Deductible (\$1,000+), Single Coverage, by Firm Size, California, 2006–2010



*Statistical difference from previous year shown by firm size.

Sources: California HealthCare Foundation (CHCF)/NORC California Employer Health Benefits Survey: 2007–2010. CHCF/HSC California Employer Health Benefits Survey: 2006.

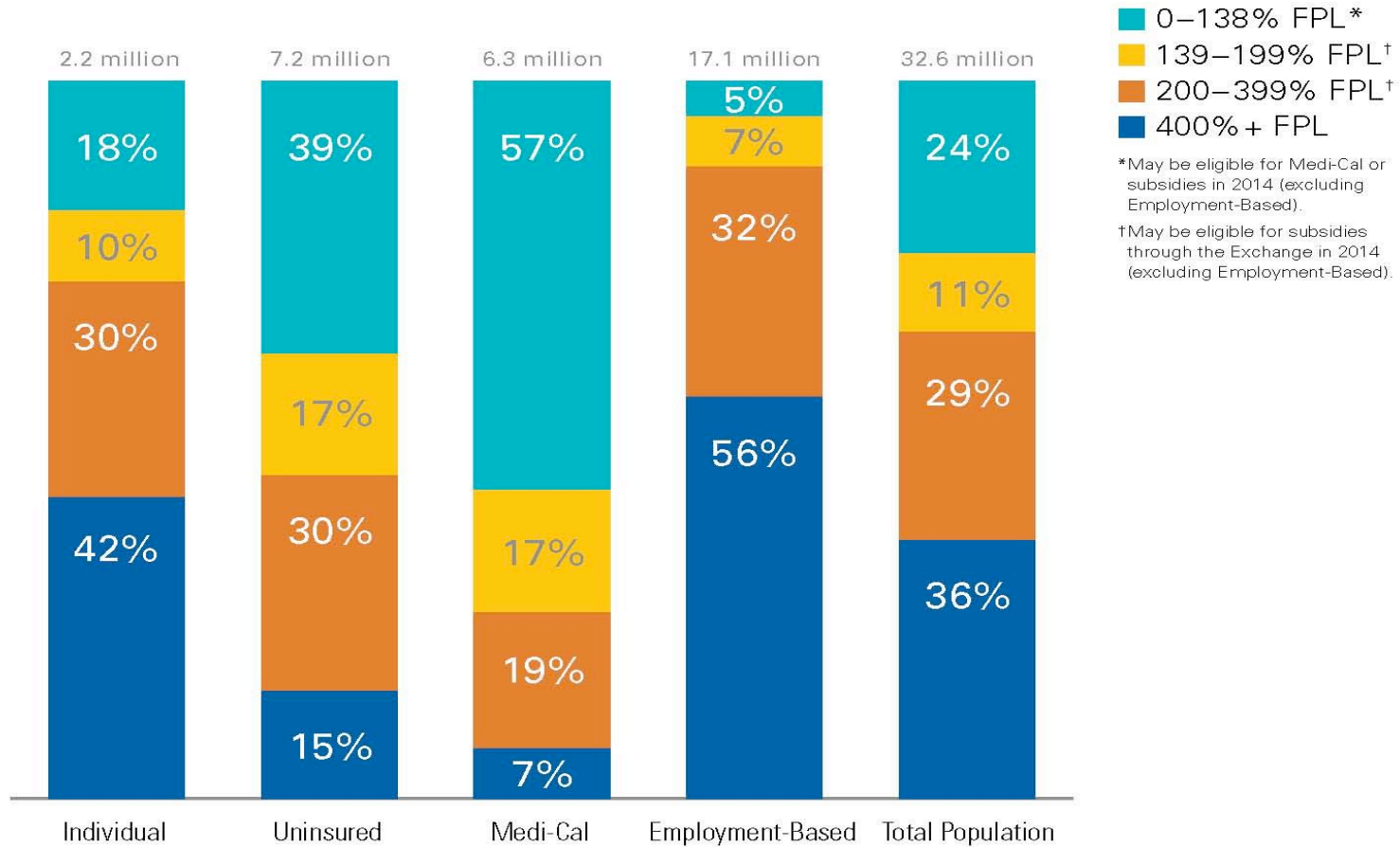
Actuarial Value and Out-of-Pocket Expense, Individual vs. Group Products, Self-Only, California, 2009

	ACTUARIAL VALUE*	EXPECTED OUT-OF-POCKET
Individual	55%	\$2,180
All Group ¹	85%	748
Small Group ²	81%	975
HMO	90%	498
PPO	80%	1,036
High-Deductible Health Plans (without savings options)	70%	1,553



Characteristics of Participants

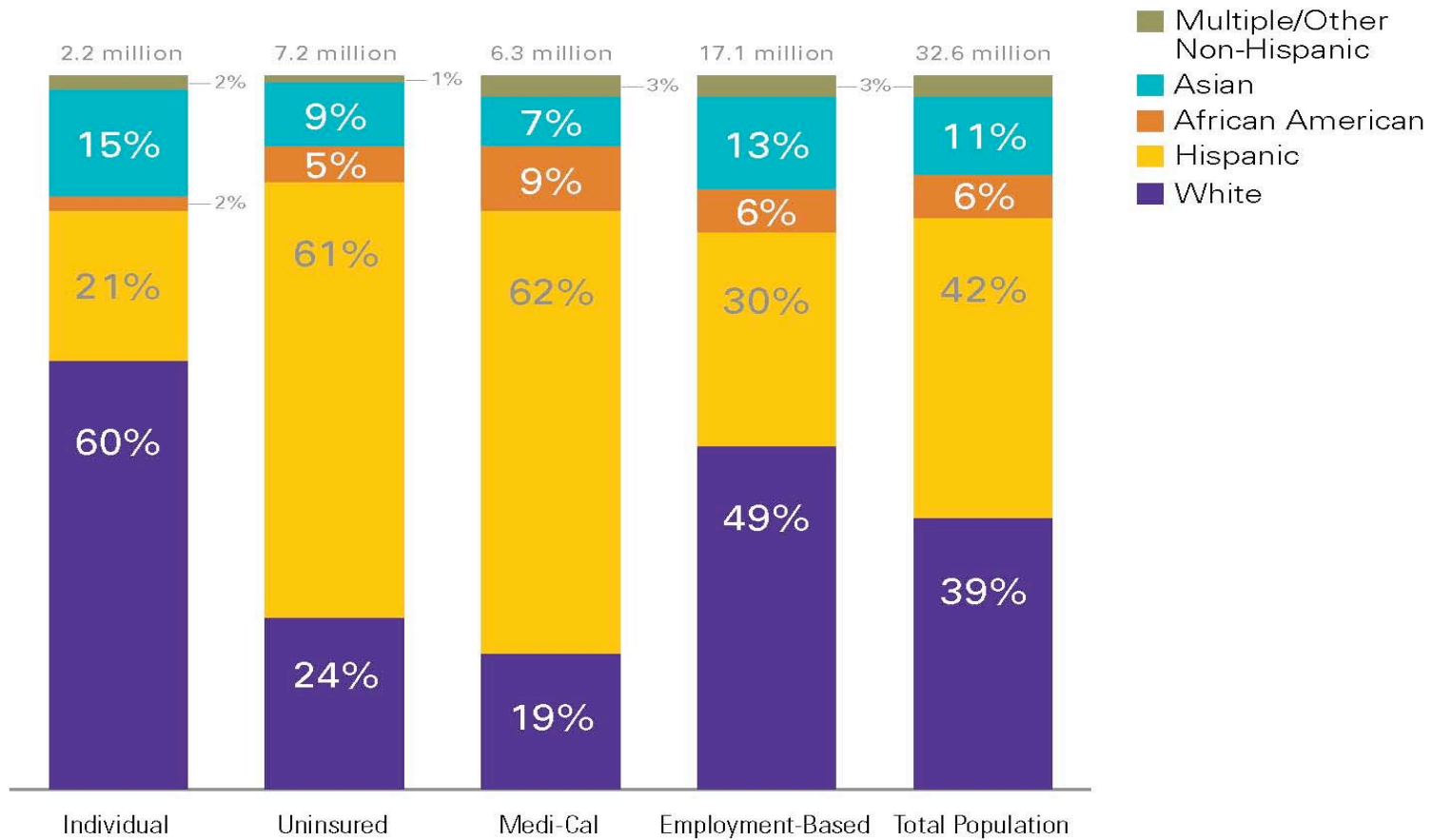
Federal Poverty Levels, by Source of Coverage, California Nonelderly, 2009



In the general and employment-based coverage populations, many who are income eligible would not receive subsidies because their employers cannot participate in the Exchange. Sources of coverage (millions) do not sum to total population as not all sources are shown and more than one source of coverage is possible. Due to rounding, categories may not total 100%. See **Appendix C** for detailed tables on poverty levels and health insurance. See **Appendix D** for tables on FPL thresholds and 2014 sliding scale subsidies in the Exchange for individuals.

Source: U.S. Census, Current Population Survey, 2009, as reported by State Health Access Data Assistance Center (SHADAC).

Race/Ethnicity, by Source of Coverage, California Nonelderly, 2009

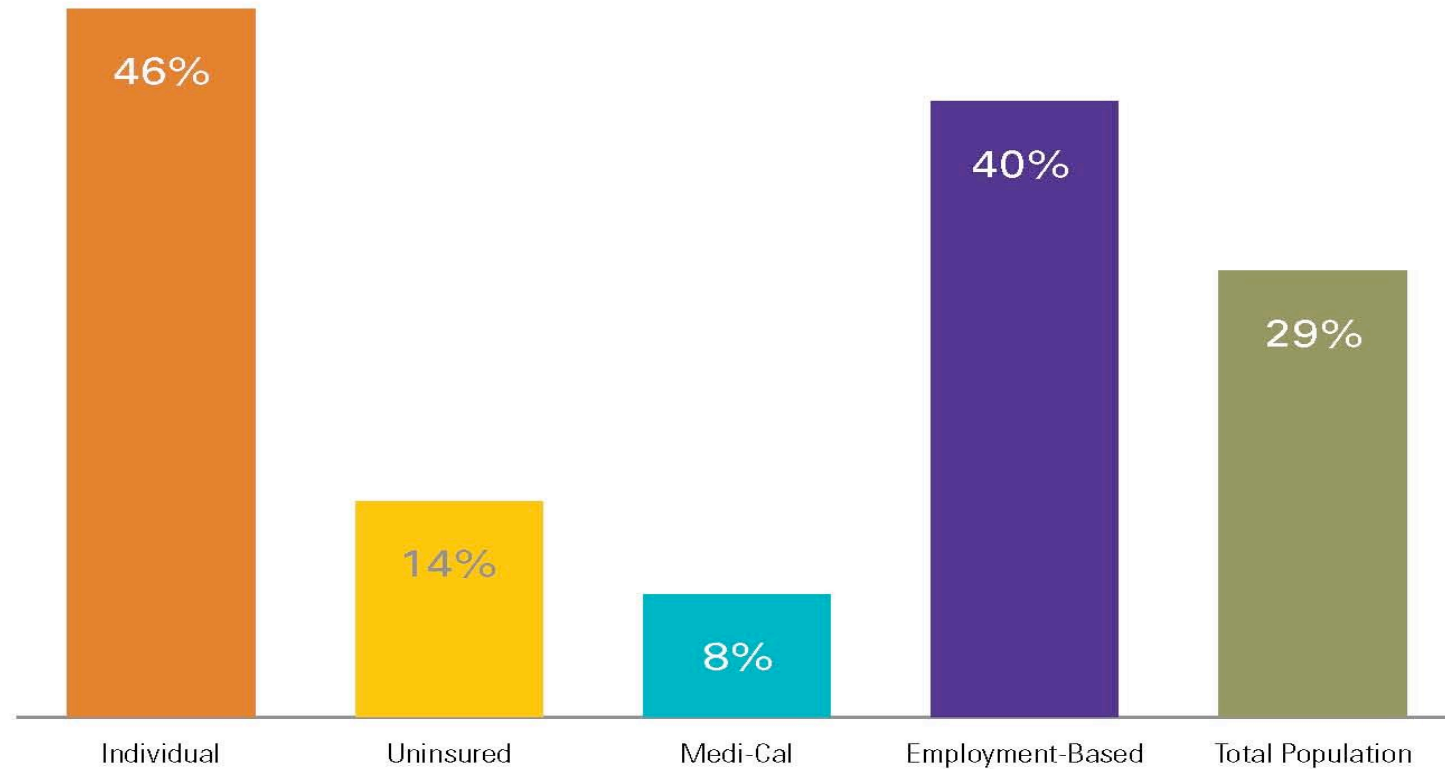


Notes: Sources of coverage (millions) do not sum to population total; not all sources are shown and some people have more than one source of coverage. See Appendix C for additional detail. Due to rounding, some categories may not total 100%.

Source: U.S. Census, Current Population Survey, 2009, as reported by State Health Access Data Assistance Center (SHADAC).

College Educated, by Source of Coverage, California Nonelderly, 2009

SHARE WITH COLLEGE EDUCATION OR MORE



Note: See Appendix C for additional detail.

Source: U.S. Census, Current Population Survey, 2009, as reported by State Health Access Data Assistance Center (SHADAC).

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Looking to the Future

In 2014, under the federal health reform law:

- Individual Market
 - ACA benefit requirements will set a floor that is above some products being sold in California today
 - Guaranteed issue, individual mandate, and premium subsidies will greatly expand participation
 - Age differentials will narrow for many carriers

- Small Group Market
 - New requirements may modestly expand participation
 - Exchange will allow expanded employee-level choice

Potential Shifts in Coverage Under Health Reform, California, 2014 Projection

□ Little Change ▲ Enrollment Gain ▼ Enrollment Loss

		UNDER HEALTH REFORM					
		Exchange	Individual (Outside Exchange)	Uninsured	Medi-Cal	Small Group (Outside Exchange)	Large Group
TODAY	Individual	▲ ▲	▼ ▼		▲ ▲		
	Uninsured	▲ ▲		▼ ▼	▲ ▲		▲
	Medi-Cal						
	Small Group	▲			▲	▼	
	Large Group	▲			▲		



For more information:
www.chcf.org